May 29, 2003

MEMORANDUM OF LEGAL PAPERS

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds
Series 2003 B

The Series 2003 B Bonds are being issued for the purpose of providing funds for school improvements ($128,680,000), transportation improvements and facilities ($800,000), parks and park facilities ($23,070,000), neighborhood improvements ($1,000,000), adult detention facilities ($2,000,000), community and redevelopment area improvements ($3,300,000), public safety facilities ($35,470,000), juvenile detention facilities ($150,000) and storm drainage facilities ($700,000).

Ten complete transcripts are to be prepared, one for each of the following:

Board of Supervisors	Purchaser of the Bonds
Department of Management and Budget	Financial Advisor
Department of Finance	County School Board
County Attorney	Counsel to County School Board
	Bond Counsel (2)

Each certified copy of a resolution should be accompanied by a certified copy of the covering minutes of the meeting, in each instance showing the time and date of the meeting, the location of the meeting, the character of the meeting, whether regular, adjourned or special, the names of those present and absent, and the introduction and passage of the resolution, indicating the yea and nay vote. If a meeting is an adjourned meeting, there should be furnished a certified extract of the minutes of the preceding regular meeting, which shows its time, date, location, character, the names of those present and absent and the proceedings in connection with the adjournment. If a meeting is a special meeting, the extract should show that proper notice was given and received by all members.

1. (a) Certified copy of the proceedings of the County School Board of April 24, 2003 showing the adoption of the resolution requesting the Board of Supervisors to authorize the issuance and sale of bonds for school improvements.

   (b) Certified copy of the resolution of the County School Board on May 22, 2003 modifying the resolution adopted by the County School Board on April 24, 2003.

2. Certified copy of the proceedings of the Board of Supervisors of April 28, 2003 showing the adoption of the resolution (the "Bond Resolution") authorizing the issuance of the Series 2003 B Bonds, providing for the sale of the Series 2003 B Bonds and providing for the delegation of authority to award the Series 2003 B Bonds and make certain other determinations in the absence of a quorum, plus a certificate of the Clerk of the Circuit Court reciting the filing of a certified copy of the resolution with the Court.

3. (a) Affidavit of publication, with a copy of the newspaper clipping attached, showing the date of publication of the Summary Notice of Sale in *The Bond Buyer*.

   (b) Copy of the official Notice of Sale.

4. Print outs of bids submitted pursuant to the Notice of Sale.

5. Copy of the Preliminary Official Statement.

6. Certificate of the Chief Financial Officer awarding the Series 2003 B Bonds and making certain determinations pursuant to the delegation of authority contained in the Bond Resolution.

7. Continuing Disclosure Agreement.

8. Letters/Releases from Rating Agencies.

9. Signed copy of the Official Statement with a certificate of the Clerk of the Board of Supervisors that it is substantially in the form approved by the Board of Supervisors.

10. Certificate of the Chairman of the Board of Supervisors and the County Executive as to the accuracy and completeness of the Official Statement.

11. Officers and seal certificate for the County School Board.

12. Officers and seal certificate for the Board of Supervisors.

13. Signature and no-litigation certificate.

14. County Attorney's no-litigation opinion.

15. (a) Certificate of authentication.

    (b) Specimen Series 2003 B Bond.

16. Certificate of delivery and payment.

17. Tax Certificate, including issue price certification of winning bidder, certificate of the County School Board and certificate of the Financial Advisor.

18. Completed Form 8038-G and proof of filing with the Internal Revenue Service.

19. Approving opinion of Bond Counsel.

20. Opinion of Bond Counsel as to original issue discount.

21. Blanket Letter of Representations to The Depository Trust Company.

22. Receipt from The Depository Trust Company for the Series 2003 B Bonds.

23. Certificate of successful bidder.

SCHOOL BOARD REQUESTING RESOLUTION CERTIFICATE

I, Pamela Goddard, Clerk of the Fairfax County School Board (the "County School Board"), DO HEREBY CERTIFY that attached hereto as Exhibit A is a true, correct and complete copy of a resolution of the County School Board entitled: **"A RESOLUTION REQUESTING THE BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA, TO ISSUE AND SELL SCHOOL BONDS OF FAIRFAX COUNTY, VIRGINIA, TOTALING $136,400,000 AND APPROVING THE FORM OF A TAX CERTIFICATE AND AUTHORIZING THE EXECUTION THEREOF."**, as adopted by the County School Board on April 24, 2003 (the "Resolution") and that the Resolution has not been amended or repealed since the date of its adoption and is in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May, 2003.

Pamela Goddard
Clerk, Fairfax County School Board
Fairfax, Virginia

Exhibit A

A RESOLUTION REQUESTING THE BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA, TO ISSUE AND SELL SCHOOL BONDS OF FAIRFAX COUNTY, VIRGINIA, TOTALING $136,400,000 AND APPROVING THE FORM OF A TAX CERTIFICATE AND AUTHORIZING THE EXECUTION THEREOF

WHEREAS, at an election duly called and held on November 2, 1999, a majority of the qualified voters of Fairfax County, Virginia, voting on the question ("referendum"), approved contracting a debt, borrowing money and issuing school bonds of Fairfax County, Virginia, in the aggregate principal amount of $297,205,000; and

WHEREAS, the Circuit Court of Fairfax County, Virginia, has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to carry out the wishes of the voters of the County as expressed at said election, and to contract a debt, borrow money, and issue school bonds of Fairfax County, Virginia, in the aggregate principal amount of $297,205,000; and

WHEREAS, the stated purpose of the school bonds authorized in the referendum was for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings, renovating or otherwise improving existing buildings, and furnishing and equipping buildings or additions to buildings; and

WHEREAS, the Board of Supervisors has heretofore issued $164,730,000 of the bonds authorized by the November 2, 1999, referendum, leaving a balance of $132,475,000 authorized but unissued bonds; and

WHEREAS, the School Board of Fairfax County, Virginia, deems it advisable for the Board of Supervisors to issue the $132,475,000 balance of the school bonds authorized by the November 2, 1999, referendum, and to sell such school bonds at this time; and

WHEREAS, at an election duly called and held on November 6, 2001, a majority of the qualified voters of Fairfax County, Virginia, voting on the question ("referendum"), approved contracting a debt, borrowing money and issuing school bonds of Fairfax County, Virginia, in the aggregate principal amount of $377,955,000; and

WHEREAS, the Circuit Court of Fairfax County, Virginia, has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to carry out the wishes of the voters of the County as expressed at said election, and to contract a debt, borrow money, and issue school bonds of Fairfax County, Virginia, in the aggregate principal amount of $377,955,000; and

WHEREAS, the stated purpose of the school bonds authorized in the referendum was for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings, renovating or otherwise improving existing buildings, and furnishing and equipping buildings or additions to buildings; and

WHEREAS, the Board of Supervisors has heretofore issued none of the bonds authorized by the November 6, 2001, referendum, leaving a balance of $377,955,000 authorized but unissued bonds; and

WHEREAS, the School Board of Fairfax County, Virginia, deems it advisable for the Board of Supervisors to issue $3,925,000 in school bonds authorized by the November 6, 2001, referendum, and to sell such school bonds at this time; and

WHEREAS, the School Board recognizes that it will be necessary for it to make certain certifications regarding the use of the proceeds of the school bonds for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED by the School Board of Fairfax County, Virginia:

Section 1. For the purpose of providing funds for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings, renovating or otherwise improving existing buildings, and furnishing and equipping buildings or additions to buildings, the Board of Supervisors of Fairfax County, Virginia, is hereby requested to issue school bonds of Fairfax County, Virginia, authorized by the November 2, 1999, and November 6, 2001, referendums, in the aggregate principal amount of $136,400,000 and provide for the sale of such bonds at this time.

Section 2. The form of a tax certificate attached to this resolution as Appendix A (the "School Board Tax Certificate") to be executed by the School Board in connection with the issuance of the County's Public Improvement Bonds, Series 2003 B is approved in all respects and the Chairman, Vice Chairman, or any other member or officer of the School Board designated in writing by the Chairman of the School Board is hereby authorized and directed to approve, by execution and delivery, the School Board Tax Certificate in substantially the form presented to this meeting together with such changes, modifications, insertions, and deletions as the Chairman, Vice Chairman, or such designated member or officer, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the School Board.

Section 3. The Clerk of the School Board is hereby authorized and directed to file two certified copies of this resolution with the Board of Supervisors of Fairfax County, Virginia.

MINUTES

Fairfax County School Board
Luther Jackson Middle School

Regular Meeting No. 18 April 24, 2003

EXCERPTED FROM PAGES 1, 8, and 21

I. CLOSED MEETING

TAPE REFERENCE: 1-0000

Chairman Isis Castro convened the Board in public session at 6:33 p.m. with a quorum of members present. Mr. Gibson moved, and Mrs. Wilson seconded, that the Board go into closed session 1) to discuss the appointment and salary of a specific public employee pursuant to Virginia Code Section 2.2-3711(A)(1); 2) to discuss disciplinary matters concerning students pursuant to Virginia Code Section 2.2-3711(A)(2); 3) to discuss the acquisition of real property where discussion in public session would adversely affect the bargaining position or negotiating strategy of the public body pursuant to Virginia Code Section 2.2-3711(A)(3); 4) to discuss the investing of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the government unit would be adversely affected pursuant to Virginia Code Section 2.2-3711(A)(6); and 5) to consult with legal counsel regarding statutory requirements pursuant to Virginia Code Section 2.2-3711(A)(7). The motion **passed 7-0,** with Mrs. Belter, Mr. Braunlich, Mrs. Castro, Mr. Gibson, Mrs. Smith, Mrs. Strauss, and Mrs. Wilson voting "aye".

II. MEETING OPENING

TAPE REFERENCE: 1-0065

A. Call to Order/Pledge of Allegiance/Moment of Silence

Chairman Castro convened the meeting at 7:34 p.m. with the following Board members present:

Catherine A. Belter (Springfield)
Christian N. Braunlich (Lee)
Mychele B. Brickner (At Large; arr. 6:37)
Isis Castro (Mt. Vernon)
Robert E. Frye (At Large; arr. 7:25)
Stuart D. Gibson (Hunter Mill)
Ernestine C. Heastie (Providence; arr. 7:02)
Kaye Kory (Mason; arr. 6:45)
Kathy L. Smith (Sully)
Jane K. Strauss (Dranesville)
Rita S. Thompson (At Large; arr. 7:07)
Tessie Wilson (Braddock)

Also present were student representative to the Board Matthew Wansley (arr. 7:41); Division Superintendent Daniel A. Domenech; Chief Academic Officer Nancy Sprague; Chief Operating Officer Thomas Brady; Executive Assistant and Clerk of the Board Pamela Goddard; Deputy Clerk Norma Bailey; and certain other members of staff.

Mrs. Castro and Mrs. Kory welcomed Junior Girl Scout Troop 3064 from Annandale, mentioning that it was the first time a girl scout troop had attended a Board meeting, and thanked the troop members for attending.

III. PRESENTATIONS TO SCHOOL BOARD

TAPE REFERENCE: 1-0852

A. Spotlight on Learning – National Board for Professional Teaching Standards (NBPTS) (Exhibit C)

Dr. Domenech introduced Matt O'Connor, math teacher at Herndon High School, who gave an overview of the National Board certification process and introduced a brief video highlighting the certification process. Mr. O'Connor explained the Excel tutoring program involving students at Herndon High School working with students at Herndon Elementary School and five of the students involved in the program–Matt Monahan and Yvonne Agyemang (tutors from Herndon High School), and Fiona Smith, Xiomara Gutierrez, and Jeremy Ellison (students from Herndon Elementary School receiving services)–shared their experiences with the program.

Mrs. Castro and Mrs. Strauss thanked the students and staff for their presentation and complimented them on the partnership.

B. Citizen Participation – (Exhibit D)

Six speakers addressed the board in the time reserved for public comment. Milton Young, Ronald Hobson, Angela Wilson, and Barbara Waldmann addressed Agenda Item No. IV.B.5., Naming of School; Barbara Allen addressed Agenda Item No. V.C., Family Life Education Recommendations, and Chris Schmitt addressed class size.

IV. ACTION ITEMS

TAPE REFERENCE: 1-2192

A. Adoption of Consent Agenda

1. **Minutes** – Approve minutes of April 7, 2003, special School Board meeting, and April 10, 2003, regular School Board meeting (SB; Exhibit E)
2. **Monthly Report of Separations** – Confirm separations for the period beginning March 1, 2003, and ending March 31, 2003 (HR; Exhibit F)
3. **Quarterly Employment Report** – Confirm appointments and separations for the period beginning January 1, 2003, and ending March 31, 2003 (HR; Exhibit G)
4. **Award of Contract** – Award the contract for renewal of Lee High School (Phase III) to Meridian Construction Co., Inc., in the amount of $11,786,000 and authorize the Division Superintendent, or his designee, to execute the contract on behalf of the School Board (FTS; Exhibit H)
5. **School Board Policy** – Adopt revised Policy 2613.1, Student Dress Code in Public Schools, as discussed by the Policy Review Committee (SS; Exhibit I)
6. **Sale of School Bonds** – Approve the resolution requesting the Board of Supervisors to issue and sell $136.4 million in school bonds, as detailed in the agenda item (FS; Exhibit J)

Mrs. Castro stated that, without objection, the six items on the consent agenda would be adopted. Hearing no objection, the consent agenda **passed unanimously.**

Kaye Kory, Mason District

Announcements: On Saturday, May 17, there would be a family health fair at Lincolnia Park, sponsored by Holmes Middle School, Annandale High School, and the Lincolnia Community Center; that the fair would be from 10 a.m. to 2 p.m., refreshments would be available, and there would be free health screenings; and she urged everyone to attend.

Commendations: To Stuart High School, for receiving the designation as a Blue Ribbon School; this had resulted from the scores they received in recent music and choral competitions, when the top performing groups in orchestra, band, and chorus had received the highest honors, a rare distinction; she thanked Principal Mel Riddile for his dedication to the music program and to the students of Stuart High School. To the Office Personnel Advisory Council, for inviting her to attend their recent meeting; there had been an interesting discussion; and all members had been extremely understanding of the budgetary situation and had offered suggestions; and she would provide responses to the questions she had not been able to answer at the meeting.

Cathy Belter, Springfield District

Commendations: To West Springfield High School National Honor Society, for inviting her to their recycling event; students had pulled bottles and cans out of all the trash bins around the school and created a wall of bottles and cans using duct tape, using over 950 bottles and cans and making a statement about the importance of recycling. To the Centreville High School PTSA, for allowing Mrs. Smith and her to attend their meeting, where Principal Pam Latt had presented her new vision for the next school year.

Isis Castro, Mount Vernon District

Commendations: To the FCPS retirees; the retirement celebration had been wonderful, and she wished all the retirees a great life.

IX. ADJOURNMENT

TAPE REFERENCE: 2-2347

The meeting was adjourned at 10:05 p.m.

I, Pamela Goddard, Executive Assistant of the School Board of Fairfax County, Virginia, hereby certify the foregoing annexed extracts from the Minutes of the School Board of said County, held on April 24, 2003, are true, complete, and correct copy thereof of the whole of said original Minutes so far as the same relate to the subject matter referred to in said extracts.

Pamela Goddard, Clerk
County School Board of Fairfax County, Virginia
May 27, 2003

SCHOOL BOARD MODIFYING RESOLUTION CERTIFICATE

I, Pamela Goddard, Clerk of the Fairfax County School Board (the "County School Board"), DO HEREBY CERTIFY that attached hereto as Exhibit A is a true, correct and complete copy of a resolution of the County School Board entitled: **"A RESOLUTION MODIFYING THE RESOLUTION ADOPTED BY THE FAIRFAX COUNTY SCHOOL BOARD ON APRIL 24, 2003 REQUESTING THE ISSUANCE AND SALE OF SCHOOL BONDS OF FAIRFAX COUNTY, VIRGINIA"**, as adopted by the County School Board on May 22, 2003 (the "Resolution") and that the Resolution has not been amended or repealed since the date of its adoption and is in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May, 2003.

Pamela Goddard
Clerk, Fairfax County School Board
Fairfax, Virginia

Exhibit A

Attachment

A RESOLUTION MODIFYING THE RESOLUTION ADOPTED BY THE FAIRFAX COUNTY SCHOOL BOARD ON APRIL 24, 2003 REQUESTING THE ISSUANCE AND SALE OF SCHOOL BONDS OF FAIRFAX COUNTY, VIRGINIA

WHEREAS, the Fairfax County School Board adopted a resolution on April 24, 2003 requesting the Board of Supervisors of Fairfax County, Virginia, to issue and sell school bonds of Fairfax County, Virginia, totaling $136,400,000 (the "Requesting Resolution"); and

WHEREAS, the Board of Supervisors of Fairfax County, Virginia adopted a resolution on April 28, 2003 (the "Authorizing Resolution") authorizing the issuance and sale of school bonds in the amount of $136,400,000; and

WHEREAS, the stated purpose of the school bonds in the Requesting Resolution and in the Authorizing Resolution is to provide funds for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings; and

WHEREAS, the Financial Advisor to the County advised the County that, under prevailing market conditions, the County would obtain a lower interest cost on its bonds if it permitted bidders to offer to pay the County substantial premiums for its bonds; and

WHEREAS, the County accepted that advice and advertised its bonds, including the $136,400,000 school bonds, for sale with bidders permitted to bid up to a 6% premium, and the Board of Supervisors included in the Authorizing Resolution a provision delegating to the County Executive or Chief Financial Officer of the County authority to reduce the authorized principal amount of the school bonds to the extent of the net premium bid by the winning bidder for the County's bonds so as to produce approximately $136,400,000 proceeds; and

WHEREAS, pursuant to instructions in the Authorizing Resolution and in light of the approximately 6% premium bid by the winning bidder for the County's bonds, the Chief Financial Officer of Fairfax County, Virginia on May 15, 2003 reduced the principal amount of school bonds to be issued and sold from $136,400,000 to $128,680,000;

WHEREAS, the County will make available to the Fairfax County School Board the sum of $136,400,000 as proceeds of the $128,680,000 school bonds, reflecting the 6% premium to be paid to the County by the successful bidder for the County's bonds and preserving for future issuance $7,720,000 of school bonds;

NOW, THEREFORE, BE IT RESOLVED by the School Board of Fairfax County, Virginia:

Section 1. The aggregate principal amount of school bonds sold for the purpose of providing funds for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings, renovating or otherwise improving existing buildings, and furnishing and equipping buildings or additions to buildings, by the Board of Supervisors of Fairfax County, Virginia, in the principal amount of $128,680,000 is hereby ratified with the understanding that the proceeds received from the sale of the school bonds ($136,400,000) is equal to the principal amount of school bonds ($136,400,000) requested in the April 24, 2003 Requesting Resolution, and the Requesting Resolution is hereby modified to such effect.

Section 2. The Clerk of the School Board is hereby authorized and directed to file two certified copies of this resolution with the Board of Supervisors of Fairfax County, Virginia.

BOND RESOLUTION CERTIFICATE

I, Nancy Vehrs, Clerk to the Board of Supervisors of the County of Fairfax, Virginia (the "County"), DO HEREBY CERTIFY that attached hereto as Exhibit A is a true, correct and complete copy of a resolution of the Board of Supervisors of the County entitled: **"A RESOLUTION AUTHORIZING THE ISSUANCE OF PUBLIC IMPROVEMENT BONDS, SERIES 2003 B, OF FAIRFAX COUNTY, VIRGINIA, PROVIDING FOR THE SALE OF SUCH BONDS AND DELEGATING TO THE COUNTY EXECUTIVE OR THE CHIEF FINANCIAL OFFICER AUTHORITY TO DETERMINE CERTAIN DETAILS OF SUCH BONDS AND ACCEPT THE LOWEST RESPONSIVE BID FOR SUCH BONDS."**, as adopted by the Board of Supervisors on April 28, 2003 (the "Bond Resolution") and that the Bond Resolution has not been amended or repealed since the date of its adoption and is in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May, 2003.

Nancy Vehrs

Nancy Vehrs
Clerk to the Board of Supervisors
County of Fairfax, Virginia

Exhibit A

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board auditorium in the Government Center at 12000 Government Center Parkway, Fairfax, Virginia on April 28, 2003, at which meeting a quorum was present and voting, the following resolution was adopted:

A RESOLUTION AUTHORIZING THE ISSUANCE OF PUBLIC IMPROVEMENT, SERIES 2003 B, OF FAIRFAX COUNTY, VIRGINIA, PROVIDING FOR THE COMPETITIVE SALE OF SUCH BONDS AND DELEGATING TO THE COUNTY EXECUTIVE OR THE CHIEF FINANCIAL OFFICER AUTHORITY TO DETERMINE CERTAIN DETAILS OF SUCH BONDS AND ACCEPT THE LOWEST RESPONSIVE BID FOR SUCH BONDS.

BE IT RESOLVED by the Board of Supervisors of Fairfax County, Virginia:

Section 1. Public Improvement Bonds. The Board of Supervisors of Fairfax County, Virginia (the "Board of Supervisors"), has found and determined and does hereby declare that:

(i) **School improvements - $136,400,000.** At an election duly called and held on November 2, 1999, a majority of the qualified voters of Fairfax County, Virginia, voting on the question, approved contracting a debt, borrowing money and issuing school bonds of Fairfax County, Virginia, in the aggregate principal amount of $297,205,000.

The purpose of the school bonds stated in the election was for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings, renovating or otherwise improving existing buildings, and furnishing and equipping buildings or additions to buildings.

The Circuit Court of Fairfax County, Virginia, has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to carry out the wishes of the voters of the County as expressed at such election, and to contract a debt, borrow money, and issue school bonds of Fairfax County, Virginia, in the aggregate principal amount of $297,205,000.

The Board of Supervisors at the request of the School Board of Fairfax County, Virginia has heretofore authorized the issuance of and has issued $164,730,000 of the bonds from the November 2, 1999 referendum.

At an election duly called and held on November 6, 2001, a majority of the qualified voters of Fairfax County, Virginia, voting on the question, approved contracting a debt,

borrowing money and issuing school bonds of Fairfax County, Virginia, in the aggregate principal amount of $377,955,000.

The purpose of the school bonds stated in the election was for school improvements, including acquiring, renovating, and/or building additional property, including acquiring and completing improvements to sites, constructing new buildings or additions to buildings, renovating or otherwise improving existing buildings, and furnishing and equipping buildings or additions to buildings.

The Circuit Court of Fairfax County, Virginia, has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to carry out the wishes of the voters of the County as expressed at such election, and to contract a debt, borrow money, and issue school bonds of Fairfax County, Virginia, in the aggregate principal amount of $377,955,000.

The Board of Supervisors of Fairfax County, Virginia has not issued any of the $377,955,000 school bonds authorized at the election duly called and held on November 6, 2001.

There has been filed with the Board of Supervisors of Fairfax County, Virginia, two certified copies of a resolution of the County School Board entitled:

> **A RESOLUTION REQUESTING THE BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA, TO ISSUE AND SELL SCHOOL BONDS OF FAIRFAX COUNTY, VIRGINIA, TOTALING $136,400,000 AND APPROVING THE FORM OF A TAX CERTIFICATE AND AUTHORIZING THE EXECUTION THEREOF.**

The Board of Supervisors deems it advisable to authorize the issuance of the $132,475,000 balance of the school bonds authorized at the November 2, 1999 election, and to sell the bonds at this time.

The Board of Supervisors deems it advisable to authorize the issuance of $3,925,000 of school bonds authorized at the November 6, 2001 election, and to sell the bonds at this time.

(ii) **Parks and park facilities - $24,450,000.** At an election duly called and held on November 3, 1998, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $87,000,000 for the purpose of providing funds, with any other available funds, to finance the cost of providing additional parks and park facilities, of which amount said County may not pay in excess of $75,000,000 for the acquisition, construction, development and equipment of additional parks and park facilities and the development and improvement of existing parks and park facilities by the Fairfax County Park Authority, and of which amount the County may not pay in excess of $12,000,000 as the share of Fairfax County for the cost of parks and park facilities to be acquired, constructed, developed and equipped by the Northern Virginia Regional Park Authority.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of the County as expressed at such election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $87,000,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued (i) $31,600,000 of the bonds for the Fairfax County Park Authority and (ii) $7,500,000 of the bonds for the Northern Virginia Regional Park Authority, or a total of $39,100,000 of the $87,000,000 of bonds authorized for additional parks and park facilities at the election duly called and held on November 3, 1998.

At an election duly called and held on November 5, 2002, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $20,000,000 for the purpose of providing funds, with any other available funds, to finance, including reimbursement to the County for temporary financing for, the cost of providing additional parks and park facilities by the Fairfax County Park Authority.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of the County as expressed at such election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $20,000,000 for such purpose.

The Board of Supervisors of Fairfax County, Virginia has not issued any of the $20,000,000 additional parks and park facilities bonds authorized at the election duly called and held on November 5, 2002.

The Board of Supervisors deems it advisable to authorize the issuance of (i) $12,200,000 of additional bonds for the Fairfax County Park Authority and (ii) $2,250,000 of additional bonds for the Northern Virginia Regional Park Authority authorized at the November 3, 1998 election and to sell the bonds at this time.

The Board of Supervisors deems it advisable to authorize the issuance of $10,000,000 of additional parks and park facilities bonds authorized at the November 5, 2002 election, and to sell the bonds at this time.

(iii) **Neighborhood improvements - $1,000,000.** At an election duly called and held on November 7, 1989, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $30,000,000 for the purpose of providing funds, with any other available funds, to finance the cost of neighborhood improvement programs providing for the construction and reconstruction of streets and sidewalks, including necessary curbs, gutters, culverts, drains and street lights, and the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the

wishes of the voters of the County as expressed at the election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $30,000,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $27,180,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $1,000,000 of such bonds and to sell the bonds at this time.

(iv) **Public safety facilities - $37,600,000.** At an election duly called and held on November 7, 1989, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $66,350,000 for the purpose of providing funds, with any other available funds, to finance the cost of a project to provide additional public safety facilities, including the construction, enlargement and equipment of fire and rescue stations, the reconstruction, enlargement and equipment of the existing fire and rescue training facility, the construction and equipment of a firearms training facility, a driver training facility and training facilities for the police and sheriff departments, the construction, or reconstruction and enlargement, and equipment of government centers (police stations and County government offices) and the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of the County as expressed at such election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $66,350,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $53,260,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of the $13,090,000 balance of such bonds and to sell the bonds at this time.

At an election duly called and held on November 3, 1998, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $99,920,000 for the purpose of providing funds, with any other available funds, to

finance the cost of the construction, reconstruction, enlargement and equipment of police, fire and rescue stations, including fire and rescue stations owned by volunteer organizations, enlargement of County Courthouse facilities, and the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of the County as expressed at such election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $99,920,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $37,090,000 of such bonds.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $24,510,000 of such bonds and to sell the bonds at this time.

(v) **Transportation improvements and facilities - $800,000.** At an election duly called and held on April 12, 1988, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $150,000,000 for the purpose of providing funds, with any other available funds, to finance the cost of constructing, reconstructing and improving transportation facilities in the County, including the primary and secondary systems of State highways and off-street parking and other facilities and the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of said County as expressed at said election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $150,000,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $144,870,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $800,000 of such bonds and to sell the bonds at this time.

(vi) **Adult Detention Facilities - $2,000,000.** At an election duly called and held on November 7, 1989, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $94,330,000 for the purpose of providing funds, with any other available funds, to finance the cost of a project to provide additional adult detention facilities, including the construction and equipment of an addition to, and a parking

structure for, the Adult Detention Center and a work training center for minimum security offenders and the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of said County as expressed at said election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $94,330,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance and has issued $85,810,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $2,000,000 of such bonds and to sell the bonds at this time.

(vii) **Juvenile Detention Facilities - $150,000.** At an election duly called and held on November 7, 1989, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $12,570,000 for the purpose of providing funds, with any other available funds, to finance the cost of a project to provide additional juvenile detention facilities, including the construction and equipment of a chronic juvenile offenders residence and a juvenile halfway house, the reconstruction, enlargement and equipment of the Juvenile Detention Center and the Boys Probation House and the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of said County as expressed at said election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $12,570,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $11,520,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $150,000 of such bonds and to sell the bonds at this time.

(viii) **Commercial and Redevelopment Area Improvements - $3,300,000.** At an election duly called and held on November 8, 1988, a majority of the qualified voters of Fairfax

County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $32,000,000 for the purpose of providing funds, with any other available funds, to finance the cost of a project to provide public improvements in commercial and redevelopment areas of the County, including the construction and reconstruction of utilities, roadways and sidewalks, including necessary curbs, gutters, culverts, drains, street lights, signage and landscaping, and the acquisition of necessary land, of which the County may pay not to exceed $9,700,000 for the construction and reconstruction of utilities, roadways and sidewalks, including necessary curbs, gutters, culverts, drains, street lights, signage and landscaping, by the Fairfax County Redevelopment and Housing Authority.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of said County as expressed at said election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $32,000,000 for such purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued (i) $3,330,000 of the bonds for the Fairfax County Redevelopment and Housing Authority and (ii) $8,090,000 of the bonds for public improvements in commercial and redevelopment areas for a total amount issued of $11,420,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $3,300,000 of such bonds and to sell the bonds at this time.

(ix) **Storm Drainage Improvements - $700,000.** At an election duly called and held on November 8, 1988, a majority of the qualified voters of Fairfax County, Virginia, voting on the question approved contracting a debt, borrowing money and issuing bonds of Fairfax County, Virginia, in the aggregate principal amount of $12,000,000 for the purpose of providing funds, with any other available funds, to finance the cost of storm drainage improvements to prevent flooding and soil erosion, including the acquisition of necessary land.

The Circuit Court of Fairfax County, Virginia has duly entered its Final Order authorizing the Board of Supervisors of Fairfax County, Virginia, to proceed to carry out the wishes of the voters of said County as expressed at said election and to contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in the aggregate principal amount of $12,000,000 for the aforesaid purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $7,340,000 of such bonds.

The Board of Supervisors deems it advisable, pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, to elect to issue the following amount of such bonds

under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $700,000 of such bonds and to sell the bonds at this time.

Section 2. Authorization of bonds. The Board of Supervisors has determined that it is in the best interests of Fairfax County to consolidate for the purposes of the sale the bond authorizations mentioned above into a single issue of $206,400,000 public improvement bonds of Fairfax County, Virginia.

The Board of Supervisors deems it advisable to sell the bonds at this time.

For the purpose of providing funds for school improvements, parks and park facilities, neighborhood improvements, public safety facilities, transportation improvements and facilities, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements in the respective amounts referred to above there shall be issued bonds of Fairfax County, Virginia. The bonds shall be designated "Public Improvement Bonds, Series 2003 B", shall be dated, shall be stated to mature, subject to the right of prior redemption, on the dates, in the following years and in the following amounts, subject to adjustment as hereinafter provided:

Year of Maturity	Principal Amount	Year of Maturity	Principal Amount
2004	$ 10,320,000	2014	$ 10,320,000
2005	10,320,000	2015	10,320,000
2006	10,320,000	2016	10,320,000
2007	10,320,000	2017	10,320,000
2008	10,320,000	2018	10,320,000
2009	10,320,000	2019	10,320,000
2010	10,320,000	2020	10,320,000
2011	10,320,000	2021	10,320,000
2012	10,320,000	2022	10,320,000
2013	10,320,000	2023	10,320,000

and shall bear interest until their payment at a rate or rates as shall hereafter be determined by the Board of Supervisors by resolution or pursuant to the delegation of authority to the County Executive or Chief Financial Officer contained in this resolution. Such interest to the respective maturities of the bonds shall be payable December 1, 2003 and semiannually thereafter on the 1st days of June and December in each year, if not otherwise determined pursuant to the delegation of authority contained in this resolution. The bonds shall be issuable in fully registered form in the denomination of $5,000 or any multiple thereof and shall be appropriately numbered.

Each bond shall bear interest from the interest payment date next preceding the date on which it is authenticated unless it is (a) authenticated upon an interest payment date in which case it shall bear interest from such interest payment date or (b) authenticated prior to the first interest payment date in which case it shall bear interest from its date; provided, however, that if

at the time of authentication interest on any bond is in default, such bond shall bear interest from the date to which interest has been paid.

The principal of and the interest and any redemption premium on the bonds shall be payable in any coin or currency of the United States of America which is legal tender for the payment of public and private debts on the respective dates of payment thereof. The principal of and any redemption premium on each bond shall be payable to the registered owner thereof or his registered assigns or legal representative at the office of the Bond Registrar mentioned hereinafter upon the presentation and surrender thereof as the same shall become due and payable. Payment of the interest on each bond shall be made by the Bond Registrar on each interest payment date to the person appearing (hereafter provided) on the registration books of the County as the registered owner of such bond (or the previous bond or bonds evidencing the same debt as that evidenced by such bond) at the close of business on the record date for such interest, which, unless otherwise determined pursuant to the delegation of authority contained in this resolution, shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, by check mailed or by wire transfer to such person at his address as it appears on such registration books.

The bonds initially issued will be in fully registered form and registered in the name of Cede & Co., a nominee of The Depositary Trust Company, New York, New York ("DTC"), and immobilized in the custody of DTC. One fully registered bond for the original principal amount of each maturity will be registered to Cede & Co. Beneficial owners will not receive physical delivery of bonds. Individual purchases of bonds may be made in book-entry form only in original principal amounts of $5,000 and integral multiples of $5,000. Payments of the principal of and premium, if any, and interest on the bonds will be made to DTC or its nominee as registered owner of the bonds on the applicable payment date.

So long as Cede & Co., or its successor, as nominee of DTC, is the registered owner of the bonds, references in this resolution to the holders of the bonds mean Cede & Co. and do not mean the beneficial owners of the bonds.

Replacement bonds (the "Replacement Bonds") will be issued directly to beneficial owners of bonds rather than to DTC, or its nominee, but only in the event that:

(1) DTC determines not to continue to act as securities depository for the bonds;

(2) The County has advised DTC of its determination that DTC is incapable of discharging its duties; or

(3) The County has determined that it is in the best interests of the beneficial owners of the bonds not to continue the book-entry system of transfer.

Upon occurrence of the events described in clause (1) or (2), the County will attempt to locate another qualified securities depository. If DTC makes the determination described in clause (1) and the County fails to select another qualified securities depository to replace DTC, the County will execute and the Bond Registrar will authenticate and deliver to the participants in DTC ("Participants") the Replacement Bonds to which the Participants are entitled. In the

event the County makes the determination described in clause (2) or (3) (the County undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the County to make any such determination) and, in the case of the determination under clause (2), the County has failed to designate another qualified securities depository and has made provisions to notify the beneficial owners of the bonds by mailing an appropriate notice to DTC, the County will execute and the Bond Registrar will authenticate and deliver to the Participants the appropriate Replacement Bonds to which the Participants are entitled. The Bond Registrar is entitled to rely on the records provided by DTC as to the Participants entitled to receive Replacement Bonds.

Section 3. Notice of Sale; Bids. The Clerk of the Board of Supervisors is hereby authorized and directed to cause a notice calling for bids for the purchase of the bonds, to be published once in *The Bond Buyer*, a financial journal published in New York, New York, and devoted primarily to municipal bonds, such publication to be at least five days prior to the date fixed for the receipt of bids. Such notice shall be substantially in the form of the Notice of Sale annexed to this resolution. Alternatively, the Clerk may cause to be published a summary of the principal terms of the notice. Bids shall be received electronically via the PARITY Competitive Bidding System.

Section 4. Official Statement. The draft of the Preliminary Official Statement of the County relating to the bonds and presented at the meeting at which this resolution is adopted, and the circulation thereof, the completion thereof with the results of the sale and the printing and delivery to the winning bidder of a reasonable number of copies thereof as so completed (the "final Official Statement") are hereby approved and authorized, and the Chairman or Vice Chairman of the Board of Supervisors is hereby authorized and directed to deem final the Preliminary Official Statement for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and to execute and deliver the final Official Statement, both the Preliminary Official Statement and the final Official Statement to be in substantially the form of the draft Preliminary Official Statement presented at this meeting with the changes contemplated hereby and such other changes as the Chairman or Vice Chairman may approve, her or his signature on the final Official Statement to be conclusive evidence of the signer's approval thereof. The Preliminary Official Statement and the final Official Statement may be disseminated or otherwise made available through electronic means.

Section 5. Delegation and Standard. The Board of Supervisors of Fairfax County, Virginia, has determined that there may be unplanned occasions when it is not possible for some of the members of the Board of Supervisors to attend a special meeting for the purpose of receiving bids for the purchase of bonds of Fairfax County offered for sale at competitive bidding and that the accepted practice of the bond markets dictates that the lowest bid be speedily determined and the bonds be promptly awarded or that all bids be rejected.

The Board of Supervisors hereby delegates to the County Executive or the Chief Financial Officer, subject to the limitations contained herein, powers and duties to determine the dated date of the bonds, which bonds, if any, are term bonds and the amortization requirements and maturity amounts therefor, such delegation to be effective only if the Board of Supervisors

shall not then be in session (the Board not to be deemed in session if less than a quorum is present and voting).

The Board further delegates to the County Executive or the Chief Financial Officer, the authority to accept the lowest bid (determined in accordance with the Notice of Sale) for the bonds, being offered for sale by the Board at competitive bidding on a date not later than June 30, 2003, subject to the following conditions: (i) the person to whom the authority to accept the lowest bid has been delegated shall have determined that the bid conforms in all material respects to the requirements of the Notice of Sale, (ii) such person shall have determined that the bid to be accepted is the lowest bid conforming to the terms of the Notice of Sale, (iii) the Financial Advisor to Fairfax County shall have recommended that the lowest conforming bid be accepted, (iv) the True or Canadian interest cost of such bid shall not exceed 5.25% and (v) the Board of Supervisors shall not then be in special session called for the purpose of accepting bids (the Board not to be deemed in special session if less than a quorum is present and voting).

The Board of Supervisors hereby further delegates to the County Executive or the Chief Financial Officer authority to determine the aggregate principal amount of the bonds, such amount not to exceed the amount required to provide a minimum purchase price to the County for the bonds of the sum of $206,400,000 plus all or any portion of costs of issuance, the respective maturity dates and any mandatory redemption dates of the bonds, provided that the first maturity date shall occur no later than June 1, 2004, and the final maturity date shall not be later than June 1, 2023 and that the principal amounts maturing in each year or subject to mandatory redemption in any year shall be as nearly equal as possible. To the extent that the principal amount of the bonds issue is less than $206,400,000, the Chief Financial Officer shall reduce the principal amount of the bonds otherwise authorized by Section 1, pro rata with no such reduction to be less than $200,000, his determination of any such reductions to be conclusive.

Section 6. Form of bonds. The bonds shall bear the facsimile signatures of the Chairman and the Clerk of the Board of Supervisors and a facsimile of the official seal of the Board shall be imprinted on the bonds. The certificate of authentication of the Bond Registrar to be endorsed on all bonds shall be executed as provided hereinafter.

In case any officer of Fairfax County whose facsimile signature shall appear on any bonds shall cease to be such officer before the delivery of such bonds, such facsimile signature shall nevertheless be valid and sufficient for all purposes the same as if she or he had remained in office until such delivery, and any bond may bear the facsimile signatures of such persons at the actual time of the execution of such bond shall be the proper officers to sign such bond although at the date of such bond such persons may not have been such officers.

No bond shall be valid or become obligatory for any purpose or be entitled to any benefit or security under this resolution until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed thereon.

The bonds and the endorsement thereon shall be substantially in the following form:

[Depository Legend]

(Face of Bond)

No. ____ **$_____**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bond, Series 2003 B

Maturity Date	**Interest Rate**	**Dated Date**	**CUSIP**
June 1, 20__	_____%	_____, 2003	_____ __

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

_____

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

_____ DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is registered at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, by wire transfer, at the discretion of the County, or check mailed to such person at his address as it appears on the bond registration books of the County. Both the principal of and the interest on this bond shall be payable in any coin or currency of the United States of America which is legal tender for the payment of public and private debts on the respective dates of

payment thereof. For the prompt payment hereof, both principal and interest as the same shall become due, the full faith and credit of the County are hereby irrevocably pledged.

This bond and the bonds of the series of which it is one are issued under and pursuant to a resolution duly adopted by the Board of Supervisors of Fairfax County, Virginia on [April 28, 2003] (the "Resolution"), for the purpose of providing funds, with other available funds, for school improvements, parks and park facilities, neighborhood improvements, public safety facilities, transportation improvements and facilities, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements.

The bonds of this series which mature on or before June 1, 2013 are not subject to redemption before maturity. Bonds which mature after June 1, 2013 may be redeemed, at the option of the County, before their respective maturities on any date not earlier than June 1, 2013, in whole or in part (in integral multiples of $5,000), upon payment of the redemption price of par plus accrued interest to the redemption date.

[In addition, the term bonds of this series stated to mature on June 1, 20__ shall be called for mandatory redemption in the amounts of the amortization requirements established pursuant to the delegation of authority contained in the Resolution on June 1, 20__ and on each June 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption and without premium.

Term bonds of this series purchased or redeemed pursuant to a partial optional redemption by the County may be credited against the amortization requirements therefor as the County in its sole discretion may determine.]

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portions of bonds of such maturity to be redeemed shall be selected by lot by the County in such manner as the County in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting bonds for redemption, the County shall treat each bond as representing that number of bonds which is obtained by dividing the principal amount of such bond by $5,000.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any bonds to be redeemed, whether such redemption be in whole or in part, the County shall cause a notice of such redemption to be filed with the Bond Registrar and to be mailed, postage prepaid, to the registered owner of each bond to be redeemed in whole or in part at his address appearing upon the registration books of the County, but failure to mail such notice or any defect therein shall not affect the validity of the redemption. On the date fixed for redemption, notice having been given as aforesaid, the bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided for the redemption of such bonds or portion thereof on such date and, if moneys for payment of such redemption price and the accrued interest are held by the Bond Registrar as provided in the Resolution, interest on the bonds or the portions thereof so called for redemption shall cease to accrue. If a portion of this bond shall be called for redemption, a new bond or bonds in principal amount equal to the unredeemed portion hereof

will be issued to the registered owner hereof or his legal representative upon the surrender hereof.

Any notice of optional redemption of the Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the County, the corresponding notice of redemption shall be deemed to be revoked.

If the County gives an unconditional notice of redemption, then on the redemption date the Bonds called for redemption will become due and payable. If the County gives a conditional notice of redemption, and the amount of money to pay the redemption price of the affected Bonds shall have been set aside with the Trustee or a depositary (either, a "depositary") for the purpose of paying such Bonds, then on the redemption date the Bonds will become due and payable. In either case, if on the redemption date the County holds money to pay the Bonds called for redemption, thereafter no interest will accrue on those Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Bonds.

The County shall give notice as contemplated by Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986, including the requirement that notice be given to all organizations registered with the Securities Exchange Commission as securities depositories, and to one or more information services of national recognition which disseminate redemption information with respect to tax-exempt securities.

The bonds are issuable in fully registered form in the denomination of $5,000 or any multiple thereof. At the office of the Bond Registrar, in the manner and subject to the conditions provided in the Resolution, bonds may be exchanged for an equal aggregate principal amount of bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

The Bond Registrar shall keep at its office the books of the County for the registration of transfer of bonds. The transfer of this bond may be registered only upon such books and as otherwise provided in the Resolution upon the surrender hereof to the Bond Registrar together with an assignment duly executed by the registered owner hereof or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall deliver in exchange for this bond a new bond or bonds, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the unredeemed principal amount of this bond, of the same series and maturity and bearing interest at the same rate.

The Bond Registrar shall not be required to exchange or register the transfer of any bond during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of any bonds and ending at the close of business on the day of such mailing or of any bond called for redemption in whole or in part pursuant to the Resolution.

This bond is one of a series issued under the authority of and in full compliance with the Constitution and laws of Virginia, particularly the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia, 1950, as amended, and pursuant to votes of a majority of the qualified voters of Fairfax County, Virginia, voting at elections duly called and held under the provisions of the Code of Virginia, 1950, as amended, and under orders of the Circuit Court of Fairfax County, Virginia, authorizing the Board of Supervisors of the County to proceed to carry out the wishes of the voters as expressed at such elections, and pursuant to resolutions duly adopted by the Board of Supervisors and the County School Board of the County.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of Virginia to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed in due time, form and manner as so required, that the total indebtedness of Fairfax County, Virginia, including this bond, does not exceed any constitutional or statutory limitation thereon, and that provision has been made for the levy and collection of an annual ad valorem tax upon all taxable property in the County subject to local taxation sufficient in amount to provide for the payment of the principal of and the interest on this bond as the same shall become due which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the resolution mentioned hereinafter until this bond shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the Board of Supervisors of Fairfax County, Virginia, has caused this bond to be issued in the name of Fairfax County, Virginia, and the Board has caused this bond to bear the facsimile signatures of its Chairman and Clerk and a facsimile of the official seal of the Board to be imprinted hereon, all as of the ____ day of _____, 2003.

(Facsimile signature) (Facsimile signature)

_____ _____

Clerk, Board of Supervisors of Fairfax County, Virginia

Chairman, Board of Supervisors of Fairfax County, Virginia

(Facsimile seal)

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds of the series designated herein and described in the within mentioned Resolution.

Director of the Department of Finance of Fairfax County, Virginia as Bond Registrar

By_____
Authorized Signature

Date of authentication: _____ __, 2003

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto

Please insert social security or
other identifying number of assignee

_____

_____

(Please Print or Typewrite Name and Address of Transferee)

the within bond, and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____ _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed* by:_____

*Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee which requirements will include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Section 7(a). Optional redemption. (1) Unless otherwise determined pursuant to the delegation of authority contained in paragraph (2) of this Section 7(a), the bonds will have the following optional redemption provisions. The bonds of this series which mature on or before June 1, 2013 are not subject to redemption before maturity. Bonds which mature after June 1, 2013 may be redeemed, at the option of Fairfax County, Virginia, before their respective maturities on any date not earlier than June 1, 2013, in whole or in part (in integral multiples of $5,000), upon payment of the redemption price of par plus accrued interest to the redemption date.

(2) The Board of Supervisors hereby delegates to the County Executive or the Chief Financial Officer, subject to the limitations contained herein, the authority to alter any of the optional redemption provisions for the bonds from those set forth in paragraph (1) above of this Section 7(a). The first optional call date for the bonds must be no later than 10 and one-half years after the date of issue of the bonds. The maximum redemption price for the bonds may not exceed 103% of the principal amount of the bonds to be redeemed. Such delegation shall be effective only if the Board of Supervisors shall not then be in session (the Board not to be deemed in session if less than a quorum is present and voting).

Section 7(b). Mandatory redemption. The term bonds of this series, if any, shall be called for redemption, in part, in the principal amounts equal to the respective amortization requirements for the term bonds of this series (less the principal amount of any term bond of this series retired by purchase or optional redemption) at a price of par plus accrued interest thereon to the date fixed for redemption on each June 1st, or other date specified pursuant to the delegation of authority contained in this resolution, preceding their maturity for which there is an amortization requirement.

In the event of a partial optional redemption or purchase of any such term bonds, the County will credit the principal amount of such terms bonds so purchased or redeemed against

the amortization requirements for the remaining term bonds outstanding in such amount and in such years as it in its sole discretion shall determine.

Section 7(c). Redemption provisions in general. If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portions of bonds of such maturity to be redeemed shall be selected by lot by the County in such manner as the County in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting bonds for redemption, the County shall treat each bond as representing that number of bonds which is obtained by dividing the principal amount of such bond by $5,000.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any bonds to be redeemed, whether such redemption be in whole or in part, the County shall cause a notice of such redemption to be filed with the Bond Registrar and to be mailed, postage prepaid, to the registered owner of each bond to be redeemed in whole or in part at his address appearing upon the registration books of the County, but failure to mail such notice or any defect therein shall not affect the validity of the redemption. Each such notice shall set forth the date designated for redemption, the redemption price to be paid, the maturities of the bonds to be redeemed and, if less than all of the bonds of any one maturity then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such bonds to be redeemed and, in the case of any bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such bond, a new bond or bonds in principal amount equal to the unredeemed portion of such bond will be issued.

Any notice of optional redemption of the Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the County, the corresponding notice of redemption shall be deemed to be revoked.

If the County gives an unconditional notice of redemption, then on the redemption date the Bonds called for redemption will become due and payable. If the County gives a conditional notice of redemption, and the amount of money to pay the redemption price of the affected Bonds shall have been set aside with the Trustee or a depositary (either, a "depositary") for the purpose of paying such Bonds, then on the redemption date the Bonds will become due and payable. In either case, if on the redemption date the County holds money to pay the Bonds called for redemption, thereafter no interest will accrue on those Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Bonds.

The County shall give notice as contemplated by Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986, including the requirement that notice be given to all organizations registered with the Securities Exchange Commission as securities depositories, and to one or more information services of national recognition which disseminate redemption information with respect to tax-exempt securities.

On or before the date fixed for redemption, moneys shall be deposited with the Bond Registrar to pay the principal of and the redemption premium, if any, on the bonds or portions thereof called for redemption as well as the interest accruing thereon to the redemption date thereof.

On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove provided, the bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the registered owners of bonds or portions thereof to be redeemed, interest on the bonds or portions thereof called for redemption shall cease to accrue, such bonds or portions thereof shall cease to be entitled to any benefits or security under this resolution or to be deemed outstanding, and the registered owners of such bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption.

If a portion of a bond shall be called for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such bond to the Bond Registrar for payment of the principal amount thereof so called for redemption and the redemption premium, if any, on such principal amount, and the Bond Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the bond so surrendered, a bond or bonds of the same series and maturity, of any denomination or denominations authorized by this resolution and bearing interest at the same rate.

Section 8. Exchange; registration of transfer; Bond Registrar. Bonds, upon surrender thereof at the office of the Bond Registrar together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of bonds of the same series and maturity, of any denomination or denominations authorized by this resolution and bearing interest at the same rate.

The transfer of any bond may be registered only upon the registration books of the County upon the surrender thereof to the Bond Registrar together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall authenticate and deliver in exchange for such bond a new bond or bonds, registered in the name of the transferee, of any denomination or denominations authorized by this resolution, in an aggregate principal amount equal to the unredeemed principal amount of such bond so surrendered, of the same series and maturity and bearing interest at the same rate.

In all cases in which bonds shall be exchanged or the transfer of bonds shall be registered hereunder, the Bond Registrar shall authenticate and deliver at the earliest practicable time bonds in accordance with the provisions of this resolution. All bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Bond Registrar. The County or the

Bond Registrar may make a charge for shipping and out-of-pocket costs for every such exchange or registration of transfer of bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made for exchanging or registering the transfer of bonds under this resolution. The Bond Registrar shall not be required to exchange or register the transfer of any bond during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption of any bonds and ending at the close of business on the day of such mailing or of any bond called for redemption in whole or in part pursuant to Section 7 of this resolution.

As to any bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such bond and the interest on any such bond shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such bond, including the redemption premium, if any, and the interest thereon, to the extent of the sum or sums so paid.

The County shall appoint such registrars, transfer agents, depositaries or other agents as may be necessary for the registration, registration of transfer and exchange of bonds within a reasonable time according to then current commercial standards and for the timely payment of principal, interest and any redemption premium with respect to the bonds. The Director of the Department of Finance of Fairfax County, Virginia, is hereby appointed the registrar, transfer agent and paying agent for the bonds (collectively the "Bond Registrar"), subject to the right of the Board of Supervisors of the County to appoint another Bond Registrar, and as such shall keep at his office the books of the County for the registration, registration of transfer, exchange and payment of the bonds as provided in this resolution.

Section 9. Full faith and credit pledged. For the prompt payment of the principal of and the interest on the bonds authorized by this resolution as the same shall become due, the full faith and credit of Fairfax County, Virginia, are hereby irrevocably pledged, and each year while any of the bonds shall be outstanding, to the extent other funds of the County are not lawfully available and appropriated for such purpose, there shall be levied and collected in accordance with law an annual ad valorem tax upon all taxable property in the County subject to local taxation sufficient in amount to provide for the payment of the principal of and the interest on the bonds as such principal and interest shall become due, which tax shall be without limitation and in addition to all other taxes authorized to be levied in the County.

Section 10. Election of Transition Provision. Pursuant to the provisions of Section 15.2-2663, Code of Virginia, 1950, as amended, the Board hereby elects to issue the following described Bonds under the provisions of Chapter 5, Title 15.1, Code of Virginia, 1950, as amended, as the same existed on June 30, 1991 the $1,000,000 neighborhood improvement bonds, the $13,090,000 portion of the public safety facilities bonds approved at the referendum on November 7, 1989, the $800,000 transportation improvement and facilities bonds approved at the referendum on April 2, 1988, the $2,000,000 adult detention facilities bonds, the $150,000 juvenile detention facilities bonds, the $3,300,000 commercial and redevelopment area improvement bonds and the $700,000 storm drainage improvement bonds.

Section 11. Continuing Disclosure Agreement. The Chairman or Vice Chairman of the Board of Supervisors, the County Executive or the Chief Financial Officer, or such officer or officers of the County as may be designated, is hereby authorized and directed to execute a Continuing Disclosure Agreement, in the form contained in the draft Preliminary Official Statement presented at this meeting, setting forth the reports and notices to be filed by the County and containing such covenants as may be necessary in order to show compliance with the provisions of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 12. Tax covenant. The County covenants to take all action, and to refrain from taking any action, necessary under the Internal Revenue Code of 1986, as amended, to ensure that interest on the bonds will remain not includable in gross income for Federal income tax purposes to the same extent as it is not includable on the date of closing on the bonds.

Section 13. Certificate concerning delegation. The County Executive or the Chief Financial Officer shall execute a Certificate or Certificates evidencing determinations or other actions taken pursuant to the authority granted in this resolution, and any such Certificate shall be conclusive evidence of the action or determination of such County Executive or Chief Financial Officer as stated therein.

Section 14. Authority of officers. The officers and agents of Fairfax County are hereby authorized and directed to do all the acts and things required of them by the bonds and by this resolution for the full, punctual and complete performance of all of the terms, covenants, provisions and agreements contained in the bonds and in this resolution.

Section 15. Certification and filing. The Clerk of the Board of Supervisors is hereby authorized and directed to file a certified copy of this resolution and a certified copy of the resolution of the County School Board with the Circuit Court of Fairfax County, Virginia.

A Copy - Teste:

Nancy Vehrs

Clerk to the Board of Supervisors

MINUTES
BOARD OF SUPERVISORS
FAIRFAX COUNTY, VIRGINIA
APRIL 28, 2003

At a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Government Center at Fairfax, Virginia, on Monday, April 28, 2003, at 9:15 a.m., there were present:

Chairman Katherine K. Hanley, presiding;

Supervisor Sharon Bulova, of Braddock District;

Supervisor Gerald E. Connolly, of Providence;

Supervisor Michael R. Frey, of Sully District;

Supervisor T. Dana Kauffman, of Lee District;

Supervisor Penelope A. Gross, of Mason District;

Supervisor Catherine M. Hudgins, of Hunter Mill District;

Supervisor Elaine N. McConnell, of Springfield District;

Supervisor Stuart Mendelsohn, of Dranesville District;

Anthony H. Griffin, County Executive;

David P. Bobzien, County Attorney;

Catherine A. Chianese, Assistant to the County Executive;

Christina M. Manning, Assistant to the County Executive;

Nancy Vehrs, Clerk to the Board of Supervisors; and

Patti M. Hicks, Deputy Clerk to the Board of Supervisors.

Supervisor Gerald W. Hyland, of Mount Vernon District, arrived at 9:25 a.m.

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Extracts from the Minutes of a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Government Center, Fairfax, Virginia, on Monday, April 28, 2003:

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22. (R) (Bonds) **A-2 – SALE OF GENERAL OBLIGATION BONDS, SERIES 2003B** (Tape 4)

Chairman Hanley called the Board Members' attention to their red folders and noted that they contained an updated Attachment Four for this item.

Supervisor Connolly moved that the Board concur in the recommendation of staff and adopt the Resolution:

- Authorizing the issuance of the General Obligation Bonds which also authorizes the execution and delivery of a Continuing Disclosure Agreement.
- Delegating the County Executive or the Chief Financial Officer authority to award the bonds to the best bidder.
- Approving the form of the notices of sale and the Official Statement.
- Authorizing the Chairman to sign the Official Statement.

The winning bid must offer the lowest true interest cost, and the true interest cost rate must not exceed 5.25 percent per annum.

Supervisor Bulova seconded the motion.

Following discussion, with input from Edward L. Long, Jr., Chief Financial Officer, the question was called on the motion and it carried by unanimous vote, Supervisor Bulova, Supervisor Connolly, Supervisor Frey, Supervisor Gross, Supervisor Hudgins, Supervisor Hyland, Supervisor Kauffman, Supervisor McConnell, Supervisor Mendelsohn, and Chairman Hanley voting "AYE."

Extracts from the Minutes of a regular meeting of the Board of Supervisors of Fairfax County, Virginia, held in the Board Auditorium of the Government Center, Fairfax, Virginia, on Monday, April 28, 2003:

"I, Nancy Vehrs, Clerk to the Board of Supervisors, Fairfax County, Virginia, hereby certify that the foregoing annexed extracts from the Minutes of the meeting of the Board of Supervisors of said County, held on April 28, 2003, have been compared by me with original Minutes as officially recorded in my office of the said Board and is a true, complete, and correct copy thereof of the whole of said original Minutes as far as the same relate to the subject matter referred to in said extracts.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said County, this 12th day of May, 2003."

Nancy Vehrs

Nancy Vehrs (SEAL)
Clerk to the Board of Supervisors
Fairfax County, Virginia

SUMMARY NOTICE OF BOND SALE

$7,806,310
INDIAN RIVER CENTRAL SCHOOL DISTRICT AT PHILADELPHIA JEFFERSON AND ST. LAWRENCE COUNTIES, NEW YORK
SCHOOL DISTRICT (SERIAL) BONDS, 2003 SERIES B
(Book Entry Only) (Callable)

Sealed proposals will be received and considered by the President of the Board of Education of the Indian River Central School District at Philadelphia, Jefferson and St. Lawrence Counties, New York, at the Office of Fiscal Advisors & Marketing, Inc., 120 Walton Street, Suite 600, Syracuse, New York 13202, **until 10:30 A.M., Prevailing Time, on the 15th day of May, 2003**, at which time and place the bids will be opened, for the purchase IN FEDERAL FUNDS at not less than par and accrued interest of $7,806,310 School District (Serial) Bonds, 2003 Series B, of said School District, dated May 1, 2003, with interest thereon payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1, and maturing June 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2004	$246,310	2010	$350,000	2016	$455,000**
2005	285,000	2011	370,000	2017	475,000**
2006	295,000	2012	385,000	2018	500,000**
2007	310,000	2013	400,000**	2019	520,000**
2008	325,000	2014	420,000**	2020	540,000*
2009	335,000	2015	435,000**	2021	570,000
				2022	590,000

* Subject to adjustment by the School District to accomplish level debt.
** Callable maturities.

THE SCHOOL DISTRICT RESERVES THE RIGHT TO CHANGE THE TIME AND/OR DATE FOR THE OPENING OF BIDS. NOTICE OF ANY SUCH CHANGE SHALL BE PROVIDED NOT LESS THAN 24 HOURS PRIOR TO THE TIME SET FORTH ABOVE FOR THE OPENING OF BIDS BY MEANS OF A SUPPLEMENTAL NOTICE OF SALE TO BE TRANSMITTED OVER THE TM3.

Each bid, accompanied by a $156,126 deposit by certified or cashier's check or a Financial Surety Bond in the amount of $156,126 as more fully described in the Notice of Bond Sale, must be for all of said $7,806,310 bonds. The award will be made based upon net interest cost. The purchaser will be furnished, without cost, the unqualified legal opinion as to the validity of the bonds of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

Bidders must refer to the complete Notice of Sale for the terms and conditions of the sale. To obtain copies of the complete Notice of Bond Sale, Bid Form, and the Official Statement of the School District, please contact Fiscal Advisors & Marketing, Inc., Telephone: (315) 752-0051, telecopier: (315) 752-0057. Additional Official Statements may be downloaded from Fiscal Advisors & Marketing, Inc's Internet address: http://www.fiscaladvisors.com.

Dated: Philadelphia, New York,
May 6, 2003.

John F. Love
President, Board of Education

SUMMARY NOTICE OF BOND SALE

$20,129,336
INDIAN RIVER CENTRAL SCHOOL DISTRICT AT PHILADELPHIA JEFFERSON AND ST. LAWRENCE COUNTIES, NEW YORK
SCHOOL DISTRICT (SERIAL) BONDS, 2003 SERIES A
(Book Entry Only) (Callable)

Sealed proposals will be received and considered by the President of the Board of Education of the Indian River Central School District at Philadelphia, Jefferson and St. Lawrence Counties, New York, at the Office of Fiscal Advisors & Marketing, Inc., 120 Walton Street, Suite 600, Syracuse, New York 13202, until 10:30 A.M., Prevailing Time, on the **15th day of May, 2003**, at which time and place the bids will be opened, for the purchase IN FEDERAL FUNDS at not less than par and accrued interest of $20,129,336 School District (Serial) Bonds, 2003 Series A, of said School District, dated May 1, 2003, with interest thereon payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1, and maturing June 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2004	$529,336	2011	$ 815,000	2018	$1,105,000**
2005	625,000	2012	850,000	2019	1,155,000**
2006	655,000	2013	890,000**	2020	1,210,000**
2007	680,000	2014	930,000**	2021	1,260,000**
2008	715,000	2015	970,000**	2022	1,320,000**
2009	745,000	2016	1,015,000**	2023	1,380,000**
2010	780,000	2017	1,060,000**	2024	1,440,000**

* Subject to adjustment by the School District to accomplish level debt.
** Callable maturities.

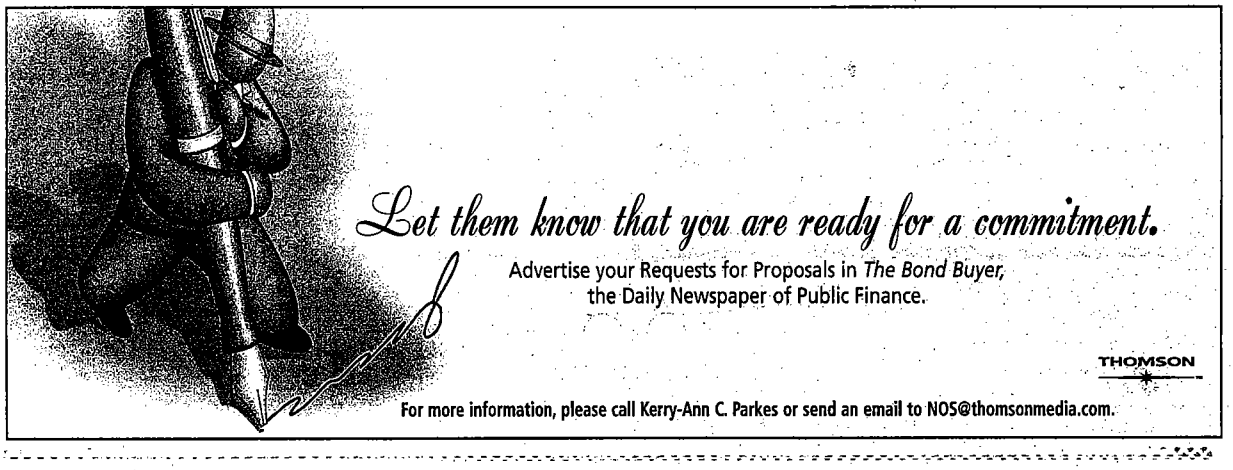
THE SCHOOL DISTRICT RESERVES THE RIGHT TO CHANGE THE TIME AND/OR DATE FOR THE OPENING OF BIDS. NOTICE OF ANY SUCH CHANGE SHALL BE PROVIDED NOT LESS THAN 24 HOURS PRIOR TO THE TIME SET FORTH ABOVE FOR THE OPENING OF BIDS BY MEANS OF A SUPPLEMENTAL NOTICE OF SALE TO BE TRANSMITTED OVER THE TM3.

Each bid, accompanied by a $402,587 deposit by certified or cashier's check or a Financial Surety Bond in the amount of $402,587 as more fully described in the Notice of Bond Sale, must be for all of said $20,129,336 bonds. The award will be made based upon net interest cost. The purchaser will be furnished, without cost, the unqualified legal opinion as to the validity of the bonds of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

Bidders must refer to the complete Notice of Sale for the terms and conditions of the sale. To obtain copies of the complete Notice of Bond Sale, Bid Form, and the Official Statement of the School District, please contact Fiscal Advisors & Marketing, Inc., Telephone: (315) 752-0051, telecopier: (315) 752-0057. Additional Official Statements may be downloaded from Fiscal Advisors & Marketing, Inc's Internet address: http://www.fiscaladvisors.com.

Dated: Philadelphia, New York,
May 6, 2003.

John F. Love
President, Board of Education



Results of Negotiated Sales

Continued from page 12

NEBRASKA

Cass County
May 6, 2003 .....$9,385,000

General Obligation Refunding Bonds, Series 2003 (Ambac Insured) (bank qualified) (book entry).
Dated Jun 3, 2003.
Due Dec 1, 2003 to 2016.
First coupon Dec 1, 2003.
Callable Jun 3, 2008 at par.

Purchased through negotiation by Ameritas Investment Corp., as follows:

Due	Amount	Cpn	Reoffered
12/1/03	$480,000	1.10%	1.10%
12/1/04	$815,000	1.15%	1.15%
12/1/05	$620,000	1.45%	1.45%
12/1/06	$630,000	1.75%	1.75%
12/1/07	$640,000	2.20%	2.20%
12/1/08	$655,000	2.55%	2.55%
12/1/09	$670,000	2.85%	2.85%
12/1/10	$690,000	3.10%	3.20%
12/1/11	$715,000	3.30%	3.40%
12/1/12	$740,000	3.35%	3.45%
12/1/13	$760,000	3.50%	3.60%
12/1/14	$785,000	3.65%	3.75%
12/1/15	$815,000	3.70%	3.80%
12/1/16	$570,000	3.85%	3.95%

L.O.: Gilmore & Bell, P.C., Lincoln.

Grant Suburban Fire District
May 6, 2003 .....$100,000

Limited Obligation Fire Equipment Bonds (bank qualified) (book entry).
Dated Jun 18, 2003.
Due Jul 1, 2004 to 2008.
First coupon Jan 1, 2004.
Callable Jun 18, 2008 at par.

Purchased through negotiation by Ameritas Investment Corp., as follows:

Due	Amount	Cpn	Reoffered
7/1/04	$20,000	1.40%	1.40%
7/1/05	$20,000	1.80%	1.80%
7/1/06	$20,000	2.10%	2.10%
7/1/07	$20,000	2.55%	2.55%
7/1/08	$20,000	2.90%	2.90%

L.O.: Rembolt Ludtke & Berger, Lincoln.

La Vista (City)
May 6, 2003 .....$3,570,000

General Obligation Refunding Bonds, Series 2003 (bank qualified) (book entry).
Dated May 15, 2003.
Due Nov 15, 2003 to 2019.
First coupon Nov 15, 2003.
C[illegible]able May 15, 2008 at par.

[illegible]ased through negotiation by Kirkpatrick P[illegible], as follows:

Due	Amount	Cpn	Reoffered
11/15/03	$210,000	1.00%	1.00%
11/15/04	$230,000	1.40%	1.40%
11/15/05	$225,000	1.70%	1.70%
11/15/06	$230,000	2.00%	2.00%
11/15/07	$240,000	2.45%	2.45%
11/15/08	$215,000	2.80%	2.80%
11/15/09	$215,000	3.10%	3.10%
11/15/10	$230,000	3.45%	3.45%
11/15/11	$235,000	3.70%	3.70%
11/15/12	$245,000	3.80%	3.80%
11/15/13	$260,000	3.90%	3.90%
11/15/14	$165,000	4.00%	4.00%
11/15/15	$175,000	4.10%	4.10%
11/15/16	$175,000	4.20%	4.20%
11/15/17	$175,000	4.30%	4.30%
11/15/18	$175,000	4.40%	4.40%
11/15/19	$170,000	4.50%	4.50%

L.O.: Baird Holm McEachen Pedersen Hamann & Strasheim, Omaha.

La Vista Facilities Corporation
May 6, 2003 .....$1,860,000

Refunding Building Bonds, Series 2003 (Library Project) (bank qualified) (book entry).
Dated Jun 9, 2003.
Due Dec 15, 2003 to 2012.
First coupon Dec 15, 2003.
Callable Jun 15, 2007 at par.

Purchased through negotiation by Kirkpatrick Pettis, as follows:

Due	Amount	Cpn	Reoffered
12	$170,000	1.00%	1.00%
12/15/05	$175,000	1.40%	1.40%
12/15/06	$180,000	1.70%	1.70%
12/15/06	$175,000	2.00%	2.00%
12/15/07	$180,000	2.45%	2.45%
12/15/08	$185,000	2.80%	2.80%
12/15/09	$190,000	3.10%	3.10%
12/15/10	$195,000	3.45%	3.45%
12/15/11	$200,000	3.70%	3.70%
12/15/12	$210,000	3.80%	3.80%

L.O.: Baird Holm McEachen Pedersen Hamann & Strasheim, Omaha.

Pierce (City)
May 5, 2003 .....$1,270,000

General Obligation Various Purpose Bonds, Series 2003 (bank qualified) (book entry).
Dated Jun 1, 2003.
Due Dec 1, 2004 to 2015.
First coupon Dec 1, 2003.
Callable Dec 1, 2007 at par.

Purchased through negotiation by Kirkpatrick Pettis, as follows:

Due	Amount	Cpn	Reoffered
12/1/04	$100,000	1.45%	1.45%
12/1/05	$100,000	1.75%	1.75%
12/1/06	$100,000	2.10%	2.10%
12/1/07	$100,000	2.45%	2.45%
12/1/08	$100,000	2.80%	2.80%
12/1/09	$100,000	3.15%	3.15%
12/1/10	$100,000	3.45%	3.45%
12/1/11	$100,000	3.70%	3.70%
12/1/12	$100,000	3.85%	3.85%
12/1/13	$115,000	4.00%	4.00%
12/1/14	$125,000	4.15%	4.15%
12/1/15	$130,000	4.20%	4.20%

L.O.: Baird Holm McEachen Pedersen Hamann & Strasheim, Omaha.

OHIO

Springboro (City)
May 6, 2003 .....$3,500,000

Bond Anticipation Notes (bank qualified) (book entry) $1,850,000.
Dated May 29, 2003.
Due Sep 4, 2003.
First coupon Sep 4, 2003.
Non-callable.

Purchased through negotiation by Seasongood & Mayer, as follows:

Due	Amount	Cpn	Reoffered
9/4/03	$1,850,000	1.75%	NRO

Bond Anticipation Notes (bank qualified) (book entry) $1,650,000.
Dated May 29, 2003.
Due May 27, 2004.
First coupon May 27, 2004.
Non-callable.

Due	Amount	Cpn	Reoffered
5/27/04	$1,650,000	1.75%	NRO

SUMMARY NOTICE OF BOND SALE

$5,570,357
INDIAN RIVER CENTRAL SCHOOL DISTRI[illegible] AT PHILADELPHIA
JEFFERSON AND ST. LAWRENCE COUNTIES, NEW YORK
SCHOOL DISTRICT (SERIAL) BONDS, 2003 SERIES C
(Book Entry Only) (Callable)

Sealed proposals will be received and considered by the President of the Board of Education of the Indian River Central School District at Philadelphia, Jefferson and St. Lawrence Counties, New York, at the Office of Fiscal Advisors & Marketing, Inc., 120 Walton Street, Suite 600, Syracuse, New York 13202, **until 10:30 A.M., Prevailing Time, on the 15th day of May, 2003**, at which time and place the bids will be opened, for the purchase IN FEDERAL FUN[illegible] not less than par and accrued interest of $5,570,357 School District (Seri[illegible]nds, 2003 Series C, of said School District, dated May 1, 2003, with interest thereon payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1, and maturing June 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2004	$280,357	2008	$355,000	2013	$435,000**
2005	315,000	2009	370,000	2014	455,000**
2006	325,000	2010	385,000	2015	475,000**
2007	340,000	2011	405,000	2016	495,000**
		2012	420,000	2017	515,000**

* Subject to adjustment by the School District to accomplish level debt.
** Callable maturities.

THE SCHOOL DISTRICT RESERVES THE RIGHT TO CHANGE THE TIME AND/OR DATE FOR THE OPENING OF BIDS. NOTICE OF ANY SUCH CHANGE SHALL BE PROVIDED NOT LESS THAN 24 HOURS PRIOR TO THE TIME SET FORTH ABOVE FOR THE OPENING OF BIDS BY MEANS OF A SUPPLEMENTAL NOTICE OF SALE TO BE TRANSMITTED OVER THE TM3.

Each bid, accompanied by a $111,407 deposit by certified or cashier's check or a Financial Surety Bond in the amount of $111,407 as more fully described in the Notice of Bond Sale, must be for all of said $5,589,407 bonds. The award will be made based upon net interest cost. The purchaser will be furnished, without cost, the unqualified legal opinion as to the validity of the bonds of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

Bidders must refer to the complete Notice of Sale for the terms and conditions of the sale. To obtain copies of the complete Notice of Bond Sale, Bid Form, and the Official Statement of the School District, please contact Fiscal Advisors & Marketing, Inc., Telephone: (315) 752-0051, telecopier: (315) 752-0057. Additional Official Statements may be downloaded from Fiscal Ad[illegible]s & Marketing, Inc's Internet address: http://www.fiscaladvisors.com.

Dated: Philadelphia, New York,
May 6, 2003.

John F. Love
President, Board of Education

FULL BOOK-ENTRY
SUMMARY NOTICE OF SALE

$206,400,000*
Fairfax County, Virginia
Public Improvement Bonds,
Series 2003 B

Electronic bids will be received via BIDCOMP/PARITY Competitive Bidding System, a service of i-Deal LLC only, by the Board of Supervisors of Fairfax County, Virginia, until 11:00 a.m., Fairfax, Virginia Time,

May 15, 2003*

for the purchase of all, and not less than all, of $206,400,000* Public Improvement Bonds, Series 2003 B, of Fairfax County, Virginia, dated May 15, 2003, and maturing, subject to the right of prior redemption, in annual, substantially equal principal installments on the 1st day of June in each of the years 2004 to 2023, inclusive.

**Preliminary, subject to adjustment as described in the official notice of sale.*

Copies of the Preliminary Official Statement and the Official Notice of Sale may be obtained without cost via the Internet at www.i-dealprospectus.com, from BB&T Capital Markets, a division of Scott & Stringfellow, Inc., 2 South Ninth Street, Richmond, Virginia 23219, telephone (804) 649-3946, or from the County's Department of Management and Budget, telephone (703) 324-2391. Each bid must conform to the terms and conditions of the Official Notice of Sale.

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The bonds will be delivered on or about May 29, 2003, in New York, New York, at The Depository Trust Company against payment of the purchase price therefor (less the amount of the good faith deposit) in Federal Reserve funds.

The approving opinion of Sidley Austin Brown & Wood LLP, New York, New York, in substantially the form appearing in the Preliminary Official Statement, will be furnished without cost to the successful bidder. There will also be furnished the usual closing papers.

BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA

By: Nancy Vehrs,
Clerk

Copy of Advertisement

City and County of New York, ss.:-

Barbara Conti, being duly sworn, says that she is the Billing Coordinator of THE BOND BUYER, a daily newspaper printed and published at One State Street Plaza, in the City of New York, County of New York, State of New York; and the notice, of which the annexed is a printed copy, was regularly published in said THE BOND BUYER on May 8, 2003

Barbara Conti

Billing Coordinator

Subscribed and sworn to before me this

8th day of May 2003

Dawn Brown

Dawn Brown
Notary Public, State of New York
No. 01BR5021063
Qualified in Kings County
Commission Expires December 6, 2003

NOTICE OF SALE

$206,400,000*

FAIRFAX COUNTY, VIRGINIA

Public Improvement Bonds, Series 2003 B

Electronic Bids, BiDCOMP/Parity Competitive Bidding System ("BiDCOMP/Parity") only, will be received by the Board of Supervisors of Fairfax County, Virginia, until 11 o'clock a.m., Fairfax, Virginia Time on,

May 15, 2003*

for the purchase of $206,400,000* Public Improvement Bonds, Series 2003 B, of Fairfax County, Virginia, dated May 15, 2003 and maturing, subject to the right of prior redemption as hereinafter set forth, on the 1st day of June in the following years and in the following amounts, respectively:

Initial Maturity Schedule*

Year of Maturity	Principal Amount	Year of Maturity	Principal Amount
2004	$10,320,000	2014	$10,320,000
2005	10,320,000	2015	10,320,000
2006	10,320,000	2016	10,320,000
2007	10,320,000	2017	10,320,000
2008	10,320,000	2018	10,320,000
2009	10,320,000	2019	10,320,000
2010	10,320,000	2020	10,320,000
2011	10,320,000	2021	10,320,000
2012	10,320,000	2022	10,320,000
2013	10,320,000	2023	10,320,000

Changes to Initial Maturity Schedule

The Initial Maturity Schedule set forth above represents an estimate of the principal amount of bonds to be sold. The County hereby reserves the right to change the Initial Maturity Schedule, based on market conditions immediately prior to the sale, by announcing any such change not later than 10:00 a.m., Fairfax, Virginia Time, on the date for receipt of bids via TM3 (www.tm3.com). The resulting schedule of maturities will become the "Bid Maturity Schedule". If no such change is announced, the Initial Maturity Schedule will become the Bid Maturity Schedule. Prospective bidders may request notification by facsimile transmission of any such

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* Preliminary, subject to change.

changes in the Initial Maturity Schedule by so advising, and furnishing their telecopier numbers to, BB&T Capital Markets, a division of Scott & Stringfellow, Inc., at 804-649-3900 by 12 o'clock Noon on May 14, 2003.

Changes to Bid Maturity Schedule

The County hereby further reserves the right to change the Bid Maturity Schedule after the determination of the winning bidder, by increasing or decreasing each maturity, subject to the limitation of no more than a 10% increase or decrease in the principal amount of each maturity.

THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING TERMS (AS HEREAFTER DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the final aggregate principal amount of the bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Terms. The interest rates specified by the successful bidder for the various maturities at the Initial Reoffering Terms will not change. The County anticipates that the final annual principal amounts and the final aggregate principal amount of the bonds will be communicated to the successful bidder within twenty-four hours of the County's receipt of the initial public offering prices and yields of the bonds (the "Initial Reoffering Terms").

Book-Entry System

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. The book-entry system will evidence beneficial ownership interests of the bonds in the principal amount of $5,000 and any multiple thereof, with transfers of beneficial ownership interests effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. Interest on the bonds will be payable December 1, 2003 and semiannually thereafter on June 1 and December 1, and principal of and any redemption premium on the bonds will be payable at maturity or upon prior redemption, to DTC or its nominee as registered owner of the bonds. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the bonds or (b) the County determines that continuation of the book-entry system of evidence and transfer of ownership of the bonds would adversely affect the interests of the beneficial owners of the bonds, the County will discontinue the book-entry system with DTC. If the County fails to select another qualified securities depository to replace DTC, the County will deliver replacement bonds in the form of fully registered certificates.

The Bonds

The bonds will be general obligations of Fairfax County, Virginia, and all taxable property therein will be subject to the levy of an annual ad valorem tax sufficient in amount to provide for the payment of the principal of and the interest on the bonds as the same become due, which tax will be without limitation as to rate or amount and will be in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purposes.

The bonds are being issued as a consolidated issue of bonds authorized for the purpose of providing funds for School Improvements ($136,400,000), Transportation Improvements and Facilities ($800,000), Parks and Park Facilities ($24,450,000), Neighborhood Improvements ($1,000,000), Adult Detention Facilities ($2,000,000), Community and Redevelopment Area ($3,300,000), Public Safety Facilities ($37,600,000), Juvenile Detention Facilities ($150,000) and Storm Drainage Facilities ($700,000).

Term Bond Option

The successful bidder may designate two or more of the consecutive serial maturities as one or two (but not more than two) term bond maturities equal in aggregate principal amount, and with mandatory amortization requirements corresponding, to such designated serial maturities.

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds to be redeemed shall be selected by DTC and its participants by lot so long as a book-entry system with DTC is continued. Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the bonds. Such notice shall be mailed not more than 60 nor less than 30 days prior to the date fixed for redemption. The County will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

Optional Redemption

The bonds which mature on or before June 1, 2013 are not subject to redemption before maturity. Bonds which mature after June 1, 2013 may be redeemed, at the option of the County, before their respective maturities on any date not earlier than June 1, 2013, in whole or in part (in integral multiples of $5,000), upon payment of the redemption price of par plus accrued interest to the redemption date.

Electronic Bidding and Bidding Procedures

Registration to Bid

All prospective bidders must be contracted customers of i-Deal LLC's BiDCOMP/Parity Competitive Bidding System. If you do not have a contract with BiDCOMP/Parity, call (212) 806-8304 to become a customer. By submitting a bid for the bonds, a prospective bidder represents and warrants to the County that such bidder's bid for the purchase of the bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the bonds. By contracting with BiDCOMP/Parity a prospective bidder is not obligated to submit a bid in connection with the sale.

IF ANY PROVISIONS OF THIS NOTICE OF SALE SHALL CONFLICT WITH INFORMATION PROVIDED BY BiDCOMP/Parity AS APPROVED PROVIDER OF ELECTRONIC BIDDING SERVICES, THIS NOTICE OF SALE, AS IT MAY BE AMENDED BY THE COUNTY AS DESCRIBED WITHIN, SHALL CONTROL. Further information about BiDCOMP/Parity, including any fee charged, may be obtained from BiDCOMP/Parity at (212) 806-8304.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via BiDCOMP/Parity as described in the attached instructions. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access BiDCOMP/Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the County nor BiDCOMP/Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the County nor BiDCOMP/Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, BiDCOMP/Parity. The County is using BiDCOMP/Parity as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the bonds. The County is not bound by any advice and determination of BiDCOMP/Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via BiDCOMP/Parity are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the bonds, it should telephone BiDCOMP/Parity and notify BB&T Capital Markets, the County's financial advisor, by telephone at (804) 649-3946. After receipt of bids is closed, the County through BiDCOMP/Parity will indicate the apparent successful bidder. Such message is a courtesy only for viewers, and does not constitute the award of the bonds. Each bid will remain subject to review by the County to determine its true interest cost rate and compliance with the terms of this Notice of Sale.

Bidding Procedures

Bids must be submitted electronically for the purchase of the bonds (all or none) by means of the Fairfax County, Virginia AON Bid Form (the "Bid Form") via Parity. Bids must be communicated electronically to Parity by 11:00 a.m., Fairfax, Virginia Time on Thursday, May 15, 2003 unless postponed as described herein (see "Change of Bid Date and Closing Date"). Prior to that time, a prospective bidder may input and save the proposed terms of its bid in BiDCOMP. Once the final bid has been saved in BiDCOMP, the bidder may select the final bid button in BiDCOMP to submit the bid to Parity. Once the bids are released electronically via Parity to the County, each bid will constitute an irrevocable offer to purchase the bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on BiDCOMP shall constitute the official Fairfax, Virginia Time. For information purposes only, bidders are requested to state in their bids the true interest cost to the County, as described under "Award of the Bonds" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via Parity. No bid will be received after the time for receiving such bids specified above. For more detailed information regarding the bidding procedures, please refer to Attachment A of this Notice of Sale.

Bid Specifications

Bidders are requested to name the interest rate or rates in multiples of 1/8 or 1/20 of 1%. Each bidder must specify in its bid a rate for each maturity of bonds. The bonds maturing on the same date must bear interest at the same rate.

Any number of interest rates may be named, provided that (a) for all bonds, the highest interest rate for any maturity may not exceed 5%, and (b) the price bid for the bonds may not be less than par, nor more than 106% of the principal amount thereof. No bid for less than all of the bonds offered or for less than par and accrued interest will be entertained.

A good faith deposit (Deposit) in the form of a Financial Surety Bond payable to the order of the Director of the Department of Finance of Fairfax County, Virginia, for $2,000,000 is required for a bid to be considered for the bonds. The Financial Surety Bond must be from an insurance company acceptable to the County and licensed to issue such a bond in the Commonwealth of Virginia, and such Financial Surety Bond must be submitted to the County prior to 5 p.m. Fairfax, Virginia Time on the day prior to the date for receipt of bids and must be in form and substance acceptable to the County. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. The successful bidder is required to submit its Deposit to the County in the form of a wire transfer not later than 12 o'clock Noon, Fairfax, Virginia Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the County to satisfy the Deposit requirement. Award or rejection of bids will be made by or on behalf of the Board of Supervisors of Fairfax County, Virginia, on the date above stated for the receipt of bids. The proceeds of the Deposit will be held as security for the performance of its bid and applied to the purchase price of said bonds, but, in the event the successful bidder shall fail to comply with

the terms of its bid, the proceeds will be retained as and for full liquidated damages. No interest will be allowed thereon.

Award of Bonds

Award or rejection of bids will be made by the County prior to 3:00 p.m., Fairfax, Virginia Time on the date of receipt of bids. ALL BIDS SHALL REMAIN FIRM UNTIL 3:00 P.M., FAIRFAX, VIRGINIA TIME, ON THE DATE OF RECEIPT OF BIDS. An award of the bonds, if made, will be made by the County within such four-hour period of time (11:00 a.m. – 3:00 p.m.).

The bonds will be awarded to the bidder offering to purchase the bonds at the lowest "True or Canadian" interest cost, such cost to be determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount to the price bid the payments of the principal of and the interest on the bonds from their payment dates to the dated date of the bonds, excluding the accrued interest from the dated date of the bonds to the date of their delivery.

Change of Bid Date and Closing Date; Other Changes to Notice of Sale

The County reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to announce any such change via TM3 (www.tm3.com). Prospective bidders may request notification by facsimile transmission of such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to BB&T Capital Markets, a division of Scott & Stringfellow, Inc. at (804) 649-3946 by 12 o'clock Noon, Fairfax, Virginia Time on May 14, 2003.

A postponement of the bid date will be announced via TM3 not later than 10:00 a.m., Fairfax, Virginia Time on May 15, 2003. An alternative bid date and time will be announced via TM3 by Noon, Fairfax, Virginia Time, on the second business day prior to such alternative bid date.

On such alternative bid date and time, the County will accept bids for the purchase of the bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for bidding and any other changes announced via TM3 at the time the bid date and time are announced.

The County may change the scheduled delivery date for the bonds by notice given in the same manner as set forth for a change in the date for the receipt of bids.

The County reserves the right to otherwise change this Notice of Sale. The County anticipates that it would communicate any such changes via TM3 by 4:00 p.m., Fairfax, Virginia Time on the date prior to the scheduled date for receipt of bids.

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of all of the bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers who are not purchasing for their own account as ultimate purchasers

without a view to resell) and will, within 30 minutes after being notified of the award of the bonds, advise Fairfax County in writing (via facsimile transmission) of the Initial Reoffering Terms. Prior to the delivery of the bonds, the successful bidder will furnish a certificate acceptable to Bond Counsel as to the "issue price" of the bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty.

Delivery

The bonds will be delivered on or about May 29, 2003 in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Deposit) in Federal Reserve funds.

The approving opinion of Sidley Austin Brown & Wood LLP, New York, New York, in substantially the form appearing in the Preliminary Official Statement, will be furnished without cost to the successful bidder. There will also be furnished the usual closing papers, including certifications as to the Official Statement and no-litigation.

CUSIP Numbers

CUSIP numbers are to be applied for by the successful bidder with respect to the bonds. The County will assume no obligation for the assignment of such numbers or for the correctness of such numbers, and no error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery or make payment for the bonds.

Official Statements

Copies of the Preliminary Official Statement may be obtained without cost via the Internet at www.i-dealprospectus.com or from BB&T Capital Markets, 2 South Ninth Street, Richmond, Virginia 23219, telephone (804) 649-3946, from the undersigned. The Preliminary Official Statement at its date is "deemed final" by the County for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion.

After the award of the bonds, the County will prepare copies of the Official Statement and will include therein such additional information concerning the reoffering of the bonds as the successful bidder may reasonable request; provided, however, that the County will not include in the Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the bonds. The successful bidder will be responsible to the County in all respects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering. The County expects the successful bidder to deliver copies of such Official Statement to persons to whom such bidder initially sells the bonds, the Municipal Securities Rulemaking Board ("MSRB") and to each nationally recognized municipal securities information repository (a "NRMSIR"). The successful bidder will be required to acknowledge receipt of such Official Statement, to certify that it has made delivery of the Official Statement to such repositories and to acknowledge that the County expects the successful bidder to deliver copies of such Official Statement to persons to whom such bidder initially sells the bonds and to

certify that the bonds will only be offered pursuant to such Official Statement and only in states where the offer is legal. The successful bidder will be responsible to the County in all respects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Amendments"). In general, the Amendments prohibit an underwriter from purchasing or selling municipal securities, such as the bonds, unless it has determined that the issuer of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Amendments, if material. The County will provide to each NRMSIR and to any Virginia information depository, annual information respecting the County, including audited financial statements. In addition, the County will provide to each such NRMSIR or the MSRB and to any Virginia information depository so formed, notice of the occurrence of any events described in the Amendments if material. The County has not failed to comply as to its general obligation bonds with previous undertakings with regard to the Amendments. The County's filing of its annual report and financial statements for its Integrated Sewer System's Enterprise Fund for the fiscal year ended June 30, 1999, pursuant to an undertaking made in connection with its Sewer Revenue Bonds, Series 1996, was made approximately 30 days late, and timely notice of such late filing was given to each of the NRMSIRs. The County's sewer filings for fiscal years 2000 and 2001 were timely made with each of the NRMSIRs.

Official Statements will be provided within seven (7) business days after the date of the award of the bonds in such quantities as may be necessary for the successful bidder's regulatory compliance.

Further information will be furnished upon application to Len Wales, Assistant Director of the Department of Management and Budget of the County at (703) 324-2391.

Reservation of Rights

The right to reject any or all bids and to waive any irregularity or informality in any bid is reserved.

BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA

By: Nancy Vehrs, Clerk

11:08:26 a.m. EDST | Upcoming Calendar | Overview | Compare | Summary

Bid Results

Fairfax County
$206,400,000 Public Improvement Bonds, Series 2003 B

The following bids were submitted using ***PARITY***® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
	Merrill Lynch & Co.	3.626261
	J.P. Morgan Securities, Inc.	3.649350
	Bear, Stearns & Co., Inc.	3.696025
	Morgan Stanley, Dean Witter	3.709337

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

Thomson Municipal Market Monitor.
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TM3 Client Services 1-800-367-8215, 7:30 a.m. to 5:00 p.m. EST.
Please send comments to webmaster@tm3.com.

THOMSON FIN.
MUNICIPALS GI

Thu May 15 11:08:22 2003

Upcoming Calendar | Overview | Result | Excel

Merrill Lynch & Co. - New York , NY's Bid

PARITY

Fairfax County
$206,400,000 Public Improvement Bonds, Series 2003 B

For the aggregate principal amount of $206,400,000.00, we will pay you $218,784,000.00, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount $	Coupon %
06/01/2004	10,320M	2.0000
06/01/2005	10,320M	2.0000
06/01/2006	10,320M	3.0000
06/01/2007	10,320M	3.0000
06/01/2008	10,320M	4.0000
06/01/2009	10,320M	5.0000
06/01/2010	10,320M	5.0000
06/01/2011	10,320M	5.0000
06/01/2012	10,320M	4.0000
06/01/2013	10,320M	5.0000
06/01/2014	10,320M	4.0000
06/01/2015	10,320M	4.0000
06/01/2016	10,320M	5.0000
06/01/2017	10,320M	5.0000
06/01/2018	10,320M	4.0000
06/01/2019	10,320M	4.0000
06/01/2020	10,320M	4.0000
06/01/2021	10,320M	4.1250
06/01/2022	10,320M	4.7500
06/01/2023	10,320M	4.7500

Total Interest Cost:	$94,957,186.67
Premium:	$12,384,000.00
Net Interest Cost:	$82,573,186.67
TIC:	3.626261

Time Last Bid Received On:05/15/2003 10:59:24 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Merrill Lynch & Co., New York , NY
Contact: David Andersen
Title: managing director
Telephone:212-449-5081
Fax: 212-449-3733

Issuer Name: Fairfax County

Company Name: _____

Accepted By: _____

Accepted By: _____

Date: _____

Date: _____

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TM3 Client Services 1-800-367-8215, 7:30 a.m. to 5:00 p.m. EST.
Please send comments to webmaster@tm3.com.

THOMSON FIN.
MUNICIPALS GI

Thu May 15 11:08:46 2003

Upcoming Calendar | Overview | Result | Excel

J.P. Morgan Securities, Inc. - New York , NY's Bid

Fairfax County
$206,400,000 Public Improvement Bonds, Series 2003 B

For the aggregate principal amount of $206,400,000.00, we will pay you $216,193,989.60, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount $	Coupon %
06/01/2004	10,320M	2.0000
06/01/2005	10,320M	3.0000
06/01/2006	10,320M	5.0000
06/01/2007	10,320M	5.0000
06/01/2008	10,320M	5.0000
06/01/2009	10,320M	5.0000
06/01/2010	10,320M	5.0000
06/01/2011	10,320M	5.0000
06/01/2012	10,320M	5.0000
06/01/2013	10,320M	5.0000
06/01/2014	10,320M	4.0000
06/01/2015	10,320M	4.7500
06/01/2016	10,320M	4.7500
06/01/2017	10,320M	4.7500
06/01/2018	10,320M	4.7500
06/01/2019	10,320M	4.7500
06/01/2020	10,320M	4.0000
06/01/2021	10,320M	4.0000
06/01/2022	10,320M	4.7500
06/01/2023	10,320M	0.0500

Total Interest Cost:	$90,769,789.33
Premium:	$9,793,989.60
Net Interest Cost:	$80,975,799.73
TIC:	3.649350

Time Last Bid Received On:05/15/2003 10:59:53 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: J.P. Morgan Securities, Inc., New York , NY
Contact: Peter Clarke
Title: MANAGING DIR
Telephone:212-834-7154
Fax: 212-834-6743

Issuer Name: Fairfax County

Company Name: _____

Accepted By: _____

Accepted By: _____

Date: _____

Date: _____

Thomson Municipal Market Monitor.
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TM3 Client Services 1-800-367-8215, 7:30 a.m. to 5:00 p.m. EST.
Please send comments to webmaster@tm3.com.

THOMSON FIN.
MUNICIPALS GI

Thu May 15 11:09:11 2003

Upcoming Calendar | Overview | Result | Excel

Bear, Stearns & Co., Inc. - New York , NY's Bid

PARITY

Fairfax County
$206,400,000 Public Improvement Bonds, Series 2003 B

For the aggregate principal amount of $206,400,000.00, we will pay you $218,784,000.00, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount $	Coupon %
06/01/2004	10,320M	2.0000
06/01/2005	10,320M	3.0000
06/01/2006	10,320M	3.5000
06/01/2007	10,320M	4.0000
06/01/2008	10,320M	4.0000
06/01/2009	10,320M	4.0000
06/01/2010	10,320M	4.0000
06/01/2011	10,320M	4.0000
06/01/2012	10,320M	4.0000
06/01/2013	10,320M	4.2500
06/01/2014	10,320M	4.7500
06/01/2015	10,320M	4.7500
06/01/2016	10,320M	4.7500
06/01/2017	10,320M	5.0000
06/01/2018	10,320M	5.0000
06/01/2019	10,320M	4.5000
06/01/2020	10,320M	4.5000
06/01/2021	10,320M	4.5000
06/01/2022	10,320M	4.5000
06/01/2023	10,320M	4.2500

Total Interest Cost:	$96,667,440.00
Premium:	$12,384,000.00
Net Interest Cost:	$84,283,440.00
TIC:	3.696025

Time Last Bid Received On:05/15/2003 10:59:51 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Bear, Stearns & Co., Inc., New York , NY
Contact: Roy Carlberg
Title: Associate Director
Telephone:212-272-4910
Fax: 212-272-3899

Issuer Name: Fairfax County

Company Name: _____

Accepted By: _____

Accepted By: _____

Date: _____

Date: _____

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Please send comments to webmaster@tm3.com.

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MUNICIPALS GI

Thu May 15 11:09:36 2003

Upcoming Calendar | Overview | Result | Excel

Morgan Stanley, Dean Witter - New York , NY's Bid

Fairfax County
$206,400,000 Public Improvement Bonds, Series 2003 B

For the aggregate principal amount of $206,400,000.00, we will pay you $218,774,196.00, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount $	Coupon %
06/01/2004	10,320M	2.0000
06/01/2005	10,320M	3.0000
06/01/2006	10,320M	3.0000
06/01/2007	10,320M	3.0000
06/01/2008	10,320M	4.0000
06/01/2009	10,320M	4.0000
06/01/2010	10,320M	4.0000
06/01/2011	10,320M	4.0000
06/01/2012	10,320M	4.0000
06/01/2013	10,320M	5.0000
06/01/2014	10,320M	4.0000
06/01/2015	10,320M	4.0000
06/01/2016	10,320M	5.0000
06/01/2017	10,320M	5.0000
06/01/2018	10,320M	5.0000
06/01/2019	10,320M	5.0000
06/01/2020	10,320M	5.0000
06/01/2021	10,320M	4.0000
06/01/2022	10,320M	5.0000
06/01/2023	10,320M	4.2500

Total Interest Cost:	$97,178,853.33
Premium:	$12,374,196.00
Net Interest Cost:	$84,804,657.33
TIC:	3.709337

Time Last Bid Received On:05/15/2003 10:59:44 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Morgan Stanley, Dean Witter, New York , NY
Contact: Donald O'Brien
Title:
Telephone:212-762-8180
Fax: 212-762-8226

Issuer Name: Fairfax County

Company Name: _____

Accepted By: _____

Accepted By: _____

Date: _____

Date: _____

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TM3 Client Services 1-800-367-8215, 7:30 a.m. to 5:00 p.m. EST.
Please send comments to webmaster@tm3.com.

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Thu May 15 11:09:52 2003

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2003 B Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 5, 2003

In the opinion of Bond Counsel, under existing law and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for Federal income tax purposes. See "TAX MATTERS" herein for certain provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

NEW ISSUE
Full Book-Entry

RATINGS:

Fitch.....
Standard & Poor's .....
Moody's.....

$206,400,000*
Fairfax County, Virginia
Public Improvement Bonds, Series 2003 B

Dated: May 15, 2003 **Due: June 1, as shown below**

Interest on the Bonds will be payable semi-annually on each June 1 and December 1, commencing December 1, 2003.

The Bonds are subject to redemption prior to maturity in whole or in part at any time on or after June 1, 2013 at a redemption price of par plus accrued interest.

The Bonds are being issued for the purpose of financing various public improvements.

The Bonds will be general obligations of Fairfax County, Virginia, for the payment of which the Board of Supervisors of the County is unconditionally obligated to levy and collect an annual ad valorem tax, unlimited as to rate or amount, upon all property in the County subject to local taxation.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

Maturity Date	Principal Amount*	Interest Rate	Yield	Maturity Date	Principal Amount*	Interest Rate	Yield
2004	$10,320,000			2014	$10,320,000		
2005	10,320,000			2015	10,320,000		
2006	10,320,000			2016	10,320,000		
2007	10,320,000			2017	10,320,000		
2008	10,320,000			2018	10,320,000		
2009	10,320,000			2019	10,320,000		
2010	10,320,000			2020	10,320,000		
2011	10,320,000			2021	10,320,000		
2012	10,320,000			2022	10,320,000		
2013	10,320,000			2023	10,320,000		

(Accrued interest to be added)

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel. The Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about May 29, 2003.

This and the inside cover page contain certain information for quick reference only. They are not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

May __, 2003

---

* Preliminary, subject to change

Fairfax County, Virginia

BOARD OF SUPERVISORS

Katherine K. Hanley, *Chairman*
Gerald W. Hyland, *Vice Chairman*
Sharon Bulova
Gerald E. Connolly
Catherine M. Hudgins
Michael R. Frey
Penelope A. Gross
T. Dana Kauffman
Elaine McConnell
Stuart Mendelsohn

COUNTY OFFICIALS

Anthony H. Griffin, *County Executive*
Verdia L. Haywood, *Deputy County Executive*
Robert A. Stalzer, *Deputy County Executive*
David P. Bobzien, *County Attorney*
Edward L. Long, Jr., *Chief Financial Officer*
David J. Molchany, *Chief Information Officer*
Robert L. Mears, Director, *Department of Finance*
Susan W. Datta, Director, *Department of Management and Budget*

BOND COUNSEL
Sidley Austin Brown & Wood LLP
787 Seventh Avenue
New York, New York 10019
(212) 839-5323

FINANCIAL ADVISOR
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.
2 South Ninth Street
Richmond, Virginia 23219
(804) 649-3946

For information relating to this Official Statement please contact:
Edward L. Long, Jr., Chief Financial Officer
Fairfax County, Virginia
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035-0074
(703) 324-2391

No person has been authorized by Fairfax County to give any information or to make any representations with respect to the County or the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds. Any electronic reproduction of this Official Statement may contain computer generated errors or other deviations from the printed Official Statement. In any such case, the printed version controls.

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OFFICIAL STATEMENT

FAIRFAX COUNTY, VIRGINIA

Regarding

$206,400,000*

Public Improvement Bonds, Series 2003 B

INTRODUCTION

The purpose of this Official Statement, which includes the cover and inside cover pages and the appendices hereto, is to furnish information in connection with the sale by Fairfax County, Virginia (the "County"), of its $206,400,000* Public Improvement Bonds, Series 2003 B (the "Bonds").

THE BONDS

Authorization And Purpose

The Bonds will be issued under a resolution (the "Resolution") adopted by the Board of Supervisors of Fairfax County (the "Board of Supervisors") on April 28, 2003 pursuant to Article VII, Section 10(b) of the Constitution of Virginia and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia, 1950, as amended (the "Act").

The Bonds will be issued to provide funds in the following amounts* for the following purposes:

School Improvements	$ 136,400,000
Transportation Improvements and Facilities	800,000
Parks and Park Facilities	24,450,000
Neighborhood Improvements	1,000,000
Adult Detention Facilities	2,000,000
Community and Redevelopment Area Improvements	3,300,000
Public Safety Facilities	37,600,000
Juvenile Detention Facilities	150,000
Storm Drainage Facilities	700,000
Total	$ 206,400,000

* Preliminary, subject to change

The sources and uses of the proceeds of the Bonds, excluding accrued interest on the Bonds, and other available funds are summarized as set forth below.

Sources	
Par amount of the Bonds	$
Net offering premium	
Total Sources	$_____
Uses	
Public Improvements	
Public Improvements contingency[1]	
Underwriters' discount	
Other issuance expenses	
Total Uses	$_____

The accrued interest received on delivery of the Bonds will be applied to pay a portion of the interest due on the Bonds on December 1, 2003.

Description

The Bonds will be dated May 15, 2003, will bear interest from their date, payable semi-annually on each June 1 and December 1, commencing December 1, 2003, at rates, and will mature, in amounts on June 1 in each of the years 2004 through 2023, inclusive, as set forth on the cover page of this Official Statement. The Bonds will be issued in denominations of $5,000 and integral multiples thereof under the book-entry system of the Depository Trust Company ("DTC"), and principal and interest on the bonds will be payable in the manner described in Appendix V, "BOOK-ENTRY ONLY SYSTEM".

Security

The Bonds are general obligations of the County for which its full faith and credit are irrevocably pledged. The Act requires that the Board of Supervisors shall, in each year while any of the Bonds shall be outstanding, levy and collect an ad valorem tax upon all property in the County subject to local taxation sufficient to pay the principal of and the interest on the Bonds as the same shall become due, which tax shall be in addition to all other taxes authorized to be levied in the County.

State Aid Intercept

The provisions of Section 15.2-2659 of the Act, in substance, direct the Governor of Virginia, upon satisfactory proof of default by the County in the payment of principal of or interest on the Bonds, immediately to order the Comptroller of Virginia to withhold all further payment to the County of all funds, or any part thereof, appropriated and payable by the Commonwealth to the County for any and all purposes until such default is remedied. For as long as the default continues, the law directs the Governor to require the Comptroller to pay to the holders of such Bonds or the paying agent therefor all of the withheld funds or as much as are necessary to cure, or to cure insofar as possible, the default on such Bonds. The Governor shall, as soon as practicable, give notice of such default and of the availability of funds with the paying agent or with the Comptroller by publication one time in a daily newspaper of general circulation in the City of Richmond and by mail to the registered owners of such Bonds. Although the provisions of Section 15.2-2659 have never been tested in a Virginia court, the Attorney General of Virginia has opined that appropriated funds can be withheld pursuant to its provisions.

[1] Expected to be applied to pay a portion of the interest due on the Bonds during the construction of the Public Improvements.

Remedies

The Bonds do not specifically provide any remedies that would be available to a bondholder if the County defaults in the payment of principal of or interest on the Bonds, nor do they contain a provision for the appointment of a trustee to protect and enforce the interests of the bondholders upon the occurrence of such default. If a bondholder does not receive payment of principal or interest when due, the holder could seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the Board of Supervisors to levy and collect an ad valorem tax, unlimited as to rate or amount, upon all property in the County subject to local taxation sufficient to pay the principal of and the interest on the Bonds as the same shall become due. The mandamus remedy, however, may be impracticable and difficult to enforce. The enforceability of rights or remedies with respect to the Bonds (but not the validity of the Bonds) may be limited by bankruptcy, insolvency, or other State or Federal laws, heretofore or hereafter enacted, and equitable principles affecting the enforcement of creditors' rights.

The County has never defaulted in the payment of either principal or interest on any indebtedness.

No Litigation Respecting The Bonds

No litigation is pending or, to the best of the County's knowledge, threatened (a) to restrain or enjoin the issuance, sale or delivery of any of the Bonds, the application of the proceeds thereof or the pledge of tax revenues for payment of the Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Bonds, (c) in any way contesting the existence or powers of the County or (d) that, if determined adversely against the County, would have a material adverse effect on the County. See "FAIRFAX COUNTY – CONTINGENT LIABILITIES AND CLAIMS" for a description of litigation affecting the County.

FAIRFAX COUNTY

GENERAL DESCRIPTION

Overview

The County is located in the northeastern corner of Virginia and encompasses an area of 407 square miles. Its current estimated population is approximately one million. The County is part of the Washington, D.C. metropolitan area, which includes jurisdictions in Maryland, the District of Columbia, and Northern Virginia.

The Fairfax County government is organized under the Urban County Executive form of government (as defined under Virginia law). The governing body of the County is the Board of Supervisors which makes policies for the administration of the County. The Board of Supervisors is comprised of ten members: the Chairman, elected at large for a four-year term, and one member from each of nine districts, elected for a four-year term by the voters of the district in which the member resides. The Board of Supervisors appoints a County Executive to act as the administrative head of the County. The County Executive serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board of Supervisors. (See Appendix I.)

In Virginia, cities and counties are discrete units of government and do not overlap. Fairfax County completely surrounds the City of Fairfax and is adjacent to the City of Falls Church and the City of Alexandria. (See Appendix II.) Property within these cities is not subject to taxation by Fairfax County, and the County generally is not required to provide governmental services to their residents. The County does, however, provide certain services to the residents of certain of these cities pursuant to agreements with such cities.

In Fairfax County there are located three incorporated towns, Clifton, Herndon and Vienna, which are underlying units of government within the County, and the ordinances and regulations of the County are, with certain limitations prescribed by State law, generally effective in them. (See Appendix III.) Property in these towns is subject to County taxation and the County provides certain services to their residents. These towns may incur general obligation bonded indebtedness without the prior approval of the County (more fully discussed in "FAIRFAX COUNTY--DEBT ADMINISTRATION").

Certain County Administrative and Financial Staff Members

Anthony H. Griffin, County Executive, joined Fairfax County Government in 1989 after serving as Falls Church, Virginia City Manager for six years. He was appointed County Executive effective January 17, 2000. He previously served as Deputy County Executive for the County. He had previously served as acting County Manager and Deputy County Manager of Arlington County, Virginia. He is a graduate of Hobart College in Geneva, New York, and holds Master's Degrees in Urban and Regional Planning and in Urban Affairs, with a concentration in Urban Management, from Virginia Polytechnic Institute and State University.

Verdia L. Haywood, Deputy County Executive, joined Fairfax County Government in 1978 as Executive Assistant to the County Executive. Prior to joining Fairfax County, Mr. Haywood served as Senior Budget Analyst for the City of Richmond, Virginia. Mr. Haywood holds a Bachelor's Degree with Honors from Alcorn State University, with a concentration in Political Science and Economics, and a Master's Degree in Public Administration from the University of Illinois. He also was the recipient of a Ford Foundation Grant and Illinois State Urban Fellowship.

Robert A. Stalzer, Deputy County Executive, joined Fairfax County Government on June 1, 2000. Mr. Stalzer previously served as Town Manager in the Town of Herndon, a position he assumed in 1988. He had previously served as Director of Planning and Zoning, Zoning Administrator and Planning Commission Secretary for Roanoke County, Virginia. Mr. Stalzer holds a Bachelor of Arts from Clark University and a Master of Regional and City Planning from the University of Oklahoma. He is currently a degree candidate at Syracuse University, New York for a Master of Business Administration.

David P. Bobzien was appointed County Attorney by the Board of Supervisors effective January 1993, after serving as a member of the Fairfax County Planning Commission and as Chairman of the Fairfax County Goals Advisory Commission. He is the past Chair of the Local Government Law Section of the Virginia State Bar, the past President of the Local Government Attorneys of Virginia, and an elected member of the Virginia State Bar Council. Prior to assuming his present position he served as Assistant Counsel in the Office of Professional Responsibility of the United States Department of Justice. From 1975 to 1979 Mr. Bobzien was an associate in the Fairfax law firm of Fitzgerald and Smith. He also served as a Captain in the Judge Advocate General's Corps in the United States Army from 1971 to 1975. Mr. Bobzien is a graduate of Holy Cross College and holds a J.D. from the University of Virginia and an L.L.M in Taxation from George Washington University.

Edward L. Long, Jr., Chief Financial Officer, joined the County in 1977 as a Budget Analyst. He served as a Senior Budget Analyst from 1980 to 1983 and as Assistant Director from 1983 to 1989. He was appointed Budget Director in October 1989. Mr. Long has a Bachelor's Degree in Political Science from Emory & Henry College and a Master's Degree in Urban Studies from the University of Maryland at College Park. He has served on the Fairfax-Falls Church Community Services Board and is active and has held offices in numerous professional organizations in the Northern Virginia region. In 1993 Mr. Long was recognized by the Washington Metropolitan Government Finance Officers Association with the Anna Lee Berman Award for Outstanding Leadership in Governmental Finance.

David J. Molchany, Chief Information Officer, joined the County in 1995. As Chief Information Officer (CIO) for the Fairfax County Government, Mr. Molchany is responsible for the management of all aspects of information and technology needed to support the County Government and its constituents. His area of responsibility includes the Department of Information Technology, the Fairfax County Public Library and the Department of Cable Communications and Consumer Protection. He is also responsible for HIPAA compliance Countywide. He and his departments have been recognized by numerous organizations for innovative use of technology. In 2002 the Bertelsmann Foundation of Germany recognized the County's E-Government program as one of the four top pace setters of the 12 top programs in the world. Mr. Molchany is also active in many professional organizations and has been appointed by the Governor of Virginia and the General Assembly to serve on statewide councils and commissions on technology. Previous employers have included Sallie Mae, American Management Systems and Electronic Data Systems. Mr. Molchany is a 1983 graduate of Juniata College and holds a Bachelor of Science degree in Marketing and Computer Science.

Robert L. Mears was appointed as Fairfax County Director of the Department of Finance effective September 7, 1999. From 1989 until then, he served as Finance Director of the Fairfax County Public Schools. He joined the Schools staff in 1986 as a coordinator of the logistics budget after service with the County government since 1981 as a Management Analyst. During his time with the County government, he served on the interdepartmental project team responsible for implementation of the government's new automated financial system. Mr. Mears received his Bachelor's Degree in Sociology from the College of William & Mary and his Master's Degree in Public Administration from the University of Northern Colorado. He is a Certified Governmental Financial Manager and is Treasurer and Chairman of the Investment Committee of the Board of Trustees of the Fairfax County Supplemental Retirement System, Treasurer of the Board of Trustees of the Police Officers Retirement System, and Treasurer of the Board of Trustees of the Uniformed Retirement System.

Susan W. Datta was appointed as Fairfax County Director of the Department of Management and Budget effective August 11, 2001. She had served as the assistant director of the Department of Management and Budget since 1993. Ms. Datta received her Bachelor's Degree in American Government from the University of Virginia and a Masters of Public Administration from the University of North Carolina at Chapel Hill. Ms. Datta worked as Assistant to the County Manager in Catawba County, North Carolina, from 1984 to 1987. She joined the Fairfax County Department of Management and Budget in May 1987 as a budget analyst.

County Employees

As of April 2003, there were 32,218 full and part time positions authorized for the County. Of this total, 20,712 were authorized by the County School Board; 10,666 were authorized in other activities funded directly or supported by the General Fund of the County; and 840 were authorized in activities not supported by the General Fund, principally the Integrated Sewer System. Fairfax County employees are not represented by unions. Fairfax

County public school employees have, however, organized the Fairfax Education Association and the Fairfax County Federation of Teachers to represent the interests of its members at public hearings and meetings before the County School Board and the Board of Supervisors. General County employees' interests are represented at these types of meetings by the Employees Advisory Council and other groups such as Police, Fire and Sheriff employee organizations. None of these organizations is empowered to serve as negotiating agent for its members for collective bargaining purposes. Collective bargaining by public employees in Virginia is prohibited by law, and such restriction has been upheld by the Supreme Court of Virginia.

GOVERNMENT SERVICES

Reflecting its urban character, Fairfax County provides a comprehensive range of public services characteristic of its form of government under Virginia law and its integral position within the Washington metropolitan area. The following subsections describe principal governmental services and services performed in conjunction with other governmental entities.

General Government Administration

The County government center complex is located in the Fairfax Center area and is accessible by U.S. Routes 50 and 29, near Interstate Highway 66. The 674,943 square foot government center houses core County services and agencies. Two adjacent County office buildings provide an additional 486,129 square feet of space and house primarily human services and community development agencies and departments of the County. Six remote governmental centers, in addition to the central government center complex, have been established. The centers provide office space for members of the Board of Supervisors, personnel, police, and building inspectors, and provide meeting rooms for community activities. In addition, during FY 2002, the County completed and occupied a new 135,000 square foot governmental center for delivery of County services in the southeast part of the County.

Fairfax County has received national recognition for many administrative and managerial innovations which have been implemented in order to increase the efficiency of County services and reduce costs. For example, decentralization in the administration of County programs has been emphasized in order to augment the efficient delivery of County services. In early 2002, Governing Magazine released the results of a comprehensive evaluation of management practices of 40 counties across the United States. This survey was conducted by the Government Performance Project and the Maxwell School of Public Affairs and Citizenship at Syracuse University. A total of five management categories were evaluated, including Financial Management, Managing for Results, Information Technology, Human Resource Management and Capital Management. Fairfax County was one of only two counties to earn the highest overall rating of A- and Fairfax County was the only county to receive no grade less than A- in any of the five management categories.

To support recent realignment of County functions, significant investments are being made in the County's information technology capabilities. In addition to the investments related to the projects outlined above, the County is also replacing and upgrading its Public Safety communications network; integrating existing databases into a single Corporate Land Development System; digitizing the integrated mapping system; implementing electronic imaging for the Circuit Court land records; and utilizing ongoing upgrades to provide online public access to the County's library collections.

In the area of revenue collection and financial management, the County has instituted many computer-assisted programs in order to increase County revenues and monitor costs. For its approximately 331,000 taxable land parcels, the County conducts annual assessments using computer-assisted appraisal programs similar to those used throughout the Commonwealth. The uniformity of the assessment program is indicated by the County's achievement in tax year 2003 (FY 2004) of a Russell Index of 5.9. The Russell Index indicates the amount of deviation from the mean assessed value and provides a measure of uniformity to the assessment process. The International Association of Assessing Officers considers an index of 15.0 or less to be good. In addition, the Department of Finance maintains a cash management program which generates long range cash flow projections for the County, permitting the efficient investment of funds. An internal audit staff monitors County activities and performs both financial and management audits.

Public Works

Essential management, professional engineering, design, and construction services in support of the construction of roads, sidewalks, trails, storm drainage, street lights, bus shelters, public facilities (except schools, housing and parks) and sewers are provided through the Department of Public Works and Environmental Services. The Department is also responsible for the acquisition of land for, and timely construction of, public facilities projects contained in bond referenda questions approved by the voters of Fairfax County. Referenda questions approved by County voters have included $492.57 million (excluding roads and transportation improvements) since April 1988 for major public facilities, including libraries, the County courthouse, police stations, fire stations, juvenile and adult detention facilities, mental health facilities, commercial revitalization projects, public safety, neighborhood improvement projects and storm drainage projects. In addition, the Department is responsible for the operation and maintenance of sanitary sewer and storm drainage systems, refuse collection and disposal, and wastewater treatment.

Wastewater generated in the County is treated at one County-owned treatment facility, four interjurisdictional treatment facilities and one private treatment facility. The County-owned treatment facility is the Noman M. Cole, Jr., Pollution Control Plant (formerly the Lower Potomac Pollution Control Plant). The four interjurisdictional treatment facilities are the District of Columbia's Blue Plains Facility, and plants operated by the Upper Occoquan Sewage Authority ("UOSA"), the Arlington County Department of Public Works and the Alexandria Sanitation Authority ("ASA") and the private treatment facility is the Harbor View Wastewater Treatment Plant. The County's treatment capacity in the six facilities totals 133.6 million gallons per day ("mgd"). In February 1991, UOSA issued $95,490,000 bonds of which approximately $79,300,000 were to finance the initial phase of an expansion of its capacity from 27 mgd capacity to 54 mgd and associated improvements. This expansion, which is projected to be completed in 2003, will result in an increase of approximately 17.7 mgd in Fairfax County's sewage treatment capacity. UOSA issued $330,860,000 of bonds in January 1996, of which $288,600,000 was allocated for the completion of the expansion project. Fairfax County is responsible for approximately 62.8% of the debt service on UOSA's bonds. In July 1996, the County issued $104,000,000 Sewer Revenue Bonds to fund a portion of the cost of the expansion and upgrade of the Noman M. Cole, Jr., Pollution Control Plant's capacity from 54 mgd to 67 mgd.

In 2000 the ASA undertook an upgrade of its facilities and the addition of biological nutrient removal capabilities. The County's share of construction costs for the ASA plant improvements is currently estimated at $180 million to be paid partly from system revenues and partly from debt financing. In 2001 Fairfax County requested and received approval for a loan of $40 million from the Virginia Water Facilities Revolving Fund for a period of 20 years. An additional loan of $50 million was requested and approved in FY 2002. The loans, administered through the Virginia Resources Authority (VRA), are subordinate to the current system Revenue Bonds.

The Department manages and operates the I-95 Sanitary Landfill located on approximately 500 acres in the southern portion of the County. This facility is operated on a "special fund" basis, which utilizes tipping fees to pay for the operation and capital expenditures of the landfill. Since December 31, 1995, the landfill has been dedicated to the disposal of ash which is generated by the incineration of municipal solid waste at the Arlington/Alexandria Energy/Resource Recovery Facility and the Fairfax County Energy/Resource Recovery Facility ("E/RRF"). The County has initiated closure activities which involve placing a synthetic cap over the closed section of the landfill along with landfill gas extraction wells and leachate collection systems. Capping activity has been completed on approximately 150 acres of the site. The closure project is a multi-phase construction project which will be on-going throughout the remaining life of the facility. Dedicated reserves are established for this purpose, and the County has met the financial assurance requirements set forth by the Virginia Department of Environmental Quality regarding closure and post-closure care. Additional landfill requirements, either debris or sanitary waste, are met through separate contracts.

The E/RRF burns solid waste delivered to the facility from the County, the District of Columbia, Prince William County, and portions of Loudoun County and has a dependable capacity rating of 63 megawatts ("MW") for sale to Dominion Virginia Power. Fairfax County and the Fairfax County Solid Waste Authority, which was created by the County, entered into a service contract (the "Covanta Contract") in August 1987 with Ogden Martin Systems of Fairfax (now, Covanta Fairfax, Inc.), under which Covanta Fairfax, Inc. was obligated to design,

construct, operate and maintain a 3,000 ton per day resource recovery facility at the I-95 Landfill Site. Covanta Energy Corporation, of which Covanta Fairfax, Inc. is an indirectly wholly-owned subsidiary, has guaranteed the obligations of Covanta Fairfax, Inc. under the Covanta Contract. In February and March 1988, the Fairfax County Economic Development Authority issued $252,080,000 in revenue bonds to finance the construction of the E/RRF. Full-scale operations at the E/RRF began in June of 1990. In 1995, the County sold an option to acquire refunding revenue bonds for the E/RRF. This option was sold to a financial institution for a one-time fee of approximately $10.25 million. On November 4, 1998, the option was exercised and the refunding revenue bonds in the amount of $195,505,000 were delivered. The refunding bonds have a lower interest rate, serving to decrease the net debt service for the facility. The bonds are not general obligations of Fairfax County, but they are secured solely by the revenues of the E/RRF. Net debt service is a crucial element in determining the annual waste disposal fee per ton which the County pays to Covanta Fairfax, Inc. As a result of the option exercise, the savings per ton is approximately four dollars ($4), a decrease of about 12% from Fall 1998 levels.

As a result of the provisions of the Clean Air Act Amendments of 1990, additional emissions control systems were required to be added to the E/RRF. The systems, which serve to further reduce emissions of mercury, nitrogen oxides, and sulfur dioxide, among others, were completed in December 2000. The cost of these improvements was funded through remaining bond proceeds from the original financing of the E/RRF.

Fairfax County is obligated under the Covanta Contract to deliver certain minimum annual tonnages of solid waste to the E/RRF and to pay Covanta Fairfax, Inc. tipping fees for the disposal of such waste to provide funds sufficient to pay the operating costs of the E/RRF and debt service on the bonds. The County's commitment to deliver minimum quantities of solid waste to the E/RRF was based on "flow control" powers granted to the County by the General Assembly of Virginia to direct private haulers of solid waste to the E/RRF. An adverse 1994 decision by the Supreme Court of the United States has created uncertainty with regard to the power of local governments to enforce flow control ordinances. The supply of municipal solid waste to the E/RRF may be subject to the competitive pricing of alternative disposal sites. In light of the competitive pressures, and in order to maintain its waste stream to the E/RRF, in August of 1998 the County began to enter into contracts with waste haulers, providing them a discount on waste disposal fees if they commit to keep their waste within the County. On September 14, 1998, the County Board of Supervisors passed a resolution clarifying its intent to enforce only intra-state flow control, which is not impacted by the 1994 Supreme Court decision. On November 23, 1998, the Board of Supervisors approved changes to the County Code, at a public hearing, which provide for intra-state flow control.

On April 1, 2002, Covanta Energy Corporation and Covanta Fairfax, Inc. (collectively, "Covanta"), along with a number of their affiliates, filed voluntary bankruptcy petitions pursuant to Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The cases have been assigned docket numbers 02-40826 through 02-40949. During Covanta's bankruptcy, the County is required to comply with the terms of the Covanta Contract unless and until the Covanta Contract is rejected by order of the Bankruptcy Court. Pursuant to Section 365 of the Bankruptcy Code, Covanta can either seek to assume or reject the Covanta Contract. If the Covanta Contract is assumed, Covanta would continue to operate the E/RRF in accordance with the Covanta Contract. If the Covanta Contract is rejected, the rejection would constitute a pre-petition breach of the Covanta Contract and Covanta would have no continuing obligation to perform under the Covanta Contract. As a party in interest, the County may review and object to any motion by Covanta to either assume or reject the Covanta Contract. The Bankruptcy Court has broad latitude, however, in reviewing and approving such motions and the County would be required to comply with any resulting Bankruptcy Court order. At this time it is not possible to predict whether Covanta will seek to assume or reject the Covanta Contract and how the Bankruptcy Court would rule on any such motion. If the Covanta Contract is rejected, another operator for the E/RRF or alternative disposal sites for the solid waste that the County has contracted to dispose of may be sought. Whether the Covanta Contract is assumed or rejected as a result of the bankruptcy proceeding, however, the County is confident that solid waste disposal in the County will not be materially interrupted.

During FY 2001, the E/RRF processed nearly 1,071,000 tons of material, and in FY 2002, nearly 1,028,000 tons, exceeding the guaranteed requirements by 140,250 tons and 97,250 tons, respectively. Based on the success of the contract waste program, the County is continuing to offer a discount rate to haulers for contractual waste quantities during FY 2003 and FY 2004. Covanta Fairfax, Inc. is expected to exceed 1 million tons processed for FY 2003.

To comply with local directives, the County has initiated a comprehensive waste reduction and recycling program. Recycling is mandatory for all residents and businesses. One goal of the recycling program, to reduce the municipal solid waste stream by 25 percent, was achieved by the close of FY 1992, 3 years ahead of State requirements. In calendar year 2001 the County recycled approximately 34 percent of the waste stream. In calendar year 2002 the County estimates that the amount recycled will be approximately 34 percent of the waste stream when all data are compiled. The County's waste reduction/recycling efforts include: recycling of glass, aluminum, newspaper, office paper, ferrous metals, corrugated cardboard, used motor oil, automobile batteries, grass, leaves and brush (with the distribution of ground wood mulch to County citizens).

Public Schools

The Fairfax County Public Schools (FCPS) is the largest educational system in the Commonwealth of Virginia and is the twelfth largest school system nationwide when ranked by enrollment. The system is directed by a twelve-person School Board elected by the citizens of Fairfax County to serve four-year terms. A student representative with a one-year term participates in the discussions but does not vote. Because the School Board is not empowered to levy taxes or to incur indebtedness, the operating costs of FCPS are provided by the Federal and State governments and by transfers from the General Fund of the County to the School Board. (See the subsection herein entitled "Expenditures and Transfers" in the section entitled "FINANCIAL INFORMATION.") Capital construction funding for public school facilities is provided primarily by the sale of general obligation bonds of the County.

FCPS is a high quality system offering a variety of programs. There is a strong academic program for college-bound students. Approximately 90% of FCPS graduates enroll in post-secondary educational programs. In addition to the traditional academic curriculum, the Thomas Jefferson High School for Science and Technology provides a four-year college preparatory program for students who have a strong interest and high aptitude in mathematics, science, computer science, engineering, or related professional fields. The school has been designated as one of the Governor's magnet schools for science and technology, and students from other Northern Virginia counties are admitted on a tuition paying basis.

An extensive program for students pursuing opportunities in technical careers has also been developed. Various courses are offered in business, health occupations, industrial technology, marketing, trade and industrial, and work and family studies program areas. In addition, there are special programs offered for gifted children and for handicapped children ages 2 through 21. A comprehensive summer school program for students in the general academic program as well as for special education students is offered. FCPS also provides an extensive adult education program offering basic education courses and general education, vocational and enrichment programs. Over 80,000 persons have enrolled in the adult education program.

In FY 2003, the School Board operates 21 special education centers and 181 schools including 132 elementary, 22 middle, 21 high and 3 secondary schools (grades 7-12) and 3 alternative high schools. Among the 202 schools and centers operated by FCPS are a variety of special programs designed to enhance student achievement. These include two elementary magnet schools with County-wide enrollment, eight elementary focus schools with specific curricular approaches, ten extended year schools, 26 foreign language partial-immersion schools, and 11 International Baccalaureate programs at the middle and high school level. Approximately 18,691 employees are assigned to work in schools and 1,626 positions are non-school based. These positions provide support in areas such as personnel, payroll, and maintenance of facilities. There are 460 grant funded positions.

In FY 2003, the average elementary class size is estimated to be 21.8 students per teacher. Kindergarten classes are staffed with a teacher and an instructional assistant at a maximum class size of 28 students. Elementary schools are staffed with pupil-teacher ratios of 25.0 to 1 in grades 1 through 3, with grade one classes capped at 25 students maximum. Grades 4 through 6 are staffed at a pupil-teacher ratio of 27.0 to 1. At the middle school level, the average number of students per classroom teacher is 24.7 students, with an average of 24.6 students per teacher at the high school level.

Certain schools are identified as having students with special needs; these schools have a high variability in test scores, a high mobility rate, a large percentage of free and reduced price lunch eligible students, and a high minority enrollment. Supplementary staffing is allotted to these schools.

Thirty-two elementary schools are designated as special needs. Of this total, 19 are designated as Excel schools. The remaining 13 schools have a reduced pupil-teacher ratio of 21.0 to 1 in grades 1 through 3 and 23.0 to 1 in grades 4 through 6; maximum kindergarten class size is set at 24 students. In addition, 22 elementary schools have a 15.5 to 1 pupil-teacher ratio and 24 have a 15 to 1 ratio in the first grade to provide additional support to students with special needs. These schools were selected based on their status as special needs schools, Title 1 schools, or schools with a high percentage of free and reduced price lunch eligible enrollment. Nine middle schools and eight high schools are classified as special needs schools. These schools have additional staff, including teachers, assigned to them. In addition, Project Excel provides students in 22 elementary schools with further reduced pupil-teacher ratios and additional staff time for learning and enhanced academic programs.

FCPS provides a number of student intervention programs for the increasing population of non-traditional learners. These alternative high schools and programs and four English for Speakers of Other Languages transition centers are operated throughout the County. The Intervention and Support Program is designed to help chronically disruptive students change their behaviors and attitudes. These programs are operated at 19 sites throughout the County.

As shown below, the number of students attending Fairfax County Public Schools increased between 1993 and 2002. Enrollment for FY 2002 was 161,385, an increase of 26,283 students over the FY 1993 enrollment. It is projected that enrollment will increase through 2007.

Fiscal Year	Number of Public School Students
1993	135,102
1994	137,495
1995	140,097
1996	143,040
1997	145,805
1998	148,036
1999	151,418
2000	154,523
2001	158,331
2002	161,385
	Enrollment Projections
2003	166,072
2004	168,822
2005	171,311
2006	173,527
2007	175,560

Source: Fairfax County Public Schools

Fairfax County has achieved its status as a superior quality educational school system while maintaining one of the lower per-pupil costs in the Washington metropolitan area. The average per-pupil expenditures based on FY 2003 approved budget operating costs for several Washington metropolitan area jurisdictions are as follows:

Jurisdiction	Per-Pupil Expenditures
City of Falls Church	$12,844
Arlington County	12,716
City of Alexandria	11,914
Montgomery County (Md.)	9,641
Fairfax County	9,388
Loudoun County	9,194
City of Manassas	8,627
Prince William County	7,551
Prince George's County (Md.)	6,554

Source: FY 2003 Metropolitan Area Boards of Education Guide, November 2002.

FCPS compares favorably with other area school systems. In the 2002 National Merit Scholarship program, 201 FCPS students were named semifinalists and FCPS students accounted for 52 percent of Virginia's National Merit Scholarship semifinalists.

In addition, FCPS students' SAT scores compare favorably with state and national averages on Scholastic Aptitude Tests administered by the College Board.

2002 Average Scholastic Aptitude Test Scores

	Verbal	Math	Total
United States	504	516	1020
Virginia	510	506	1016
Fairfax County	540	556	1096

Source: Educational Testing Service

FCPS was rated as a Gold Medal school district, the highest rating possible, by Expansion Management magazine in its 2000 rankings. In its tenth annual survey, the magazine's Educational Quotient ("EQ") ranked over 2,200 school districts. According to the magazine, the EQ assists in determining which school systems are likely to produce quality workers for today's complex global markets. The magazine emphasizes that school district desirability is a major factor for businesses in selecting the right community for expansions and locations. FCPS scored 148 points out of a possible 150 points, receiving the highest rating in the metropolitan Washington area. Of the 20 largest public school districts in the country, FCPS was one of only two to receive the Gold Medal award.

Since April 1988, more than $1.60 billion in general obligation bonds has been authorized by County voters for school capital projects. In November 2001, Fairfax County voters authorized the Board of Supervisors to issue bonds in the aggregate amount of $377.955 million for planning and construction of new schools, additions and renewals at existing schools, and other school improvements countywide. (See "**FAIRFAX COUNTY – CAPITAL IMPROVEMENT PROGRAM**".)

Transportation

General

Fairfax County is served by various highway, rail and air transportation facilities. The Capital Beltway (Interstate Highway 495), Interstate Highways 95, 395, and 66 and the Dulles Toll Road provide access to all parts of the Washington metropolitan area and major surface transportation corridors along the eastern seaboard. The Washington Metropolitan Area Transit Authority ("WMATA") rail system provides area residents with one of the largest and most modern regional transit systems in the world.

Two major airports serve the County with daily national and international service. Washington Dulles International Airport, located along the County's western boundary, is also the site of a designated Foreign Trade Zone. Ronald Reagan Washington National Airport, located a few miles east of the County, is accessible by Interstate Highways 66 and 395. In 1987 control of these facilities was transferred by a 50-year lease from the Federal Government to the Metropolitan Washington Airports Authority ("MWAA"), a public authority created by interjurisdictional compact between the Commonwealth and the District of Columbia. MWAA issued revenue bonds to finance major improvements to its facilities to improve the level of service at both airports. These improvements should increase the number of passengers and flights at, as well as further stimulate economic development in the area of, Washington Dulles International Airport. A major expansion of the terminal facilities at Ronald Reagan Washington National Airport was opened in the summer of 1997 and a new concourse was opened at Washington Dulles International Airport in 1998. A new commuter concourse opened at Dulles Airport in 1999.

Ground transportation has received significant attention from the County in the past few years, primarily in an effort to relieve traffic congestion along the major arterials leading to Washington, D.C. and also to facilitate cross-County movement, connecting established and newly developing centers of commerce and industry. Efforts have included increased local funding for highway improvements, establishment of transportation improvement districts, creation of County transit systems, continued participation in WMATA, and other improvements which encourage increased use of Metrorail, bus services and carpooling. The County also participates in a regional commuter rail system to expand the family of transportation services available to County residents.

During the 1993 session of the Virginia General Assembly, a transportation bond authorization bill was approved for projects in Northern Virginia. This legislation authorized $181 million in bonds that would be serviced by recordation tax revenues that are collected by the Commonwealth on property transactions. Of this amount, $64 million was designated for the Fairfax County Parkway, $63 million for assisting Northern Virginia WMATA compact members to pay their share of Metrorail construction, and $54 million for the Route 234 Bypass which is located in Prince William County.

During the 1994 session of the Virginia General Assembly, a second transportation bond authorization bill was approved for Northern Virginia projects. This legislation authorized an additional $90 million in bonds, raising the total amount of authorized bonds to $271.0 million, to be serviced by recordation tax revenues. Of this amount $23.0 million was designated for the Fairfax County Parkway; $22.6 million assisted Northern Virginia's WMATA compact members in paying their share of Metrorail construction; $19.4 million financed a portion of the Route 234 Bypass in Prince William County; $15 million will be used for Route 7 and 15 improvements in Loudoun County; and $10 million will fund the Route 50/Courthouse Road interchange in Arlington County.

During its 1995 session, the Virginia General Assembly authorized an additional $45.2 million of revenue bonds for the construction of two additional lanes to the Dulles Toll Road between Interstate 495 in Fairfax County and Route 28 (Sully Road) in Loudoun County. This project is complete.

During its 1998 session, the Virginia General Assembly increased the total debt authorized from $271.0 million to $366.9 million. Additional bonds will be supported by public right-of-way user fees attributable to Fairfax, Loudoun and Prince William Counties and contributions from Arlington County and the Cities of Alexandria, Falls Church and Fairfax. These bonds include $50 million for the Fairfax County Parkway, $20.3 million for Route 234 in Prince William County and Fairfax, $17.7 million for Metrorail capital improvements, and $7.9 million for the Route 28 and Route 625 interchange in Loudoun County.

During its 1999 session, the Virginia General Assembly increased the total debt authorization from $366.9 million to $471.2 million. The additional bonds will be allocated to a variety of projects in Northern Virginia. These projects include: $16.0 million for Metro capital improvements; $10.4 million for Metrorail station improvements in Alexandria and Arlington County; $10.1 million for Route 15 in Loudoun County; $8.2 million for the Route 1/Route 123 interchange in Prince William County; $3.1 million for improvements to Lee Highway in Fairfax City; $27.0 million for Route 123 in Fairfax County; $6.0 million for transit enhancements in the Dulles Corridor; $13.0 million for Route 7 in Fairfax County; $5.0 million for the Telegraph Road in Fairfax County; $4.0 million for the Route 1/Route 234 interchange in Prince William County and $1.5 million for the Potomac and Rappahannock Transportation Commission. The General Assembly also directed the Governor to recommend a permanent funding source for payment of the debt service on these additional bonds.

During its 2000 session, the General Assembly approved the Virginia Transportation Act of 2000. The Act provides funding for $2.64 billion in transportation projects statewide over a six-year period. These projects are to be funded through a variety of sources, including Federal Highway Reimbursement Anticipation Notes, Commonwealth general funds, re-estimates with revenues in the Transportation Trust Fund and the Highway Maintenance Operating Fund, additional revenue from changes in fuel tax collection and several other sources. The legislation contained numerous projects in Fairfax County, including improvements to U.S. Route 1, U.S. Route 29, I-66, I-95, I-495, the Fairfax County Parkway, and State Routes 7 and 123. The Act also provides funding for a number of regional projects including the extension of rail in the Dulles Corridor, the replacement of the Wilson Bridge, Metrorail parking expansion, Metrorail rolling stock replacement and commuter rail service. In addition, the legislation included provisions for payment of the debt service for the additional bonds authorized during the 1999 session of the General Assembly.

During its 2002 session, the General Assembly approved an additional $29 million in transportation bonds to be supported by public right-of-way user fees. Of this amount, $20 million is designated for two Fairfax County projects consisting of $15 million for the Fairfax County Parkway and $5 million for Fairfax County's Metrorail capital improvements, including station parking expansions. The General Assembly also authorized a referendum on whether to implement an additional one-half of one per cent sales and use tax in the County and eight other northern Virginia localities, with the proceeds to be used solely for designated highway and mass transit projects in the County and elsewhere in northern Virginia. This referendum was defeated at the polls by a majority vote of those voters in the region voting at the November 5, 2002 general election.

Highway Improvements

Since April 1988, a total of $360.0 million of general obligation bonds has been authorized by County voters for road and other transportation improvements. In April 1988, the voters approved $150 million in bonds to focus on facilitating intra-County travel, alleviating highway congestion in the vicinity of economic development centers and improving access to Metrorail stations located within the County. In particular, various segments of the Fairfax County Parkway and Franconia-Springfield Parkway were constructed utilizing general obligation bond proceeds. These project segments, when linked with future segments of the Parkway, will eventually provide an intra-County connection from State Route 7 in the northwest corner of the County, south to the Dulles Toll Road, Interstate Highway 66 and U.S. Route 50 and continuing southeast through the County to connect with Interstate Highway 95 in Springfield, and with Route 1 in southeastern Fairfax County. In November 1990, $80 million of County general obligation bonds were authorized to provide for local matching funds to supplement Federal Transportation Administration grants for access improvements and an express bus system along the Dulles Toll Road; to provide for a bus maintenance facility and to provide funds for the construction of the Franconia/Springfield Metro station. In November 1992, County voters approved $130 million of new bonds for the purpose of completing additional segments of the Fairfax County Parkway and providing funds to satisfy the County's obligations to WMATA for the capital construction program to finish the 103-mile rail system.

In Virginia, the State is normally responsible for highway construction and maintenance. However, highway improvement needs in Fairfax County far exceed the highway revenues available from the State. Approximately $353 million in road improvements, authorized by the 1985, 1988 and 1992 referenda, were identified as critical. County bond financing has enabled these improvements to be undertaken at a much earlier point as compared to State improvement schedules which are constrained by current State gasoline tax rates and

State-wide allocation formulae. The County will have no liability for the operating costs for these roads as they are, or will become, part of the State primary and secondary road systems and will be maintained by the State.

Transportation Improvement Districts

Primary Highway Transportation Improvement Districts are another financing alternative for needed highway improvements. The County, in partnership with Loudoun County, a neighboring jurisdiction, formed the Route 28 Highway Transportation Improvement District on December 21, 1987 ("District"). The District was formed to accelerate planned highway improvements proposed by the State to State Route 28 which connects State Route 7 in eastern Loudoun County to U.S. Route 50 and Interstate Highway 66 in western Fairfax County, running approximately parallel to the County's western border. These improvements are now complete. State Route 28 provides access to Washington Dulles International Airport, along with the Dulles Access Road and the Dulles Toll Road which connect the Capital Beltway to the Airport.

The District is administered by a Commission appointed by the Boards of Supervisors of the two counties. The Commonwealth Transportation Board ("CTB") may request the counties to subject the owners of property within the District to a maximum additional tax assessment of 20 cents per $100 of assessed value in order to reimburse the State for its debt service payments on its bonds. CTB issued $138.5 million in revenue bonds for the Route 28 project in September 1988. The revenue bonds issued by the State are not an obligation of Fairfax County. In April 1992, CTB refunded all of the outstanding bonds. The revenue bonds had an annual debt service requirement of $8.8 million. The District currently imposes a tax of $.20 per $100 assessed value. Taxes collected on property within the District located in Fairfax County for FY 2001 and applied to debt service on the outstanding bonds of the CTB in respect of the Route 28 project were approximately $5.6 million. The difference between the debt service requirement and the amount of taxes collected is paid for out of the annual allocation of Virginia Department of Transportation Primary System Highway funds.

Representatives of Fairfax and Loudoun Counties and CTB have entered into an agreement concerning a plan to finance six urban (grade-separated) interchanges for Route 28. These representatives have agreed to financing plan to provide funding for these interchanges through the issuance of bonds by the Fairfax County Economic Development Authority ("EDA") in an amount sufficient to provide approximately $90 million and bonds by CTB to produce an additional $36 million towards the cost of these interchanges with debt service on all the bonds to be payable from the tax levied in the District. As a part of this plan the CTB has refunded all of the outstanding bonds it issued in 1992 to permit the pledge of the tax towards its refunding bonds, its new bonds and the EDA bonds. CTB has also committed an additional $67 million of VDOT allocations and $14 million of NVTD bonds towards the cost of construction. It is anticipated that all six interchanges will be completed by the end of 2006.

CTB anticipates that it will request the EDA to issue the additional bonds in two series, the first in the summer of 2003 and the second in 2004, in each case as construction proceeds on the interchanges. The Counties have each agreed to restore any amount drawn on the debt service reserve fund for the EDA bonds in the event District revenues are insufficient to pay annual debt service. The Counties' obligations are subject to appropriation of funds for the purpose of restoring the debt service reserve fund. Revenues collected in excess of CTB and EDA debt service requirements will be held in a Revenue Stabilization Fund equal to maximum annual debt service on the EDA bonds to pay debt service prior to any draw on the debt service reserve fund, in the event annual District revenues are temporarily insufficient to pay annual debt service.

Under the terms of the original petition, an additional 4 interchanges and widening of a portion of the highway from 6 to 8 lanes would be permitted to be funded from District taxes if sufficient funds are available, however the District is under no obligation to fund these additional improvements at this time. The term of the District expires in 2038, but may not be abolished so long as there are any District obligations remaining outstanding. All current CTB and planned EDA obligations will be retired by 2032.

During its 2001 session, the Virginia General Assembly approved legislation that allows for the creation of a special transportation taxing district located between the West Falls Church Metrorail stations and Dulles Airport to provide a means of financing an extension of rail service in the Dulles Corridor. The structure of this district is modeled after the existing Route 28 District. The Board of Supervisors may actually create the district after

considering a petition from the owners of at least 51 percent of either the land area or the assessed value of the commercial or industrial property that is within the boundaries of the proposed district. If the district is established, a special improvements tax of up to $0.40 per $100 of the assessed fair market value of any taxable commercial and industrial real estate in the district would be levied. The proceeds of this tax would be used to pay a portion of the County's share of costs associated with the Dulles rail project. A petition has not yet been received and the Board of Supervisors has taken no action toward the creation of the district.

County Transit Systems

In an effort to provide an alternative to escalating Metrobus costs, the FAIRFAX CONNECTOR feeder bus service to Metrorail Stations has operated since 1985 when 10 routes initially went into service. Since that time, service expansion and restructuring has occurred as demand has increased and additional Metrorail Stations have been opened. The FAIRFAX CONNECTOR currently operates 56 routes to 10 Metrorail Stations, including the Huntington, Pentagon, West Falls Church, Van Dorn, Vienna-Fairfax-GMU, Dunn Loring-Merrifield, Franconia-Springfield, Rosslyn, Pentagon City, Eisenhower Avenue and King Street Stations. Private contractors were hired to operate and maintain the service, and have the responsibility to employ and supervise all transit personnel, while the Board of Supervisors maintains control and approves all policies for bus service such as routes and service levels, fare structures, and funding assistance.

The FAIRFAX CONNECTOR System is supported from the General Fund and fare box revenues. Ridership has steadily increased since inception in 1985. The FAIRFAX CONNECTOR carried 6.8 million passengers in FY 2002. FAIRFAX CONNECTOR System expenditures totaled $26,849,540 in FY 2002 including capital expenditures. The County runs a permanent maintenance and garage facility for the FAIRFAX CONNECTOR in the southern portion of the County. The total cost of this facility was $4.0 million. In February 2001, the County purchased the Herndon Operations Center for $3.325 million. This facility was previously leased.

The County also sponsors FASTRAN, a paratransit system primarily transporting clients of four human service agencies: the Fairfax-Falls Church Community Services Board, the Department of Community and Recreation Services, the Department of Family Services and the Health Department. The clients of these agencies, including those with low incomes and people with physical and cognitive disabilities who cannot drive, find a ride, use Metro or Connector buses, or afford taxi fares can use FASTRAN to reach essential programs and services. FY 2001 funding of $9,415,336 was provided primarily by the client agencies from operating funds already designated for transportation service in their respective programs. This system, which began in FY 1986, was designed to provide a centralized, more effective service in lieu of programs individually administered by each agency. FASTRAN's private sector contractor provided 545,583 one-way rides in FY 2001 for clients needing trips to medical appointments, employment, therapy, senior centers, adult day health care, and other purposes as determined by client agencies.

Metro Transit System

Since 1970, Fairfax County and the other major political subdivisions in the Washington, D.C. metropolitan area have contracted with the Washington Metropolitan Area Transit Authority ("WMATA") to finance, construct and operate a 103-mile subway and surface rail transit system known as "Metrorail." Funding for the construction of the Metrorail system has come from direct Congressional appropriations matched by direct local contributions. Five Interim Capital Contributions Agreements between WMATA and the participating political jurisdictions have been executed to date. Currently, the Fifth Interim Capital Contributions Agreement ("ICCA-V") governs the schedule and costs for the Federal and local shares of construction of the final 13.5 miles of the 103-mile Adopted Regional System ("ARS").

ICCA-V, executed on January 29, 1992, reflects the Federal authorization of $1.3 billion to complete construction of the ARS by 2001. This accelerated construction schedule, called the "Fast Track" program, required stable Federal appropriations of $200 million per year through FY 1998. Fifty million dollars was paid in FY 1999, completing all federal payments. Of the four Metrorail segments, the Franconia-Springfield segment, which is the last segment in Fairfax County (and Virginia), opened in June 1997. In addition segments in Montgomery County Maryland and the District of Columbia have been completed. The remaining segment opened on January 13, 2001.

In November, 2002, the WMATA Board of Directors adopted a new 10-year Capital Improvement Plan. This is the first comprehensive, prioritized transit plan developed to maintain the integrity of the existing capital plant and rolling stock of the Metrobus and Metrorail systems. The plan also provides for adequate system access and capacity growth to maintain current transit market share in the future and an appropriate level of system expansion to reach new transit markets. The plan as revised in January 2003 established requirements for a $1.55 billion Infrastructure Renewal Program, and $625.1 million for 120 rail cars and $171 for 115 new buses and ancillary facilities and systems for expanded service to meet expanding demand. In conjunction with other partners in WMATA, Fairfax County will be considering options for funding its share of these requirements.

Through June 30, 2002 Fairfax County had contributed approximately $234.5 million toward Metrorail construction, consisting of $128.9 million of County general obligation bond proceeds, $102.8 million of State aid for transportation and $3.1 million in credits. Fairfax County's obligations under ICCA-V to provide local matching funds currently total $113.2 million. ICCA-V local requirements are reallocated every two years to reflect current conditions.

Funding sources for Fairfax County's Metrorail construction contributions are: general obligation bond proceeds, State bond proceeds and State aid. At its regular 1993 Session, the Virginia General Assembly enacted legislation authorizing the CTB to issue bonds to finance transportation projects in northern Virginia, including $63 million Metro Capital Improvements including the Franconia-Springfield Metrorail Station and $64 million for the Fairfax County Parkway. In September 1993 the Commonwealth issued $45.6 million of Metro Capital Improvement Bonds of which Fairfax County was allocated $25.523 million to apply to Metrorail construction. An additional $90 million in transportation bonds were authorized by the Commonwealth in 1994. The Commonwealth conducted another transportation bond sale in February 1995 which generated $19.7 million in Metro Capital Improvements Bond proceeds, $10.8 million of which was allocated to Fairfax County. In addition, in November 1996, the Commonwealth sold an additional $20.3 million transportation bonds to support Metrorail construction. Of this amount, $11.2 million was allocated to Fairfax County.

The General Assembly authorized an additional $95.9 million in 1998 which included $13.3 million for Metrorail construction. Fairfax County's share of these bonds is approximately $7.0 million. These bonds were sold in Fall 1999. In 1999, the General Assembly approved another $104.3 million in transportation bonds. This authorization included $16.0 million in Metro capital projects. Fairfax County's share of these funds is expected to be approximately $8.9 million. These bonds were sold during FY 2002.

In 2000, the General Assembly approved the Virginia Transportation Act of 2000 which includes another $45 million for Metrorail rolling stock replacement. These funds are expected to be available in five $9 million installments beginning in FY 2002. The first two installments totaling $18 million have been provided by the State. Fairfax County's share of each installment is expected to be approximately $5 million.

In 2002, the General Assembly approved an additional $5.0 million in transportation bonds to fund Fairfax County's share of Metrorail capital improvements, including station parking expansions. See also "GOVERNMENT SERVICES – Transportation – General".

Funding sources for WMATA operating assistance are: the General Fund, gasoline tax receipts, State aid and Federal Operating Assistance. Fairfax County's share of the bus and rail operating subsidies for FY 1992-2002, and the estimate for FY 2003 are shown in the following table:

Fairfax County WMATA Operating Subsidies
(Millions of Dollars)

Fiscal Year	Bus Operations[1,6]	Rail Operations[1]	Rail Const. Manag-ement[1]	ADA Para-transit[1]	Less Federal Operating Subsidies	Less State Aid[2]	Less Gas Tax Receipts[3]	Prior Year Credit	Net General Fund
1992.....	34.696	7.911	.295		2.315	20.087	4.279		16.174
1993[4].....	33.930	9.650	.283		2.315	20.044	4.920		16.588
1994[5].....	33.606	12.642	.320	.435	2.325	20.164	3.589		20.925
1995.....	29.921	13.261	.237	.626	2.316	22.204	3.451	.119	15.956
1996.....	29.424	13.793	.194	.844	1.509	21.956	2.757	.868	17.166
1997.....	27.197	14.067	.208	1.389	1.122	28.086	4.723	.399	8.531
1998.....	25.108	15.714	.270	.966	1.125	27.682	5.104	1.309	6.838
1999.....	24.199	14.974	.305	1.512	0.000	27.850	4.108	0.000	9.032
2000.....	24.541	19.815	.000	2.029	0.000	28.654	6.840	1.409	7.492
2001.....	25.001	17.644	.000	2.707	0.000	19.898	11.903	.758	12.793
2002.....	26.247	18.844	.000	2.552	0.000	26.720	10.240	1.100	9.583
2003 (est).	26.848	20.237	.000	3.498	0.000	26.473	10.550	2.087	11.473

Source: Fairfax County Department of Transportation and Department of Management and Budget.

1 The amounts shown for operating subsidies for FY 1992 through 2002 represent actual disbursements in those years. Adjustments based on final WMATA annual audited figures are incorporated in the fiscal year in which the credit for an overpayment was applied or a debited amount was paid rather than the fiscal year in which the credit or debit was earned, except as noted below.

2 In 1983, the Virginia General Assembly enacted legislation permitting the use of State aid for transportation to fund transit program operating costs in addition to transit program capital costs.

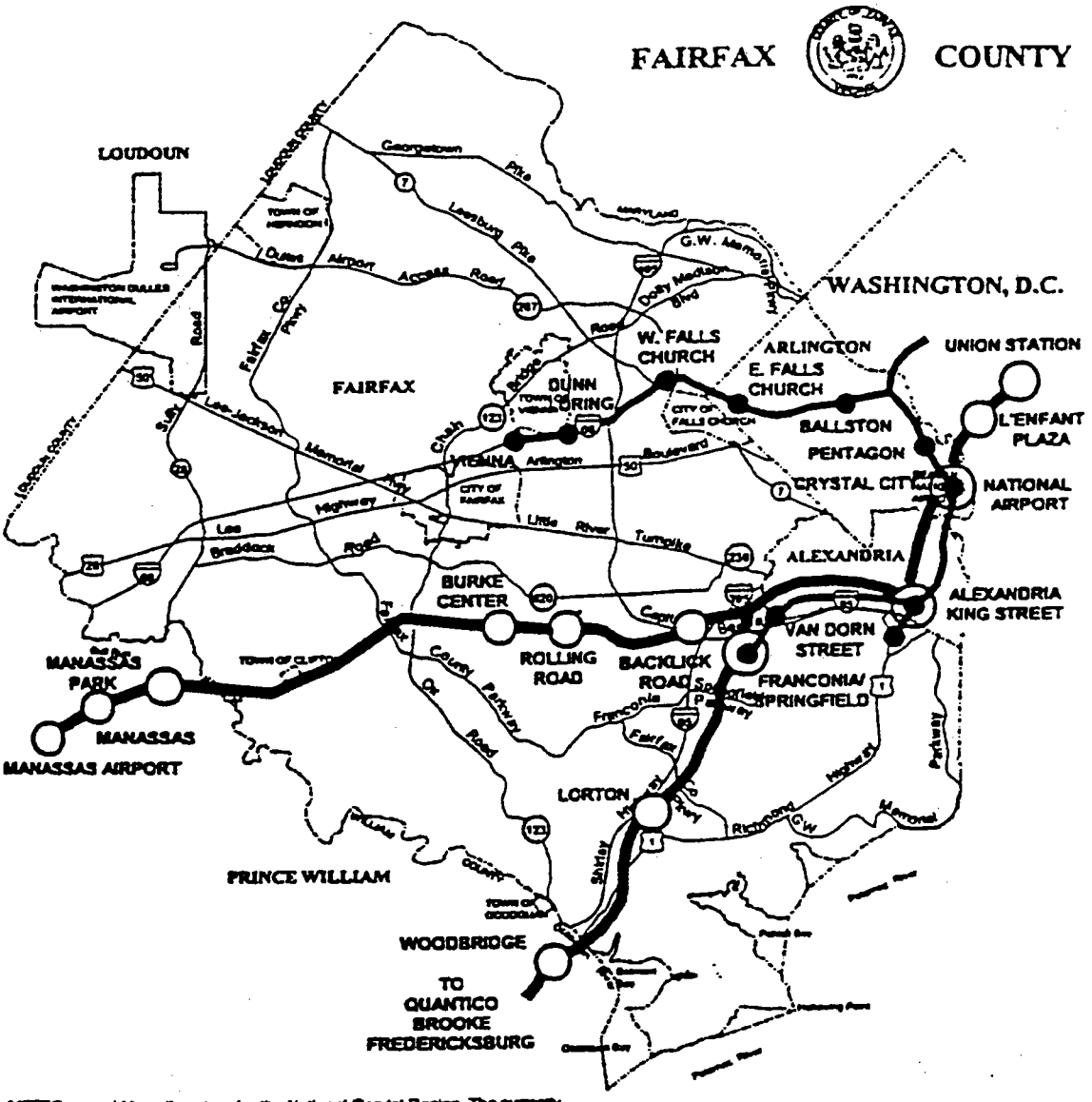
3 In January 1980, the Virginia General Assembly enacted legislation which established a 2 percent retail gasoline tax, to be dedicated to mass transit costs, in those Northern Virginia jurisdictions covered by the Northern Virginia Transportation Commission ("NVTC"). The receipts from this tax are paid to NVTC which then allocates these funds to participating jurisdictions for payment of transit operating, capital and debt service costs.

4 Figures do not include a prior year adjustment (cost) of $854,358 which was paid in FY 1993 with County General Funds.

5 Figures do not include a prior year adjustment (cost) of $219,772 which was paid in FY 1994 with County General Funds.

6 Includes other service enhancements.

The Americans with Disabilities Act requires that transit systems provide paratransit service for passengers with disabilities. To comply with the Act, WMATA began operation of MetroAccess on June 1, 1994, with limited hours of service. The hours of operation was expanded in November 1995, and full service began in January 1997. The local jurisdictions, including Fairfax County, will be responsible for funding the operating deficit associated with this service. In FY 2002, Fairfax County's share of the operating deficit was $2,552,079.



METRO - a rapid transit system for the National Capital Region. The currently adopted Metro system calls for a 103 mile regional transportation network connecting Washington with the Virginia and Maryland suburbs. It includes 40.1 miles rapid transit service in the District of Columbia, 33.3 miles in Maryland and 28.5 miles in Virginia.

The Virginia Railway Express is a transportation partnership that, beginning in June 1992, operates two commuter railroad lines on 90 miles of existing track. Approximately 35 miles of the system operates in Fairfax County serving five stations. One line originates near Manassas, Virginia and one near Fredericksburg, Virginia; both lines terminate at Union Station in the District of Columbia.

THE METRO - RAPID RAIL TRANSIT SYSTEM IN FAIRFAX COUNTY & VIRGINIA RAILWAY EXPRESS

- ADOPTED SYSTEM CURRENTLY IN OPERATION
- ADOPTED SYSTEM UNDER CONSTRUCTION OR DESIGN
- METRORAIL STATIONS
- VIRGINIA RAILWAY EXPRESS
- RAILWAY STATIONS

Other Transportation Improvements

In conjunction with direct highway improvements and participation in WMATA Metrobus and Metrorail operations, the County is examining other alternatives for commuting that will appeal to a wide variety of commuter tastes, needs and economies. Initiatives which have been, or are now being, implemented include expansion of parking facilities at Metrorail stations, establishment of commuter "Park and Ride" lots, implementation of a transportation systems management program in the Dulles corridor, and establishment of a regional, publicly operated commuter rail system.

Commuter Park-and-Ride Facilities

Fairfax County completed a comprehensive countywide analysis of its existing park-and-ride facilities and projected demand for future facilities in February 1988. From this study, two significant capital initiatives were undertaken.

Expansion of the parking capacity at Vienna and Huntington Metrorail Stations was the first initiative. In a cooperative venture with WMATA and the Fairfax County Economic Development Authority ("EDA"), the County constructed 1,300 additional structured parking spaces at the Vienna Station in 1990 and 750 additional structured parking spaces at the Huntington Station in 1991. The EDA issued $26.8 million of parking revenue bonds to fund construction of these two parking structures. In January 1999, the Board of Supervisors approved WMATA's design and construction of an additional parking structure at the Vienna Metrorail Station. In November 1999, the EDA issued $23.75 million to finance the construction of this structure which opened in January 2001. All the EDA bonds are payable primarily from a parking fee surcharge collected by WMATA on all Metrorail parking spaces in Virginia.

The second primary park-and-ride initiative was the County's Suburban Mobility Grant Application to the Federal Transportation Administration ("FTA"). This grant application included three new park-and-ride facilities located in Fairfax County at two sites in Reston (South and East) and one in Centreville and the expansion of the existing Rolling Valley facility.

An additional 1,086 parking spaces were provided at a total cost of $5.7 million and funded with an FTA grant of $4.2 million (75%) and $1.5 million of County local match (25%) funds. The County's share was funded from $3.0 million of general obligation bonds for park-and-ride facilities approved by Fairfax County voters on April 12, 1988. The Centreville, Rolling Valley and Reston South facilities are currently operational. The Reston East facility at Wiehle Avenue was completed as part of the Dulles Corridor program discussed below.

Another critical commuter parking need identified by the County park-and-ride study was in the Springfield Area. As a result, Fairfax County coordinated with WMATA and the Virginia Railway Express the design and construction of a multimodal transportation center on the site of the Franconia-Springfield Metrorail Station. During 1991, Fairfax County advanced $6.1 million to WMATA to fund the design and engineering work for the transportation center and the Metrorail station. An additional $5.8 million was advanced for land acquisition. These funds were available from the approved November 6, 1990, Transportation Bond referendum that included $25 million for this project. Approximately 220 parking spaces for the commuter rail service opened in July 1996 and the Metrorail extension opened June 1997. The total parking capacity of the center is 4,000 spaces.

In August 2001, the Board of Supervisors approved a project agreement with WMATA to expand parking at the Huntington Metrorail Station by 500 spaces. These spaces will be built in conjunction with the parking for a joint development project on the Huntington Metrorail Station site. These 500 spaces will be funded by approximately $5.1 million in Transit Infrastructure Investment Funds available at WMATA and $1.2 million from the Fairfax County Parking Revenue Surcharge Account at WMATA.

As part of the Virginia Transportation Act of 2000, the General Assembly also approved $26.0 million to expand parking at the Franconia-Springfield and West Falls Church Stations. These funds have been divided evenly between the two projects. WMATA and its consultants are proceeding with the design for the 1,000 parking space Franconia-Springfield expansion. The actual cost of this expansion is expected to be $15.8 million. In January

2002, the Board of Supervisors approved the use of $2.8 million in the Fairfax County Parking Revenue Surcharge Account to complete the funding for this project. In addition, WMATA and its consultant have begun the conceptual design work for expansion of the West Falls Church facility.

Dulles Corridor Transportation Systems Management ("TSM") Facilities

In 1989, Fairfax County Department of Transportation completed the Dulles Airport Access Road Corridor Transit Alternatives Study. The study recommended and the Board of Supervisors endorsed implementation of the Transportation System Management ("TSM") alternative in such a way as to preserve the option of future rail service in the Corridor. On November 6, 1990, County voters approved $36 million of general obligation bond funds for implementation of the Dulles TSM program. A grant application was forwarded to the FTA in December 1990 for $36.0 million. FTA has appropriated $34.2 million of Federal discretionary funds for this initiative thus far.

The project includes two Park and Ride facilities at Reston East and Herndon-Monroe as well as two transit centers. The transit centers located at Tysons-West*Park and Reston Town Center will serve primarily as passenger transfer points, as buses meet at these transit centers on a prescribed schedule to permit ease of transfer between buses serving various areas of the Dulles Corridor and Fairfax County. The park-and-ride facilities include 2,627 parking spaces in two facilities. These facilities will provide all day parking for persons wishing to travel on express buses to Tysons Corner or the West Falls Church Metrorail Station or an opportunity to form carpools and vanpools. The Reston East facility was completed in January 1997. The Tysons-West*Park Transit Center was completed in January 1999 and the Herndon-Monroe facility opened in July 1999. Design of the Reston Town Center transit is underway. During 2000, the County began a feasibility study to investigate the possibility of expanding the Reston East facility.

Commuter Rail

Fairfax County as a member of the Northern Virginia Transportation Commission ("NVTC") and in cooperation with the Potomac and Rappahanock Transportation Commission ("PRTC") is a participating jurisdiction in the operation of the Virginia Railway Express ("VRE") commuter rail service. As of June 30, 2001, the service consisted of six peak period trips on the CSX Transportation line from Fredericksburg to Union Station in the District of Columbia and six trips on the Norfolk Southern Railway line from Manassas to Union Station. In addition, midday service is provided on both lines. Five Fairfax County stations are currently operating. The Burke Centre Station parking lot expansion was completed in August 1996. This expansion added 158 parking spaces to the Station. Currently the County and VRE are conducting a feasibility study to expand the parking lot at this Station and at Rolling Road Station. The Franconia-Springfield Station opened in July 1996 with 220 parking spaces.

A total of $2.75 million of general obligation bonds was approved on April 12, 1988 for engineering and construction of the parking facilities at planned commuter rail stations within Fairfax County. (These funds were supplemented with $2.4 million in transportation bonds authorized in a 1990 referendum.) The Board of Supervisors approved the Commuter Rail Master Agreement and financial plans on October 23, 1989. Subsequently, NVTC and PRTC executed the Master Agreement, Insurance Agreement, and AMTRAK Operating Agreement on October 27, 1989. Agreements with the other participating railroads were also executed.

The Master Agreement calls for the County to contribute to capital, operating and debt service costs of the VRE on a pro rata basis according to its share of ridership and population. NVTC sold $79.4 million worth of bonds in February 1990 to finance passenger cars, locomotives, yard facilities and stations. Afterward, NVTC and PRTC purchased 38 new rail cars and 10 refurbished locomotives. In addition, 31 used cars and four additional locomotives have been purchased since 1992. Subsequently, VRE has purchased additional used passenger cars. A portion of the bond proceeds was made available to the County and other participating jurisdictions to assist with financing their local stations. In December 1996, NVTC and PRTC approved the sale of $23 million in commuter rail revenue bonds to purchase 13 new bi-level coaches. These rail cars began entering service in early 2000. They replaced some of the 31 used passenger cars purchased in 1992, and gave VRE flexibility to meet growth in ridership. The Fairfax County Board of Supervisors approved the sale of these bonds, which were issued in early 1997. The County expects that debt service on these bonds will be funded predominantly by State and Federal funds

and VRE revenues. In April 1998, the NVTC and PRTC refunded the remaining portion of the bonds sold by NVTC in 1990.

The VRE FY 2002 Budget identified its principal sources of revenue as: state and federal aid (66.0 percent), passenger revenues (19.0 percent), jurisdictional subsidies (9.6 percent) and miscellaneous income (5.4 percent). The County's share of the FY 2002 commuter rail operating and capital budget was $2.5 million.

Parks, Recreation and Cultural

Fairfax County provides a variety of recreational, educational, and cultural activities and services, including an extensive park system. The County provides library services for its citizens at 21 locations, which include 8 regional and 13 community library branches. In addition, outreach services are provided to the homebound and those with disabilities. The library collection consists of 3 million books and other materials. During FY 2001, the library recorded more than 5 million visits and more than 11 million loans of books and other items to more than 750,000 registered users. An estimated 82 percent of the County's one million residents use the Fairfax County Public Library.

In addition, a variety of recreational, community, and human services are provided by the Department of Community and Recreation Services for County residents of all ages and incomes. These services include senior adult programs and centers, therapeutic recreation services for individuals with disabilities; a variety of youth programs including recreational activities at youth centers; community-based recreational opportunities structured to meet the needs of the communities in which they are located; support for Fairfax County's various volunteer sports councils and leagues; and a variety of volunteer opportunities to support activities in any of these services.

Fairfax County has also been particularly active in developing and operating an extensive park system which provides a variety of recreational activities. The Fairfax County Park Authority ("FCPA"), whose members are appointed by the Board of Supervisors, operates 387 parks encompassing 21,326 acres. Since March 1, 2000, the FCPA has acquired, with County support, over 3,900 acres of lands for park purposes. The Northern Virginia Regional Park Authority ("NVRPA"), an independent entity in which the County participates, also operates 19 parks covering approximately 10,000 acres. NVRPA is continually in the process of completing, acquiring, developing or expanding its regional park facilities. On November 3, 1998, the County voters approved bond referenda that included $87 million of which $75 million is for FCPA projects including land acquisition, renovation of older parks and construction of a new recreation center and $12 million is for capital contributions to the NVRPA. On November 5, 2002, the voters approved a bond referendum of $20 million for park purposes including land acquisition and park improvements.

Community Development

In order to enhance the quality of life and the community environment, Fairfax County provides many direct and indirect services. The County addresses the housing, revitalization, employment and transportation needs of County residents, and strives to provide and maintain a well-balanced environment, by adhering to a comprehensive land use plan.

To meet low and moderate income family housing needs, the Fairfax County Redevelopment and Housing Authority ("FCRHA") was established in February 1966, having been approved by a voter referendum in 1965. Further, the County established the Department of Housing and Community Development to serve as the professional staff for the FCRHA and to carry out the County's housing and community development programs. In FY 1985, the FCRHA and the Board of Supervisors entered into a Memorandum of Agreement which set forth the working relationship between the two entities. The Memorandum of Agreement and resolutions adopted by the FCRHA reaffirmed the County Executive as the Executive Director of the FCRHA.

The FCRHA owns or administers housing developments in Fairfax County with staff and funding provided from County, Federal, State and private sources. At the beginning of FY 2003 the FCRHA was assisting 6,537 households in Fairfax County through Public Housing; the Fairfax County Rental Program; Section 8 Certificates, Vouchers and project based programs. The FCRHA has also provided financing for a number of privately owned,

assisted housing developments with a total of 711 assisted units as well as for privately owned developments without subsidies which reserve a total of 821 units for lower income tenants. Since FY 1993, a total of 965 Affordable Dwelling Units ("ADUs") have been developed and sold to moderate income homebuyers through the First-Time Homebuyer's Program, and more than 335 ADUs are in the development pipeline. In addition a total of 738 rental units for low and moderate income households have been developed under the Affordable Dwelling Unit Rental Program in private rental communities throughout the County, with another 303 rental ADU's in the development pipeline. Also, in FY 2002, an estimated $26 million in funding was available for the County's Community Development Program. These funds, derived from a variety of sources, provide a wide spectrum of activities designed to meet the needs of the County's low and moderate income population. Projects range from public services and home improvement programs to neighborhood drainage and road improvements.

Other services include efforts to increase local employment opportunities by encouraging and retaining business and industrial development through the County's Economic Development Authority. The Department of Transportation continually monitors the County's transportation system to maintain a public transportation network system that meets the needs of County citizens (more fully discussed in the subsection herein entitled "Transportation").

In addition to the provision of direct services, the County is responsible for all comprehensive land use functions including planning, zoning, economic development, environmental improvement, community conservation, and the preservation of historic landmarks. The Comprehensive Plan for the County provides for orderly development through its policies and recommendations that help to guide decisions regarding future development within the County. The Comprehensive Plan is reviewed periodically with extensive citizen involvement to assure that it reflects community goals as well as current conditions and future trends. Almost all zoning applications processed in the County are in accordance with the Plan. The County has received national recognition for the development of such a thorough and coordinated planning process.

Integrated with the County's land use plan are programs for historical and archaeological preservation which are designed to identify and protect pre-historic and historic County landmarks from inappropriate neighboring development. Staff in the Department of Planning and Zoning (DPZ) act as a liaison with the Architectural Review Board to monitor development within the thirteen historic overlay districts which have been established and are now recognized through the Commonwealth's Certified Local Government program. In addition, DPZ maintains the County Historic Site Inventory of over 300 sites, established through the Fairfax County History Commission.

The County Archaeological Services research program, managed through FCPA, identifies and registers pre-historic and historic sites, currently numbering over 2,500, with the Virginia Department of Historic Resources.

Health and Welfare

The County provides an extensive array of services which are designed to protect and promote the health and welfare of Fairfax County citizens through a decentralized human services program. The County operates human service centers in locations convenient to residents to provide financial, medical, vocational and social services. Based on individual needs, the centers attempt to define a comprehensive assistance plan that utilizes the services provided by all County departments.

The County provides medical, dental, maternal and child health services at three other locations in addition to the service centers and to the medically indigent at three primary health care centers. Preventive and health promotion services are provided by the County to school-aged children in all County public schools. Mental health, mental retardation, alcohol and drug abuse and early intervention services are provided to families and individuals by the Fairfax-Falls Church Community Services Board ("CSB"). The CSB operates six community mental health service centers which offer individual, group and community services focused on the mental health needs of the population, various group homes for consumers, and several specialized treatment facilities. Other programs that the County provides include subsidized day care programs for senior citizens and children of low-income families, 125 school-age child centers (located in the public schools) that serve more than 8500 children during the school year and more than 2500 children during the summer, two special needs centers that serve emotionally disturbed or physically challenged children, and group homes for youth with serious emotional disturbance. Residential

treatment services are also offered in the areas of substance abuse as well as substance abuse outpatient and specialized day treatment programs. In addition, vocational and residential programs are provided for citizens with mental retardation. In November 1988 and in November 1990, voters approved $16.8 million and $9.5 million, respectively, in general obligation bonds for human services facilities. Facilities built with the proceeds of these bond referenda include a 70-bed therapeutic residence for substance abusers, a 30-bed substance abuse treatment facility co-located with a 25-bed detoxification center, a specialized 16-bed treatment facility for clients who are both mentally ill and substance abusers, and an assisted living facility for 36 adults with mental illness.

Financial assistance and social services are available to eligible citizens under programs established by the State and Federal governments, as well as the County, and will be administered by the Department of Family Services. The Department will continue to implement welfare reform program activities while emphasizing prevention and early intervention initiatives. Programs serving senior citizens within the County are jointly funded by the Federal Older Americans Act, State, County and public/private funds. In FY 1986, the County began to provide a comprehensive County transportation service, FASTRAN, for qualified elderly, disabled, and low-income persons. Transportation is provided by bus, van, or cab on a door-to-door basis to County programs, medical care, and grocery and other personal shopping destinations (more fully discussed in the subsection herein entitled "Transportation").

Judicial Administration

Fairfax County's court system is one of the most sophisticated systems in Virginia in its use of advanced case management techniques and rehabilitation programs. The County utilizes automated systems to support case docketing and record retrieval, electronic filing and imaging in the land recordation process, juror selection, service of notices and subpoenas, and the processing of criminal and traffic warrants and delinquent tax retrieval.

The County has undertaken rehabilitation efforts through the Juvenile and Domestic Relations District Court and the Office of the Sheriff. These efforts include work training programs and counseling service for both adults and juvenile offenders. Additionally, residential treatment services are provided for juvenile offenders and a work release program is provided for offenders confined in the County's Adult Detention Center. In November 1988, voters approved $1.7 million in general obligation bonds to provide a new 12 bed, 8,000 square foot Less Secure Juvenile Shelter to provide live-in counseling and residential care for juveniles awaiting court action who do not require secure detention. This facility was completed in December 1990. On November 7, 1989, the County voters approved a bond referendum that included $12.57 million for Juvenile Detention facilities including expansion of the Juvenile Detention Center, renovation and expansion of the Boy's Probation Home, a Juvenile Halfway House and a Chronic Offenders Residence. Construction for the Juvenile Detention Center expansion from 55 to 121 beds was completed in June 1998. The Boy's Probation Home houses 22 juveniles and was completed in November 1995. The commencement of construction of the Juvenile Halfway House and the Chronic Offenders Residence is dependent upon funding availability. Construction for the expansion of the fourth floor of the Jennings Judicial Center was completed in March 1995. This expansion included the addition of four courtrooms, four jury rooms, two hearing rooms and associated judges chambers and administrative offices. This expansion provides a courtroom and associated other rooms for each of the 15 judges plus one additional courtroom to be used by visiting judges.

On November 7, 1989, the County voters approved a bond referendum that included $94.33 million for adult detention facilities including a 750-bed expansion to the Adult Detention Center. The expansion was completed in August 2000, with renovations to existing facilities to be completed by early Summer 2002.

As part of the 1998 Public Safety bond referendum voters approved the Judicial Center Expansion project at a cost of $92.5 million including $33 million from anticipated State reimbursement associated with the Adult Detention Center expansion. The project involves the addition of approximately 312,000 square feet to the existing Jennings Judicial Center and provides parking to accommodate 2,100 vehicles (a net increase of 900 spaces). Staff is currently completing the design development and construction plan phases of the Judicial Center portion of the project, with the fall of 2003 projected for the construction contract award. The parking structure was completed in January 2003.

Public Safety

The responsibility for public safety in Fairfax County is shared by a number of agencies. The Police Department, which is responsible for law enforcement, had an authorized strength of 1,319 sworn police officers and 583 civilian personnel as of March 31, 2003. The agency is accredited by the Virginia Law Enforcement Professional Standards Commission ("VLEPSC"). VLEPSC accreditation signifies the department's compliance with certain standards which are specific to Virginia law enforcement operations and administration. The commanders of the seven police district stations located throughout the County have considerable latitude to tailor their operations to provide police services in ways most responsive to the needs of their respective communities, to include community policing endeavors. The department operates a variety of specialized units, including a helicopter division which operates two helicopters to provide support to general police operations, traffic monitoring and emergency medical evacuation and rescue support. For the past 10 years, the County has maintained one of the lowest rates of serious crimes among jurisdictions in the Washington Metropolitan area and among comparable suburban jurisdictions throughout the country. At the same time, the Police Department has continually attained a clearance rate for violent crimes such as murder, rape and robbery far above the national averages for such offenses. Citizen participation in crime prevention is emphasized, with over 900 Neighborhood Watch groups involving approximately 30,000 volunteers throughout the County.

During FY 2002, the Police Department created a Criminal Intelligence Unit to provide an effective response to organized criminal activity including terrorist-related, gang and bias crimes. The Unit is responsible for data entry, review and classification of information, analysis, link development, prioritization, dissemination, follow-up investigations, interviews, maintaining contacts with outside intelligence groups and conducting surveillance operations. The Unit is staffed with nine positions that were redeployed from existing resources. In addition, an Auxiliary Police Unit, comprised of up to 100 trained, unpaid citizen volunteers, supplements the Police Department's paid personnel by performing a variety of operational and administrative functions. The Volunteers in Police Service (VIPS) Program has also been established to provide administrative augmentation to the Police Department by utilizing the skills of non-salaried, non-uniformed volunteers. The department utilizes many applications of the latest technology available, including serving as lead agency for the Northern Virginia Regional Identification System, a computerized fingerprint comparison system which greatly enhances and expedites the abilities of the 10 participating agencies to identify latent fingerprints recovered from crime scenes with those of known offenders in the database. The County's law enforcement training needs are met by its own Criminal Justice Academy which trains new officers and provides in-service training to members of the participating agencies. This facility includes a driver training track and firearms training range. Funding has been approved for an eighth police district station to be located in the western part of the County which will be fully operational on May 5, 2003. New facilities under design include replacement Public Safety Communications and Emergency Operations Centers, and a forensics facility. For the past ten years, Fairfax County has maintained one of the lowest per capita cost for police services of all the local jurisdictions in the Washington metropolitan area.

Fire and rescue services are provided by 1,199 paid fire fighters, 101 paid civilian support personnel and approximately 400 operational volunteers. Thirty-five fire and rescue stations are currently operated by the County. Future station locations have been identified to achieve a five-minute response time for fire and basic life support and a six-minute response time for advanced life support. The department operates various specialty units, including paramedic engine companies, a hazardous materials response unit, a technical rescue operations team, an arson canine unit and a water rescue team whose members are certified in swift water rescue. The department also supports regional, national and international emergency response operations through maintaining and supporting the urban Search and Rescue Team, Virginia Task Force 1. In addition to emergency response, the department provides various non-emergency services. Fire Prevention Division personnel test fire protection systems in public buildings, inspect businesses for fire code violations and determine the cause and origin of all fires, false alarms and bombings. The department receives direct technical support in the areas of logistics, procurement, apparatus, telecommunications and information technology from the Support Services Division. Administration and management of the Fire and Rescue Department is conducted by the Administration Division, including recruiting and testing firefighter applicants, personnel and payroll. The Fiscal Services Division is responsible for management of the department's finances and budget. Personnel in the Occupational Health and Safety program provide health and safety services to all County uniform public safety personnel, fire and rescue volunteers and applicants, in order to maintain a safe and healthy work environment. The Hazardous Materials Services Section investigates hazardous materials releases, enforces local and state hazardous materials laws, provides oversight for

long-term cleanup sites and supports other County agencies and committees. The Fire and Rescue Department provides more than 300,000 hours of firefighter and emergency medical training to career and volunteer firefighters throughout the year using indoor and outdoor facilities. Community fire safety and injury prevention programs are a major focus of the department. Education programs are delivered to audiences ranging from pre-school children to senior adults.

On November 7, 1989, the County voters approved a Public Safety Facilities bond referendum which included funding for seven new fire and rescue stations, expansion of one fire and rescue station, safety improvements to several existing fire and rescue stations, and improvements and expanded facilities at the Fire and Rescue Academy. On November 3, 1998, the County voters approved bond referenda that included $99.92 million for public safety projects including expansion of two existing Police Stations, reconstruction of a Fire Station, construction of one new Police Station and one new Fire Station and expansion of the County Judicial Center.

The County also operates a Computer Aided Dispatch System, which provides a computer link between call takers and dispatchers within the County's Public Safety Communications Center (PSCC). Through an additional computer link, information is transmitted from dispatchers to mobile data terminals within the County's police, fire and ambulance vehicles. The County also utilizes automated systems to process court ordered child support and restitution payments and to support juvenile case processing information functions. In addition, the County also has an automated dog licensing and inoculation monitoring system.

On November 5, 2002 the voters authorized an additional $60 million in general obligation bonds for Public Safety purposes. This referendum included approximately $29 million for a replacement PSCC/Emergency Operations Center, $25 million for renovations to the Jennings Judicial Center and $6 million for priority Fire Station renovations and improvements to include constructing an appropriately located hazardous materials handling facility.

Water Supply Service

Water service is provided to the residents of Fairfax County either by the Fairfax County Water Authority ("FCWA"), the City of Fairfax, the City of Falls Church, the Town of Herndon, the Town of Vienna or individual wells. FCWA, which operates the largest water system in the Commonwealth of Virginia, was established by the Board of Supervisors in 1957, under the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia, 1950, as amended), for the purpose of developing a comprehensive, countywide water supply system through the acquisition of existing systems and the construction of new facilities. It is an independent body administered by a ten-member board appointed by the Fairfax County Board of Supervisors. FCWA finances its capital improvements through the issuance of revenue bonds which are not backed by the full faith and credit of the County but principally by revenues derived from charges for services rendered. FCWA's basic retail water charge is $1.30 per 1,000 gallons, plus a quarterly service charge ($5.50 for most single family homes and townhouses). To pay for treatment and pumping capacity which is used only during periods of high demand, FCWA also levies a peak use charge of an additional $2.55 per 1,000 gallons on customers who exceed their winter quarter consumption by 6,000 gallons or 30 percent, whichever is greater. There also are fees for initial connection to the system and for opening, closing or transferring an account.

FCWA utilizes two sources of water supply (Occoquan River and Potomac River), operates associated treatment, transmission, storage and distribution facilities and currently provides service to approximately 220,000 metered accounts (representing about 283,000 residential, commercial, industrial, municipal and institutional units) in Fairfax County with an average daily consumption of about 75 million gallons per day ("mgd"). In addition, FCWA supplies about 50 mgd to other suppliers for resale principally in the City of Alexandria, Loudoun County and Prince William County. The average population served by FCWA in 2001 is estimated to have been 1,200,000 persons. The combined maximum daily capacity of the supply and treatment facilities is 262 mgd, which is sufficient to meet current demand.

Under an agreement with the Board of Supervisors, FCWA annually submits a ten-year capital improvement program which is reviewed and approved by the Board as part of the County's total capital

improvement program. FCWA's 2026 10-year Capital Improvement Program includes projects totaling $565,762,000.

ECONOMIC FACTORS

Economic Development

Economic development activities of the County are carried out through the Fairfax County Economic Development Authority (the "EDA") whose commissioners are appointed by the Board of Supervisors. The EDA promotes Fairfax County as a premier location for business start-up, relocation and expansion, capital investment, and business travel and events. It works with new and existing businesses to help identify their facility and site needs and assist in resolving County-related issues. Pursuant to its enabling legislation, the EDA encourages investment in the County with tax-exempt industrial revenue bond financing.

Through its Convention and Visitors Bureau, the EDA attracts meetings, conferences and business travel to the County and encourages local private sector support for this effort, and draws visitors to the County's historic, cultural and recreational attractions.

The total inventory of office space in the County was estimated at 100.9 million square feet at year end 2002. Nearly 7.7 million square feet of office space was leased in Fairfax County during the 2002. Industrial/hybrid space in the county was estimated at 36.5 million square feet. The direct vacancy rates for the office market and industrial/hybrid markets were 12.2 percent and 7.3 percent, respectively, as of year end 2002. Fairfax County is the fifteenth largest office market in the United States, according to Costar Group.

The base of technology-oriented companies, particularly in computer software development, computer systems integration, telecommunications and Internet-related services, has served as a strong magnet for the expansion and attraction of business and professional services. Diversified business and financial services have added to the demand for prime office space in a number of key employment centers throughout the County. Major corporations such as American Management Systems, Booz Allen Hamilton, Capital One, Federal Home Loan Mortgage Corporation (Freddie Mac), Gannett (USA Today), General Dynamics, Leica Microsystems, Logicon, Oracle and the SLM Corporation (Sallie Mae) have located their corporate headquarters in Fairfax County.

As of year end 2002, there were 80 hotels each with 75 or more rooms completed or under construction in the County, totaling more than 14,640 hotel rooms. Hotel development parallels commercial construction in terms of diversity of concept and design with a variety of product and service mixes (all-suites, business meeting facilities and leisure facilities) in the marketplace. National chains such as AmeriSuites, Best Western, Comfort Inn, Doubletree, Embassy Suites, Hampton Inn, Hilton, Holiday Inn, Hyatt, Marriott, Motel 6, Ritz-Carlton and Sheraton currently offer a wide range of hotel facilities in the County.

The 16-mile Dulles Toll Road provides access from Washington, D.C. through Tysons Corner and Reston-Herndon (the largest business centers in the County) to Washington Dulles International Airport ("Dulles"), on the County's western edge. Pursuant to legislation enacted by the Virginia General Assembly in its 1995 session, the Commonwealth sold $45.2 million in bonds for the construction of two additional lanes (for a total of eight lanes) to the Dulles Toll Road between Interstate 495 in Fairfax County and Road 28 (Sully Road) in Fairfax and Loudoun Counties. Additionally, a 14-mile extension of the Dulles Toll Road, the privately-financed Dulles Greenway, connects the airport with Leesburg, west of Fairfax County in Loudoun County.

Dulles has experienced a significant increase in service levels and demand in recent years, serving as a catalyst for corporate activities dependent on immediate access to air travel. One of the fastest-growing airport of the world's 50 largest airports, Dulles serves nearly 48,000 passengers daily with nonstop flights to 72 U.S. cities and direct service to 28 foreign markets. On the east coast, the airport is the fifth largest international gateway. Seventeen million passengers, including more than 4 million international travelers, flew in and out of Dulles in 2002. A multi billion construction program began in 2000, which will add two parking garages, a fourth runway, a new concourse, a pedestrian walkway and an airport train system.

In January 1990, the Smithsonian Board of Regents selected 176.5 acres of Washington Dulles International as the site for the Smithsonian National Air and Space Museum (NASM) Dulles Center. More than 335 rare and historic aircraft and spacecraft, including the Space Shuttle Enterprise will be displayed at the NASM's Steven F. Udvar-Hazy Center, a $318 million expansion at the airport. The internationally renowned design firm Hellmuth, Obata - Kassabaum designed the 761,000 square-foot museum which broke ground in spring 2001. The doors are slated to open in December 2003 to commemorate the 100th anniversary of the Wright Brothers' first powered flight on December 17, 1903.

The Board of Supervisors and the County have supported the revitalization and redevelopment of the County's more mature business areas. Residential and commercial enhancements to Annandale, Bailey Crossroads/Seven Corners, the Lake Anne section of Reston, the Springfield and McLean central business districts, Merrifield and the Richmond Highway corridor in the southeastern portion of the County are under way, and a number of capital improvement projects in process or already completed have improved the appearance and quality of life of these communities.

Employment

Approximately 28,800 payroll businesses, including corporate and regional headquarters, technology firms, sales and marketing offices, and business services are located in Fairfax County. Local businesses create employment in such diversified areas as computer software development and systems integration, government contracting, Internet-related services, wholesale and retail trade, and financial services. The following table presents data on the number of payroll establishments and employment by major industry classification in Fairfax County as of first quarter 2002.

Businesses and Employment by Industry
Fairfax County, Virginia[1]

Industrial Classification	Number of Establishments	Average Payroll Employment for Quarter
Manufacturing	466	11,936
Mining	4	95
Wholesale Trade	1,522	15,828
Construction	2,325	29,487
Transportation, Communications, Public Utilities	393	7,625
Retail Trade	2,846	53,630
Services[2]	17,342	267,041
Finance, Insurance, Real Estate	2,658	31,878
Information	1,011	38,523
Local/State/Federal Government	202	66,666
Non-Classified/Other	22	94
Total[3]	28,791	522,803

Source: Virginia Employment Commission (VEC), Covered Employment and Wages in Virginia, Fairfax County, first quarter 2002.

1 Excludes self-employed business owners and agricultural services. Totals for agricultural services are no longer disclosed by the VEC.

2 The Services category includes computer-related services, health care, legal and personal services, engineering and architectural services, and other activities, as well as membership organizations and trade associations.

3 In 2002 VEC converted from the SIC to the NAICS industry classification system, adopted by the federal government in 1997. The Information category is new under NAICS and some totals will not track to previous reporting periods.

The following is a list of the 25 largest private, base sector (non-retail) employers in Fairfax County as of December 2002.

	Company Name	Type of Business	County Employment Range*
1.	Inova Health System	Health Services	9,000-10,000
2.	Science Applications International Corp. (SAIC)	Engineering, Accounting & Research Management Services	5,000-6,000
3.	Booz Allen Hamilton, Inc.	Business Services	4,000-5,000
4.	Lockheed Martin Corporation	Business Services/ Transportation Equipment	3,000-4,000
5.	American Management Systems, Inc. (AMS)	Business Services	3,000-4,000
6.	Raytheon Company	Business Services/ Manufacturing	3,000-4,000
7.	Northrop Grumman (includes TRW)	Business Services/Engineering, Accounting & Research Services	3,000-4,000
8.	Federal Home Loan Mortgage Corporation (Freddie Mac)	Nondepository Credit Institutions	3,000-4,000
9.	Nextel Communications, Inc	Communications	3,000-4,000
10.	Navy Federal Credit Union	Depository Institutions	2,000-3,000
11.	Exxon Mobil Corporation	Petroleum Refining & Related Industries	2,000-3,000
12.	Sprint	Communications	2,000-3,000
13.	Verizon	Communications	2,000-3,000
14.	Accenture	Business Services	2,000-3,000
15.	MCI-WorldCom	Communications	2,000-3,000
16.	Electronic Data Systems Corporation (EDS)	Business Services	2,000-3,000
17.	PricewaterhouseCoopers	Business Services	2,000-3,000
18.	Mitre Corporation	Engineering, Accounting & Research Services	2,000-3,000
19.	Computer Sciences Corporation (CSC) (includes Dyncorp)	Business Services	1,000-2,000
20.	Oracle	Business Services	1,000-2,000
21.	Kaiser Foundation Health	Insurance Carriers	1,000-2,000
22.	BearingPoint	Business Services	1,000-2,000
23.	Quest Diagnostic	Health Services	1,000-2,000
24.	Verisign	Communications	1,000-2,000
25.	William A. Hazel	Construction Services	1,000-2,000

Source: Fairfax County Economic Development Authority and the Virginia Employment Commission.

*Note: Employment estimates for separate facilities of the same firm have been combined. Employment ranges are given to ensure confidentiality.

Unemployment in the County has historically been, and continues to be, well below national averages. The 2001 average unemployment rate was 2.3% in the County. State and national 2001 unemployment rates were 3.5% and 4.8%, respectively. The following table shows the average annual unemployment rate in Fairfax County as compared with the state and national average in the past decade:

Average Annual Unemployment Rates

Calendar Year	Fairfax County	State of Virginia	United States
1993	3.3%	5.1%	6.8%
1994	3.1	4.9	6.1
1995	2.8	4.5	5.6
1996	2.8	4.4	5.4
1997	2.3	4.0	4.9
1998	1.6	4.9	4.5
1999	1.6	2.8	4.2
2000	1.2	2.2	4.0
2001	2.3	3.5	4.8
2002[1]	3.0	4.3	6.2

Source: Virginia Employment Commission.

1 Unemployment rates for Fairfax County, Virginia and the United States represent data through the first quarter of 2002.

According to the Virginia Employment Commission, in the first quarter of 2002 employed County residents numbered 563,404 and the number of jobs in the County averaged 524,298 in March 2002. The number of jobs does not include self-employed persons, agricultural employment or non-classified/other employment. The following table presents total nonagricultural payroll employment in recent years:

Nonagricultural Employment

As of March	Nonagricultural Employment in Fairfax County	% Change	As of March	Nonagricultural Employment in Fairfax County	% Change
1993	373,998	2.6	1998	464,945	4.8
1994	392,048	4.8	1999	487,113	4.8
1995	410,146	4.6	2000	518,821	6.5
1996	420,929	2.6	2001	541,132	4.5
1997	443,734	5.4	2002	524,298	3.1

Source: Virginia Employment Commission.

Population

Fairfax County's population in 2003 is approximately one million. In 1980, Fairfax County was the third most populous jurisdiction in the Washington, D.C. primary metropolitan statistical area, as defined by the U.S. Bureau of the Census. By 1990, Fairfax County, with 818,584 residents, had become the most populous jurisdiction in the Washington, D.C. area, adding an average of 22,000 persons per year in the 1980s. Population growth during the 1990s slowed somewhat in Fairfax County; on average, about 14,200 persons per year were added to the population during the decade. Since 2000, the County has added an average of approximately 10,000 new residents per year.

Fairfax County Population

Calendar Year	Population
1940	40,929
1950	98,557
1960	248,897
1970	454,275
1980	596,901
1990	818,584
2000	969,749
2001	984,366
2002	1,000,000
2003	1,015,600

Source: U.S. Bureau of the Census (1940-1990, 2000) and the Fairfax County Department of Systems Management for Human Services.

The following table reflects the population age distribution of County residents:

Population Age Distribution, 2001
Fairfax County

Age Group	2001 Number	2001 Percent (%)
Under 20 years	280,544	28.5
20-34	191,951	19.5
35-54	337,638	34.3
55-64	93,575	9.5
65 and Over	80,718	8.2
Total	984,366	100

Source: Demographic Reports 2001, Fairfax County Department of Systems Management for Human Services.

Based on results of the 1990 Census, Fairfax County had the highest annual median household income ($59,284) of all the 3,141 counties in the United States. As of 2000, nearly 16 percent of County households had annual family incomes of $150,000 or more. In 2001, Census estimated median household income in Fairfax County at $84,683. The following table illustrates the 2001 household and family income distribution in the County.

Annual Household and Family Income Distribution (by Percentage)
Fairfax County, 2001

Income Level	Household	Family
Under $25,000	8.7%	6.0%
$25,000-49,999	15.7	12.7
$50,000-74,999	18.2	16.5
$75,000-99,999	15.6	15.2
$100,000-149,999	21.8	25.7
$150,000 or more	20.0	23.8
Median Income	$84,683	$99,085

Note: In 2001, there were 358,149 households in the County. "Families" are defined as those households containing two or more persons related by blood, marriage or adoption.
Sources: Fairfax County Department of Systems Management for Human Services, 2001
Fairfax-Falls Church Community Assessment.

The following table shows that total taxable retail sales in the County rose in the period 1993-2002, reflecting increased income levels and the County's increasing importance as a regional commercial and retail center. Declining taxable retail sales in 2001 and 2002 reflect the general economic downturn.

Per Capita Taxable Sales

Calendar Year	Taxable Sales (in Billions)	Population	Per Capita Taxable Sales
1993	7.47	851,858	8,771
1994	7.96	863,134	9,221
1995	8.31	879,401	9,453
1996	8.50	899,650	9,448
1997	9.04	912,126	9,910
1998	9.65	931,452	10,357
1999	10.62	946,371	11,219
2000	11.32	969,749	11,676
2001	11.01	986,366	11,175
2002	11.13	1,000,000	11,130

Sources: Virginia Department of Taxation, Taxable Sales Based on Retail Sales Tax Revenues.
Fairfax County Department of Systems Management for Human Services, and U.S. Bureau of the Census.

Construction Activity

The following table illustrates trends in residential and commercial construction activity in the County:

Fiscal Year	Construction Activity Building Permits[1]				Estimated Housing Units Started[2]
	Residential Properties		Industrial and Commercial Properties		
	Number	Estimated Value (000's)	Number	Estimated Value (000's)	Number
1993	22,865	689,190	3,596	355,989	5,188
1994	23,254	781,283	3,803	288,274	6,528
1995	23,577	706,680	4,272	236,737	4,482
1996	23,086	737,971	3,961	230,300	4,361
1997	21,059	676,400	4,091	247,646	3,942
1998	21,700	702,179	4,172	699,012	2,263
1999	23,446	794,121	4,345	572,489	4,687
2000	30,178	995,247	4,735	719,885	4,067
2001	23,154	806,139	4,455	671,805	3,802
2002	20,863	771,174	3,624	459,000	3,735

Sources: [1] Fairfax County Department of Public Works and Environmental Services.
[2] Fairfax County Department of Systems Management for Human Services.

The following is a short list of major new or expanded office projects within the County in 2002:

New or Expanded Commercial Projects

Name of Company	Nature of Operations	Square Footage Leased	Projected New/Additional Employment
BAE Systems North America	Aerospace	145,000	1,000
Daston Corporation	Financial, Law and Consulting	7,800	130
RBC Centura	Financial, Law and Consulting	15,000	110
ACS-Government Services	Information Technology	25,000	190
Argon Engineering Associates	Information Technology	25,000	100
IBM	Information Technology	99,000	400
PEC Solutions	Information Technology	(expansion)	533
STG	Information Technology	(expansion)	200
SI International	Services	56,700	354
Arrowhead Global Solutions	Telecommunications	16,000	250

Note: For those companies where "(expansion)" appears under the square footage leased column, any additional employment created used already existing leased office space.
Source: Fairfax County Economic Development Authority.

Housing

Single-family detached housing units (excluding mobile homes) continue to account for a majority of the housing units within Fairfax County, representing 50.6% of the total in 2000. Townhouses accounted for 24.3%; garden units, high- and mid-rise units, multiplex units and mobile homes together made up the remaining 25.1%. As of January 2000, the median market value of all owned housing units, including condominiums, in Fairfax County was estimated by the Department of Systems Management for Human Services to be $226,825, an increase of 18.1% over 1999.

Housing Units by Type of Structure

	1970		1980		1990		2000	
	No.	%	No.	%	No.	%	No.	%
Single-Family: Detached	91,134	69.7	125,580	59.3	163,029	53.9	181,591	50.6
Attached	6,427	4.9	30,833	14.6	67,306	22.3	87,171	24.3
Multi-Family	33,207	25.4	55,333	26.1	72,129	23.8	90,198	25.1
Total	130,768	100.0	211,746	100.0	302,464	100.0	358,960	100.0

Source: U.S. Bureau of the Census, U.S. Census of Housing. Single-family detached includes all single-family homes and mobile homes, single-family attached includes duplexes, townhouses and multiplex units. Multi-family includes garden, mid-rise and elevator apartments.

Colleges and Universities

Seven institutions of higher education are located in Fairfax County: Averett University, George Mason University, the Keller Graduate School of Management, National-Louis University, Northern Virginia Community College (NVCC), the Virginia Polytechnic Institute and State University and the University of Virginia – the latter two located in the Northern Virginia Graduate Center. For 2001-02 George Mason had an enrollment of more than 23,400 students in more than 100 disciplines, including doctoral programs. The Northern Virginia Community College has more than 60,000 students in 30 credit-earning programs and 300,000 students in non-credit courses and public service activities in five campuses in Northern Virginia. NVCC also has broken ground on a biomedical training campus in the County's Springfield community. American University, George Washington University, Catholic University and Virginia Commonwealth University also operate programs in the County's secondary schools and on military installations within the County.

Cultural Amenities

Wolf Trap Farm Park for the Performing Arts, a cultural facility internationally renowned for the number and quality of its ballet, symphony, concert, and opera offerings, and the only national park for the performing arts in the U.S., is located in the northern part of Fairfax County. The County also assists in supporting the Fairfax Symphony, an internationally recognized 94-member orchestra that provides a variety of musical programs and outreach services to County residents. Other well-known attractions in the County include Mount Vernon, the home of George Washington; Woodlawn Plantation, George Washington's wedding gift to his nephew; and Gunston Hall, home of George Mason, author of the U.S. Bill of Rights and the first Constitution of Virginia.

DEBT ADMINISTRATION

Statement of Bonded Indebtedness

Pursuant to the Constitution of Virginia and the Act, a county in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the Board of

Supervisors of the County is required to levy, if necessary, an annual ad valorem tax on all property in the County subject to local taxation.

The County had outstanding the following amounts of general obligation bonds as of June 30, 2002:

Purpose	Total General Obligation Bonds
School	$ 896,028,585
General Government	623,935,015
Total General Obligation Bonded Indebtedness	$1,519,963,600

On March 5, 2003, the County issued its $171,165,000 Public Improvement Refunding Bonds, Series 2003 A to refund for debt service savings its $178,955,000 of its outstanding general obligation bonds.

The County does not rely upon short-term borrowings to fund operating or capital requirements.

Authorized but Unissued Bonds

The following chart presents by purpose Fairfax County's general obligation authorized but unissued bond indebtedness as of January 1, 2003:

Authorized Purpose	Amount Authorized but Unissued
School Improvements	$510,430,000
Transportation Improvements and Facilities	57,460,000
Parks and Park Facilities	67,900,000
Commercial and Redevelopment Area Improvements	20,580,000
Neighborhood Improvements	2,820,000
Human Services Facilities	1,185,000
Storm Drainage Improvements	4,660,000
Adult Detention Facilities	8,520,000
Public Safety Facilities	135,920,000
Juvenile Detention Facilities	1,050,000
Total Authorized but Unissued Bonds	$810,525,000

Limits on Indebtedness

There is no legal limit on the amount of general obligation bonded indebtedness which Fairfax County can at any time incur or have outstanding. However, all such indebtedness must be approved by voter referendum prior to issuance. Since 1975, the Board of Supervisors has established as a financial guideline a self-imposed limit on the average annual amount of bond sales. As part of the FY 2003 Adopted Budget Plan, the Board of Supervisors increased the bond sale target to $1.0 billion over a 5-year period or an average of $200 million annually, with the flexibility to expand to a maximum of $225 million based on market conditions and/or priority needs in any given year. The actual amount of bond sales will be determined by construction funding requirements and municipal bond market conditions.

The Board of Supervisors also has imposed limits which provide that the County's long term debt should not exceed 3% of the total market value of taxable real and personal property in the County. The limits also provide that annual debt service should not exceed 10% of annual General Fund disbursements. These limits may be changed by the Board of Supervisors, and they are not binding on future Boards of Supervisors of the County.

There are several authorities in existence which have been created at various times by the Board of Supervisors to provide specialized governmental services within the County. Certain of these authorities are empowered to issue revenue bonds that are not general obligations of the County, and the full faith and credit of the County is not pledged to secure such bonds.

Other Tax Supported Debt Obligations

The Board of Supervisors of the County directly or indirectly appoints all or a portion of the governing body of several legally independent local and regional authorities that provide services to the County and its constituents. Such authorities include those that issue debt supported directly or contingently by appropriations of tax revenues by the County.

In 1989 and 1990, the Fairfax County Economic Development Authority (the "EDA") issued $26,765,000 of parking revenue bonds to finance construction of parking structures near the Vienna Metrorail Station and the Huntington Metrorail Station in Fairfax County. The EDA refunded $21.46 million of these bonds in March 1998 with the proceeds of $12.93 million parking revenue refunding bonds and other available funds. The remainder of the bonds issued in 1989 and 1990 have matured. The EDA issued $25.735 million in bonds on November 10, 1999 to finance a second parking structure at the Vienna Metrorail Station. The parking revenue bonds are payable under leases with the Washington Metropolitan Area Transit Authority ("WMATA") from revenues to be derived by WMATA from parking surcharges at these and other parking facilities. In the event such revenues are not sufficient to pay debt service on the parking revenue bonds and under certain other conditions, the County is, in effect, obligated, subject to annual appropriation by its Board of Supervisors, to make payments to the EDA sufficient to pay such debt service.

In March 1994, the EDA issued $116,965,000 of lease revenue bonds to finance the acquisition for the County of two office buildings occupied by County agencies and departments. The County is absolutely and unconditionally obligated by the terms of a lease agreement with the EDA to pay amounts equal to debt service on the EDA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of sufficient funds for such purpose. The coincidental terms of the bonds and the lease agreement extend to November 15, 2018.

In October 1996, the Fairfax County Redevelopment and Housing Authority ("FCRHA") issued $6,390,000 of lease revenue bonds to finance the construction/renovation of two Community Center buildings. The County is absolutely and unconditionally obligated by the terms of lease agreements with the FCRHA to pay amounts equal to debt service on the FCRHA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of funds for such purpose. The coincidental terms of the bonds and the lease agreements extend to June 1, 2017. In December 1998, the FCRHA issued $5,500,000 of lease revenue bonds to finance the renovation and expansion of Bailey's Community Center. The County is absolutely and unconditionally obligated by the terms of lease agreements with the FCRHA to pay amounts equal to debt service on the FCRHA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of funds for such purpose. The coincidental terms of the bonds and the lease agreements extend to June 1, 2018. In May 1999, the FCRHA issued $1,000,000 of lease revenue bonds to finance the renovation and expansion of the Herndon Harbor House II adult day health care center. The County is absolutely and unconditionally obligated by the terms of lease agreements with the FCRHA to pay amounts equal to debt service on the FCRHA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of funds for such purpose. The coincidental terms of the bonds and the lease agreements extend to May 1, 2029. On November 18, 2002 the Board of Supervisors approved a plan of finance for the renovation and expansion of the James Lee Community Center in which the FCRHA will issue approximately $11.4 million of its lease revenue bonds payable by a lease obligation with the County under terms similar to previously mentioned undertakings. The FCRHA expects to issue these bonds later in 2003.

In July 2000, the Fairfax County Board of Supervisors entered into a Master Development Agreement with a private developer to finance and construct a 135,000 square foot government center in the southeastern region of the County. In November 2000, $29,000,000 of Certificates of Participation ("Certificates" or "COPs") were issued, secured by a triple net lease on the property between the County and the developer. The County is absolutely and unconditionally obligated by the terms of the lease agreement to pay an amount equal to the debt service on the Certificates. The County accepted the government center as substantially complete in February 2002. The County's obligation to make such payments is subject to annual appropriations by the Board of Supervisors of funds for such purpose. The coincidental terms of the lease and the Certificates extend to April 2032.

In March 2000, the Fairfax County Park Authority issued a Note in the amount of $12,750,000, stated to mature on July 31, 2001, to raise funds sufficient to purchase approximately 800 acres of open space in the western region of the County for use as parks or park facilities. On July 31, 2002, the Note was exchanged for the second and final time to mature on July 31, 2003 in the aggregate principal amount of $14,442,740. The County is obligated by the terms of a payment agreement with the FCPA to pay the FCPA amounts equal to the debt service on the renewal Note at its maturity. The County's obligation to make such payments is subject to the appropriation by the Board of Supervisors of funds for such purpose. The County intends to pay the FCPA from the proceeds of the sale of other parcels of County land or other available funds.

On May 5, 2003, the Board of Supervisors approved a plan of finance and the associated documents for a new public high school and a new 18-hole public golf course in the southern part of the County. The plan of finance contemplates that EDA will issue approximately $76,000,000 of revenue bonds and the County will contribute $18,200,000 to provide funds for the construction by the School Board and the FCPA of these projects. The County is absolutely and unconditionally obligated by the terms of its contract with the EDA to pay amounts equal to debt service on the EDA's bonds. The County's obligation to make such payments is subject to the annual appropriation of sufficient funds for such purpose. The projects are part of a master plan for the southern part of the County also approved by the County which includes a graduated care facility within which there will be both dwelling units for single family living for active adults, and independent senior living units. In connection with this plan, the FCPA has agreed to issue its subordinated revenue bond to the County to provide for the repayment of a portion of the debt attributable to the construction of the golf course. The FCPA's debt to the County will be payable from park system revenues.

Lease Commitments and Contractual Obligations

The County leases certain real estate, equipment and sewer facilities under various long-term lease agreements. In addition, pursuant to contracts with Arlington County, the Alexandria Sanitation Authority, the District of Columbia and the Upper Occoquan Sewage Authority, the County is obligated to share the capital costs and associated debt service of certain facilities. Further information concerning these obligations is included in Notes I and J to the Basic Financial Statements shown in Appendix IV.

In February and March 1988, the Fairfax County Economic Development Authority issued $237,180,000 of Series A revenue bonds and $14,900,000 of Series B revenue bonds, respectively, to finance, on behalf of the Fairfax County Solid Waste Authority ("SWA"), the construction of a 3,000 ton per day Energy/Resource Recovery Facility to dispose of solid waste originating from Fairfax County and the District of Columbia. In March 1995, the County sold an option to purchase refunding bonds to refund and redeem the Series A bonds. The option was sold to a financial institution for $10.25 million. On November 4, 1998, the option was exercised and the refunding bonds were delivered to the institution at certain agreed-upon interest rates. The proceeds of the bonds have been used to refund the Series A bonds. The refunding bonds are secured solely by the revenues of the E/RRF, and neither the County, the EDA nor the SWA is obligated to pay principal and interest thereon. Fairfax County is obligated under a service contract to deliver certain minimum annual tonnages of solid waste to the E/RRF and to pay fees for the disposal of such waste to provide funds sufficient to pay the E/RRF operation and maintenance costs and debt service on the bonds. The Series B bonds have been retired. See "GOVERNMENT SERVICES – Public Works".

In February 1990, the Northern Virginia Transportation Commission issued $79.4 million of bonds to finance certain costs associated with the establishment of commuter rail services (the Virginia Railway Express) in the northern area of Virginia surrounding Washington, D.C. Fairfax County has joined with other jurisdictions through a Master Agreement to bear certain costs associated with operating and insuring the rail service as well as servicing the debt issued by NVTC. The Master Agreement requires that the County's governmental officers charged with preparing its annual budget include an amount equal to its share of the costs of the Virginia Railway Express. Each jurisdiction's share is determined by a formula set out in the Master Agreement. Fairfax County's share of this cost was $2.4 million in FY 2001. An additional $23 million in NVTC commuter rail revenue bonds were issued in early 1997 to purchase 13 new bi-level rail coaches. Debt service on these bonds is being funded predominantly by State and Federal funds and VRE revenues.

Debt Service on General Obligation Bonds, COPs and Lease Revenue Bonds

Total principal and interest payments on the County's outstanding general obligation bonds, including debt service on the Bonds, on the South County Government Center Certificates of Participation, on the EDA and FCRHA lease revenue bonds and on Literary Fund loans, are presented in the following table:

Debt Service Schedule - General Obligation Bonds, COPs and Lease Revenue Bonds

Fiscal Year	General Obligation Bonds[1]		COPs and Lease Revenue Bonds[2]		
Ending June 30	Principal	Interest	Principal	Interest	Total[3]
2003	$129,958,925	$70,285,687	$4,405,000	$7,457,030	$212,106,642
2004	133,246,425	75,488,171	4,635,000	7,229,190	220,598,786
2005	129,046,425	69,425,998	4,875,000	6,985,210	210,332,633
2006	124,556,425	63,603,323	5,135,000	6,724,087	200,018,835
2007	124,687,700	58,073,747	5,415,000	6,448,368	194,624,815
2008	119,487,700	51,822,002	5,710,000	6,152,918	183,172,620
2009	114,525,000	46,190,523	6,025,000	5,840,789	172,581,312
2010	104,530,000	40,779,464	6,350,000	5,511,423	157,170,887
2011	98,680,000	35,738,769	6,690,000	5,163,841	146,272,610
2012	90,810,000	31,072,677	7,065,000	4,797,324	133,745,001
2013	83,045,000	26,764,966	7,455,000	4,409,961	121,674,927
2014	77,700,000	22,816,860	7,855,000	4,000,622	112,372,482
2015	69,815,000	19,081,711	8,295,000	3,565,821	100,757,532
2016	64,945,000	15,649,273	8,750,000	3,106,771	92,451,044
2017	59,240,000	12,407,673	9,240,000	2,622,385	83,510,058
2018	52,040,000	9,467,473	9,210,000	2,112,636	72,830,109
2019	45,240,000	6,960,248	9,530,000	1,385,400	63,115,648
2020	37,530,000	4,691,968	1,030,000	1,108,379	44,360,347
2021	28,950,000	2,903,231	1,090,000	1,053,097	33,996,328
2022	20,220,000	1,527,000	1,105,000	970,848	23,822,848
2023-2032	10,320,000	516,000	15,785,000	5,480,635	32,101,635
Total[3]	$1,718,573,600	$665,266,762	$135,650,000	$92,126,735	$2,611,617,097

1 As of the issuance of the 2003 B Bonds which are estimated to be issued at an interest rate of 5%.

2 See "Other Tax Supported Debt Obligations".

3 Numbers may not add to totals due to rounding.

Sewer Revenue Bonds

In 1986, the County issued $75 million of an authorized $179 million sewer revenue bonds pursuant to a General Bond Resolution adopted by the Board of Supervisors (the "General Bond Resolution"). The proceeds were expended to finance the expansion of the wastewater treatment facilities at the Noman M. Cole, Jr., Pollution Control Plant (formerly the Lower Potomac Pollution Control Plant) from 36 million gallons per day ("mgd") to 54 mgd and the County's share of the cost of expanding facilities at the District of Columbia's Blue Plains Wastewater Treatment Plant. The treatment capacity of the Blue Plains Plant expanded from 309 mgd to 370 mgd and the County's share increased from 16.02 mgd to 31.0 mgd. In 1993, the County issued $72.1 million sewer revenue refunding bonds to advance refund a portion of its outstanding sewer revenue bonds. In July 1996, the County issued the remaining authorized but unissued $104 million sewer revenue bonds to finance additional expansion and improvements to its Noman M. Cole, Jr., Pollution Control Plant. For indebtedness incurred after adoption of the General Bond Resolution, the County has not exercised its option under the General Bond Resolution to treat such indebtedness as parity indebtedness, payable on par with the debt service on the County's outstanding Sewer Revenue Bonds, and, therefore, such indebtedness has been classified under the General Bond Resolution as "subordinate indebtedness". Debt obligations to the Upper Occoquan Sewage Authority ("UOSA") and the 2001 and 2002 State Revolving Fund loans through the Virginia Resources Authority, used to partially finance the plant improvements for the Alexandria Sanitation Authority (the "ASA"), are treated as subordinate debt.

Wastewater treatment capacity and services are also provided to the Integrated Sewer System pursuant to contracts with Arlington County, the ASA, the District of Columbia and the UOSA, whereby the County is obligated to share the capital costs and associated debt service of certain facilities. The County's obligations to such entities are payable solely from the revenues of the Integrated Sewer System and are not general obligations of the County. Further information concerning these obligations is included in Notes I and J to the Basic Financial Statements shown in Appendix IV.

In January 1996, UOSA issued $330.86 million bonds: $288.60 million bonds to finance the cost of expanding its advanced wastewater treatment plant from 32 mgd to 54 mgd and $42.26 million to refinance certain of its outstanding bonds.

The debt service on the County's outstanding sewer revenue bonds and the subordinate obligations payable for capacity under its contracts with UOSA as of June 30, 2002 are reflected in the following table.

	Sewer Revenue Bonds		Other Sewer Debt Service Obligations		
Fiscal Year Ending June 30	Principal	Interest	SRF/VRA	Subordinate Obligations[1]	Total
2003	$4,535,000	$8,983,282	$5,026,512	$15,227,577	$33,772,373
2004	4,935,000	8,739,066	6,637,073	15,228,504	35,539,642
2005	5,035,000	8,477,807	6,637,073	15,230,086	35,379,964
2006	5,440,000	8,199,653	6,637,073	15,230,224	35,506,949
2007	5,855,000	7,896,081	6,637,073	15,669,314	36,057,467
2008	6,270,000	7,566,205	6,637,073	15,669,695	36,142,973
2009	6,690,000	7,210,413	6,637,073	15,671,327	36,208,812
2010	7,125,000	6,828,830	6,637,073	15,669,762	36,260,667
2011	7,555,000	6,422,155	6,637,073	16,247,107	36,861,335
2012	7,995,000	5,991,371	6,637,073	16,245,794	36,869,238
2013	8,435,000	5,536,186	6,637,073	16,244,520	36,852,779
2014	9,175,000	5,048,343	6,637,073	16,245,595	37,106,011
2015	9,630,000	4,521,364	6,637,073	16,245,004	37,033,441
2016	5,300,000	4,097,980	6,637,073	16,244,995	32,280,049
2017	3,530,000	3,846,820	6,637,073	16,245,410	30,259,303
2018	3,750,000	3,639,340	6,637,073	16,246,605	30,273,017
2019	3,980,000	3,417,045	6,637,073	16,244,721	30,278,839
2020	4,230,000	3,178,955	6,637,073	16,245,033	30,291,061
2021-2029	52,205,000	15,019,169	10,274,861	146,746,721	224,245,753
Total	$161,670,000	$124,620,065	$128,131,614	$432,797,994	$847,219,673

[1]Based on the County's share of scheduled UOSA debt service.

The County has entered into a service agreement with ASA that obligates the County initially for 60% of the cost of capacity of the ASA wastewater treatment plant and a joint use system, including debt service on ASA bonds issued for ASA system improvements where the County does not otherwise provide for its share of the capital cost of such improvements. ASA has undertaken a major improvement project for 60% of the capital costs of which the County, in accordance with the ASA service agreement, will be responsible. The most recent estimate of the cost of the improvement project provided by ASA to the County was approximately $300 million. While applications for both state and federal grants have been made, there can be no assurance that such grants will be received. The County obtained permanent funding in FY 2001 and again in FY 2002 for a portion of its share of these costs from the proceeds of two loans aggregating $90 million from the Virginia Water Facilities Revolving Fund. The County issued to the Fund the County's $40 million subordinated sewer revenue bonds bearing interest at the rate of 4.10% per annum and $50 million subordinated sewer revenue bonds bearing interest at the rate of 3.75% per annum, in evidence of its obligation to repay the loans. The County expects to provide the balance of its share of the costs of ASA's improvement project from other borrowings and available Integrated Sewer System funds.

Debt Ratios

The following data are presented to show trends in the relationship of the general obligation bond indebtedness of the County as a percentage of the estimated market value of taxable property in the County and to its estimated population and the trend of general obligation debt service requirements as a percentage of General Fund disbursements.

Trend of Net Debt as a Percentage of Estimated Market Value of Taxable Property

Fiscal Year Ended June 30	Net Bonded Indebtedness[1]	Estimated Market Value[2]	Percentage
1994	1,110,177,500	74,395,400,000	1.49
1995	1,136,368,575	75,702,700,000	1.50
1996	1,167,504,650	78,155,100,000	1.49
1997	1,219,735,725	80,853,900,000	1.51
1998	1,258,171,800	83,471,400,000	1.51
1999	1,314,377,875	87,086,700,000	1.51
2000	1,380,266,450	92,692,600,000	1.49
2001	1,442,682,525	101,048,500,000	1.43
2002	1,655,613,600	113,801,300,000	1.45
2003(est.)	1,854,223,600	128,543,800,000	1.44

Source: Fairfax County Department of Tax Administration and Department of Management and Budget.

1 Beginning in FY 2002, the total includes outstanding Lease Revenue Bonds for the Pennino and Herrity County Government Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Fund loans and FCRHA Lease Revenue Bonds for Community Centers.

2 Estimated market value is based on recorded values as of January 1 of the prior fiscal year.

Debt Per Capita

Fiscal Year Ended June 30	Net Bonded Indebtedness[1,2]	Estimated Population[3]	Net Bonded Indebtedness Per Capita	Fairfax County Per Capita Income[4]	Debt Per Capita as Percentage of Per Capita Income[5]
1994	1,110,177,500	863,134	1,286	36,689	3.51
1995	1,136,368,575	879,401	1,292	38,055	3.40
1996	1,167,504,650	899,650	1,298	39,531	3.28
1997	1,219,735,725	912,126	1,337	41,591	3.22
1998	1,258,171,800	931,452	1,351	44,679	3.02
1999	1,314,377,875	946,371	1,389	47,241	2.94
2000	1,380,266,450	969,749	1,423	49,988	2.85
2001	1,442,682,525	981,290	1,470	52,224	2.82
2002	1,655,613,600	999,600	1,656	54,670	3.03
2003	1,854,227,600	1,015,600	1,826	57,231	3.19

1 Beginning in FY 2002, the total includes outstanding Lease Revenue bonds for the Pennino and Herrity County Government Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Fund loans and FCRHA Lease Revenue Bonds for Community Centers.

2 Source: Fairfax County Department of Management and Budget.

3 Source: Fairfax County Department of Systems Management for Human Services.

4 Source: Bureau of Economic Analysis, U.S. Department of Commerce, 1993-1999; Fairfax County Department of Management and Budget 2000-2002. Includes Fairfax City and City of Falls Church.

5 The Bureau of Economic Analysis re-benchmarked data back to 1992. Debt Per Capita as Percentage of Per Capita Income for fiscal years 1994 through 1999 was 3.65, 3.52, 3.39, 3.35, 3.23 and 3.16 respectively.

Debt Service Requirements as a Percentage of General Fund Disbursements

Fiscal Year Ended June 30	Debt Service Requirements	General Fund Disbursements	Percentage
1994	129,675,197	1,394,808,186	9.3
1995	132,902,278	1,487,080,719	8.9
1996	142,754,018	1,602,457,378	8.9
1997	152,571,474	1,682,606,121	9.1
1998	162,970,744	1,756,990,140	9.3
1999	162,622,554	1,849,587,185	8.8
2000	176,004,197	1,982,577,128	8.9
2001	183,740,487	2,148,334,971	8.6
2002	190,097,946	2,292,016,724	8.3
2003	212,106,642	2,491,113,818	8.5

Source: Fairfax County Department of Management and Budget. Beginning in FY 2003, the total includes outstanding Lease Revenue bonds for the Pennino and Herrity County Government Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Fund loans and FCRHA Lease Revenue Bonds for Community Centers.

Underlying Bonded Indebtedness

As of June 30, 2002, there was outstanding the following underlying bonded indebtedness of towns or districts within the boundaries of Fairfax County:

Town of Vienna	Storm Drainage/Street Improvement/Water and Sewer/Public Buildings	$18,355,000
Town of Herndon	Recreational Complex/Water and Sewer/Recreational Facilities	15,850,000
Small District #1 of Dranesville District	McLean Community Center	525,000
Total Underlying Indebtedness		$34,730,000

These underlying general obligation bonds are obligations of the respective town or district only and are not obligations of Fairfax County and the full faith and credit of the County are not pledged to the payment of such bonds or notes.

The bonds and notes of the Fairfax County Water Authority, the Fairfax County Park Authority, the Fairfax County Industrial Development Authority, the Fairfax County Economic Development Authority, the Fairfax County Redevelopment and Housing Authority, the Route 28 Highway Transportation Improvement District, the Northern Virginia Health Center Commission, and the Northern Virginia Transportation Commission are not obligations of the County.

TAX BASE DATA

Fairfax County reassesses more than 331,000 parcels of real property annually employing a computer assisted mass reassessment program for both residential and non-residential properties. The performance of the annual assessment program as measured by assessment to sale ratios and coefficient of equity, referred to as the Russell Index, is excellent. For the reassessment effective January 1, 2003, the countywide assessment to sale price

ratio was 0.92 and the Russell Index was 5.9. See "GOVERNMENT SERVICES – General Government Administration" for an explanation of the Russell Index.

The assessed value of the real estate tax base, as reported for 2003 in the main tax book for Fairfax County, increased 12.48% in value from the prior year.

The data in the following five tables are presented to illustrate trends and characteristics of the assessed value of real and personal property which are major sources of County-derived revenue:

Assessed Value of All Taxable Property
(000's)

Fiscal Year	Real Property	Personal Property	Public Service Corporation[1]	Total Assessed Value
1994	66,381,500	6,070,300	1,943,600	74,395,400
1995	66,912,100	6,775,400	2,015,200	75,702,700
1996	68,647,300	7,539,300	1,968,500	78,155,100
1997	70,510,800	8,257,400	2,085,700	80,853,900
1998	72,507,700	8,620,700	2,343,000	83,471,400
1999	75,500,700	9,070,800	2,515,200	87,086,700
2000	80,225,000	9,885,000	2,582,600	92,692,600
2001	87,334,092	10,820,524	2,893,923	101,048,540
2002	99,172,800	11,586,200	3,042,300	113,801,300
2003	113,716,500	11,613,400	3,145,900	128,475,800
2004 (est.)	127,742,500	11,852,900	3,065,800	142,661,200

Source: Actual values are from the Fairfax County Department of Tax Administration as reported in the FY 2002 CAFR and the FY 2004 Adopted Budget Plan. Figures are net of exonerated assessments and tax relief for the elderly and disabled.

1 Pursuant to State statute all Public Service Corporation real property assessments are required to be made at 100% of estimated market value annually by the State Corporation Commission.

Tax Rates per $100 Assessed Value
(Fiscal Year)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Real Estate-Regular and Public Service	$1.16	$1.16	$1.16	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.21
Personal Property-Regular	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Personal Property-Public Service	1.16	1.16	1.16	1.16	1.23	1.23	1.23	1.23	1.23	1.21
Personal Property-Mining and Manufacturing, Machinery and Tools	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Personal Property-Research and Development	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Personal Property-Mobile Homes	1.16	1.16	1.16	1.23	1.23	1.23	1.23	1.23	1.23	1.21
Personal Property-Antique Cars	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01
Personal Property-Special[1]	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01

Source: Approved Fiscal Plans, FY 1994-2003.

1 Includes vehicles specially equipped for the handicapped; privately owned vans used for van pools; vehicles belonging to volunteer fire and rescue squad members; vehicles owned by auxiliary police; certain property of homeowners associations; aircraft to include flight simulators; and motor vehicles owned by qualified elderly or disabled individuals and, effective in FY 2000, boats.

Commercial-Industrial Percentage of the Total Assessed Value of Real Property

Fiscal Year[1]	Percent[2]
1994	20.94
1995	19.58
1996	19.04
1997	19.56
1998	20.47
1999	21.84
2000	24.32
2001	25.37
2002	24.84
2003	21.97

Source: Fairfax County Department of Tax Administration. Assessed values are reported by State of Virginia Land Use Codes. Vacant land is defined according to zoning classification.

1 Fiscal year property taxes are levied on prior year assessments.

2 Includes the Towns of Vienna, Herndon and Clifton.

The following data shows the assessed value of real property of the 25 largest holders of real property in the County (as of January 1, 2003).

Rank	Property Owner	Property Type	Total Assessment
1	West Group Properties, LLC	Various Offices, Retail, Ind. & Land	$ 487,950,525
2	Lehndorff Tysons Property	Tysons Corner Regional Shop Center	470,204,250
3	Prentiss Properties	Office & Land	352,895,465
4	Dominion Virginia Power	Public Utility	337,069,744
5	Franconia Two LP	Springfield Mall	241,960,480
6	Fairfax Company	Fair Oaks Mall	240,363,390
7	Washington Gas Light Co	Public Utility	193,854,713
8	EOP Reston Town Center	Office, Shopping Center & Land	187,062,585
9	Mobil Oil Corporation	HQ Office & Various Commercial	174,142,430
10	Springfield Campus LLC	Continuing Care Retirement Community	171,051,950
11	Gannet Company Inc.	Office	170,335,030
12	Plaza America Office	Offices & Land	163,345,175
13	West Mac Associates	Various Offices & Land	158,712,945
14	Smith Property Holdings	Various Commercial	157,974,035
15	PS Business Parks LP	Office Parks	156,224,370
16	Avalon Properties Inc.	Apartments	154,089,750
17	Summit Properties	Apartments and land	151,787,250
18	WRIT LP	Offices, Apartments, Industrial and shopping centers	146,748,150
19	Navy Federal Credit Union	Various Offices & Land	125,452,360
20	Mitre Corporation	Office	124,387,280
21	Colshire LLC	Offices and land	120,286,655
22	Capital One Bank	Offices and land	115,571,165
23	Verizon Virginia Inc.	Public utility	106,404,670
24	California State Teachers	Office, Apartments	101,274,080
25	Boston Properties LP	Office, Industrial and land	99,747,660
			$4,908,896,107

Source: Fairfax County Department of Tax Administration. Derived from January 1, 2003 tax rolls.

As of January 1, 2003 the assessed value of the real property of the 25 largest holders of real property in the County represented 3.84% of the total assessed value of all real property in Fairfax County, excluding tax exempt properties. January 1, 2003 assessments generate tax revenue in FY 2004.

Real and Personal Property
Tax Levies and Tax Collection
(000's)

Fiscal Year	Total Levy[1]	Current Collections[2]	% of Levy[3]	Collection of Back Taxes	Total Collection of Current & Back Taxes	% of Current & Back Taxes Collected to Tax Levy
1994	1,025,807	1,013,350	98.79	18,224	1,031,574	100.56
1995	1,058,500	1,048,276	99.03	13,000	1,061,276	100.26
1996	1,103,903	1,095,762	99.26	11,490	1,107,252	100.30
1997	1,203,645	1,195,312	99.31	6,479	1,201,791	99.85
1998	1,250,521	1,241,128	99.25	1,267	1,242,395	99.35
1999	1,308,122	1,299,201	99.32	12,088	1,311,289	100.24
2000	1,394,627	1,385,239	99.33	13,795	1,399,033	100.32
2001	1,524,861	1,512,551	99.13	10,761	1,523,312	99.90
2002	1,705,787	1,690,398	99.10	14,269	1,704,667	99.93
2003	1,860,389	1,838,970	98.80	17,529	1,856,499	99.79

Source: Comprehensive Annual Financial Reports for the Fiscal Years ended June 30, 1993-2002.
Section 58.1-3916 of the Code of Virginia authorizes Fairfax County, pursuant to Section 4-10-1 of the County Code, to impose a penalty of 10% for failure to pay taxes when due, with interest to be due on such taxes and penalty following the day such taxes are due at the rate of 10% per annum the first year and at the rate established pursuant to paragraph 6621 of the Internal Revenue Code for the second and subsequent years of delinquency.

1 The total levy is the levy for General Fund real and personal property taxes and does not include the property tax levy for Special Revenue Funds, e.g. for Refuse Collection and Community Centers.

2 Current collections do not include tax collections for the Special Revenue Funds or payments in lieu of taxes. As a result of revised accounting procedures, the collection of penalty and interest payments for late payments of current taxes is included in the collection of current taxes rather than under the collection of back taxes.

3 The percentage of levy is not the collection rate since current collections also include penalty and interest payments for late payments of current taxes.

FINANCIAL INFORMATION

Five-Year Summary of Revenues, Expenditures and Fund Balances for General, Special Revenue and Debt Service Funds

The financial data shown in the following table represent a summary for the five fiscal years ended June 30, 2002 of the revenues, expenditures and fund balances accounted for in the primary government's General Fund, Special Revenue Funds and Debt Service Funds, and in the comparable, primary government-appropriated funds of the discretely reported component units. In prior years these government-appropriated funds were included in the primary government's General Fund and Special Revenue Funds, but as of fiscal year 1994 have been reflected within the discretely reported component units for financial reporting purposes in accordance with Statement No. 14 of the Governmental Accounting Standards Board. The summaries for the five fiscal years ended June 30, 2002 have been compiled from the financial statements of the County for the respective years and should be read in conjunction with the related financial statements and notes thereto.

	Fiscal Years Ended June 30,				
	1998	1999	2000	2001	2002
Revenues:					
Taxes[1]	$1,548,908,361	$1,640,594,459	$1,690,371,422	$1,785,431,379	$1,898,192,584
Permits, privilege fees and Regulatory licenses	37,128,657	43,044,787	43,835,560	42,277,578	39,825,603
Fines and forfeitures	7,413,004	7,140,533	7,579,871	9,116,533	10,318,703
Revenue from the use of Money and property	57,948,818	60,432,180	62,048,333	75,741,720	36,704,979
Charges for services and Recovered Costs	178,215,159	182,229,862	190,093,040	194,358,243	210,553,650
Intergovernmental	412,512,882	467,462,273	577,583,347	690,134,884	780,447,913
Miscellaneous	12,262,095	23,696,684	20,696,042	18,685,530	18,559,320
Total revenues	$2,254,388,976	$2,424,600,778	$2,592,207,615	$2,815,745,867	$2,994,602,752
Expenditures and transfers:					
General governmental administration	$ 77,592,551	$ 80,031,244	$ 87,400,231	$ 84,251,292	$ 94,519,250
Judicial administration	18,652,509	19,502,814	21,408,526	24,162,805	26,290,973
Public safety	211,191,952	231,108,675	256,155,919	289,032,001	314,600,416
Public works	122,113,299	113,140,139	124,495,828	137,550,684	139,140,768
Health and welfare	253,136,820	268,726,844	297,996,485	311,979,273	340,971,694
Parks, recreation & cultural	56,856,867	62,777,866	66,582,759	71,666,912	72,627,431
Community development	59,776,412	79,776,026	80,384,226	91,499,058	92,050,005
Education[2,3]	1,143,993,182	1,192,010,103	1,331,052,353	1,446,628,160	1,518,055,781
Debt service	171,570,513	176,262,542	184,970,872	193,211,342	200,941,861
Nondepartmental[2]	97,667,906	96,500,551	106,035,082	120,577,637	117,687,712
Net transfers to other funds[7]	34,355,831	40,172,221	42,638,858	47,767,640	30,704,757
Total expenditures and transfers	$2,246,907,842	$2,360,009,025	$2,599,121,139	$2,818,326,804	$2,947,590,648
Excess (deficiency) of revenues over expenditures and transfers	$ 7,481,134	$ 64,591,753	$ (6,913,524)	$ (2,580,937)	$ 47,012,104
Fund balance, beginning of year[6]	306,254,760	321,061,166	383,115,957	377,374,210	371,028,733
Adjustment of fund balance, Beginning of year	6,890,257[4]	0	(1,333,746)[5]	0	10,972,297[8]
Increase (Decrease) in Fund Balance Reserves	142,795	(2,536,962)	2,505,523	(3,764,540)	2,570,086
Residual Equity Transfer	292,220	0	0	0	0
Fund balance, end of year	$ 321,061,166	$ 383,115,957	$ 377,374,210	$ 371,028,733	$ 431,583,220

Source: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 1998-2002.

1 Taxes include real estate, personal property, sales, recordation, business, professional and other licenses and miscellaneous other taxes.

2 Pension contributions to employee retirement funds, which are included in the Education and Nondepartmental expenditures shown above, for each of the five fiscal years ended June 30, 1998 through 2002, were as follows: 1998, $95,773,603; 1999, $88,898,079; 2000, $91,228,972; 2001, $95,074,645 and 2002, $95,789,400.

3 Teachers' salaries accounted for in the School Operating Fund are paid by contract over a twelve-month period ending in August. Consequently, in order to reflect the total teachers' salaries in the year the services are rendered, an accrual is made at the end of each fiscal year for the payroll liability arising from those teachers' salaries to be paid in the first two months of the succeeding fiscal year. In FY 1984 the County began a program to fund this liability to the Fairfax County Public Schools over a 10-year period. In FY 1990, the payment to offset the unfunded liability was deferred. Beginning in FY 1997 payments were resumed over a ten year period at a rate of $1.62 million per year. As of June 30, 2002, the unfunded liability was approximately $6.5 million.

4 The FY 1998 beginning fund balance was restated to comply with the provisions of Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

5 Beginning with FY 2000, Housing Funds are now reported as Enterprise Funds. The beginning fund balance for FY 2000 was restated to reflect this change.

6 Fund balance includes amounts reserved for inventories of supplies.

7 The interfund transfers among the funds presented have been eliminated.

8 For FY 2002, beginning balance was restated to comply with the provisions of Governmental Accounting Standards Board Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". Beginning fund balance was also adjusted for the following fund which is now included in the General Fund: Gift Fund.

Certain Financial Procedures

Description of Funds

The County's annual audited financial statements include the funds administered by the Board of Supervisors and the School Board. The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The transactions in each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures.

Annual Financial Statements

The County's financial statements have been examined and reported on by independent certified public accountants since FY 1969. The FY 2002 audit was performed by KPMG, LLP, Certified Public Accountants, Washington, D.C. For further information regarding the County's audit see the Independent Auditor's Report-Appendix IV.

The County maintains its accounting system in accordance with the specifications of the Auditor of Public Accounts of the Commonwealth of Virginia. Certain adjustments have been made to present the accompanying financial statements in accordance with generally accepted accounting principles applicable to governmental units. The County has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its annual financial statements each year since the fiscal year ended June 30, 1977.

The County's annual financial statements are available for inspection at the Office of the Director of the Department of Finance, 12000 Government Center Parkway, Suite 214, Fairfax, Virginia, 22035. See "FUTURE FINANCIAL INFORMATION" and "Appendix VII—CONTINUING DISCLOSURE AGREEMENT."

Budgetary Procedure

The County has no legal authority to borrow in anticipation of future years' revenues, except by the issuance of bonds or bond anticipation notes.

Prior to the beginning of each fiscal year, the Board of Supervisors adopts a budget plan consisting of contemplated expenditures and estimated revenues for such fiscal year. On the basis of the adopted budget plan, the Board of Supervisors appropriates funds for the expenditures and establishes tax rates sufficient to produce the revenues contemplated in the budget plan.

The annual budgeting process for a fiscal year begins in the first quarter of the previous fiscal year with the submission by agency directors of budget requests to the County Department of Management and Budget. During the second quarter, budget requests are reviewed and meetings between the County Executive, Deputy County Executives and agency directors are held to discuss agency requests. Upon receipt of the preliminary budget of the County School Board in the third quarter, the County Executive prepares an initial budget for submission to the Board of Supervisors and proposes tax rates sufficient to produce revenues needed to meet expenditures contemplated in the initial budget. After work sessions with the Board of Supervisors and public hearings on the proposed budget, changes are made and the final budget is adopted. Tax rates are established prior to the beginning of the fiscal year for which the budget is prepared.

During the fiscal year, quarterly reviews of revenue and expenditures are undertaken by the County Department of Management and Budget. On the basis of these reviews, the Board of Supervisors revises appropriations as needed or desired.

On January 25, 1982, the Board of Supervisors adopted a financial policy requiring maintenance of a "managed reserve" in the General Fund beginning on July 1, 1982 at a level not less than two percent of General Fund disbursements. This reserve has been incorporated in the budget each fiscal year. This reserve was

implemented to provide for temporary financing of unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. In 1985, the Board also adopted a policy on appropriations during quarterly budget reviews which provides that nonrecurring revenues should be used for either capital expenditures or other nonrecurring expenditures and that quarterly review adjustments are not to exceed two percent of the General Fund disbursements. In addition, on September 13, 1999, the Board of Supervisors established a Revenue Stabilization Fund with a goal of reaching three percent of General Fund disbursements. As of September 9, 2002, the Revenue Stabilization Fund was funded at a level of approximately 1.1 percent of General Fund disbursements. This reserve is designed to address ongoing requirements in years of significant economic downturn.

The Government Finance Officers Association of the United States and Canada ("GFOA") has presented the Award for Distinguished Budget Presentation to Fairfax County for its annual budget for each year since the fiscal year beginning July 1, 1985. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

Investment Management Policy

The County's Investment and Cash Management Program operates under the direction of the Investment Committee comprised of the Chief Financial Officer, the Director of the Department of Finance, the Director of the Department of Management and Budget, the Director of the Department of Tax Administration and the Deputy Director of the Department of Finance. Guided by a formal investment policy, the Committee continually reviews the County's investment policies and strategies bi-weekly, and monitors daily investment activity.

During FY 2002, the County's average portfolio size (which includes investments in the General Fund, Special Revenue Funds and Enterprise Funds) was approximately $1.5 billion. The funds are invested in U.S. Treasury obligations, obligations of the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank and Federal National Mortgage Association, bankers acceptances, commercial paper (rated A1/P1 or higher), certificates of deposit and repurchase agreements collateralized by U.S. Treasury securities.

The County's investment policies which govern the pooled cash and general obligation bond proceeds portfolio prohibit investment in instruments generally referred to as derivatives, and the County does not employ leverage in its investments.

General Fund Revenues, Expenditures, Transfers and Beginning Fund Balance

The General Fund is maintained by the County to account for revenue derived from County-wide ad valorem taxes, other local taxes, licenses, fees, permits, charges for services, certain revenue from Federal and State governments, and interest earned on invested cash balances of the General Fund and Capital Project Funds. General Funds expenditures and transfers include the costs of general County government, transfers to the School Operating Fund to pay the local share of operating Fairfax County public schools, and transfers to the Debt Service and Capital Project Funds to pay debt service on County general obligation bonds and for certain capital improvement projects.

General Fund Summary

Shown below are the County's revenues, expenditures, transfers and beginning fund balance of the General Fund for FY 1998 through FY 2002.

General Fund Revenues, Transfers and Beginning Fund Balance
(in thousands)

	Fiscal Year Ended June 30				
	1998	1999	2000	2001	2002
General Property Taxes	$1,242,395	$1,311,289	$1,336,728	$1,403,483	$1,516,094
Other Local Taxes	295,705	317,893	343,197	360,365	360,263
Permits, Privilege Fees and Regulatory Licenses	30,091	32,874	33,654	31,908	28,609
Fines and Forfeitures	7,412	7,140	7,580	9,117	10,319
Revenue from the Use of Money and Property	46,202	45,970	51,480	57,367	28,212
Charges for Services & Recovered Costs	32,573	35,445	34,293	37,783	40,693
Intergovernmental	96,279	103,449	180,966	239,375	315,653
Miscellaneous	722	17	6,361	403	623
Transfers In and Beginning Fund Balance[1]	90,012	94,842	100,795	114,170	110,289
Adjustment to Beginning Fund Balance	5,932[2]	--	--	--	8,046[3]
Residual Equity Transfer	232	--	--	--	--
Total	$1,847,555	$1,948,919	$2,095,054	$2,253,971	$2,418,801

Source: Comprehensive Annual Financial Reports for FY 1998-FY 2002.

1 Beginning fund balance adjusted to reflect reserve for inventory.

2 Adjustment made to comply with the provisions of Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

3 For FY 2002, beginning balance was restated to comply with the provisions of Governmental Accounting Standards Board Intrepretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". Beginning fund balance was also adjusted for the following funds which are now included in the General Fund: Gift Fund, Consolidated Community Funding Pool Fund, and Contributory Fund.

General Fund Expenditures and Transfers
(in thousands)

	Fiscal Year Ended June 30				
	1998	1999	2000	2001	2002
Transfer to School Operating Fund	$ 819,669	$ 852,128	$ 897,413	$ 988,001	$1,079,912
Costs of General County Government	707,473	746,337	820,403	877,488	929,535
Transfer to Debt Service Funds	171,504	177,649	184,072	189,918	203,538
Transfer to Capital Project Funds	12,841	14,607	23,360	21,996	7,507
Transfer to Metro Construction and Operations Fund	1,959	11,151	7,046	12,673	11,451
Other Transfers	43,577	47,715	50,283	58,259	60,063
Total	$1,757,023	$1,849,587	$1,982,577	$2,148,335	$2,292,006

Source: Comprehensive Annual Financial Reports for FY 1998-FY 2002.

Revenues

The following is a discussion of the General Fund revenue structure.

General Property Taxes -- An annual ad valorem tax is levied by the County on the assessed value of real and tangible personal property located within the County as of January 1 preceding the fiscal year in which the said tax is due. The personal property tax on motor vehicles which acquire situs within the County or have title transferred on or after January 2 is prorated on a monthly basis. Real property is assessed at 100% of its fair market value. Personal property is also assessed at 100% of its fair market value. Real property taxes are due July 28 and December 5 of the fiscal year in which they are levied. The payment date for personal property taxes is October 5. The penalty for late payment is 10% of the amount due, and interest on delinquent taxes and penalties accrues at a rate of 1% per annum for real estate and 5% per annum for personal property. In cases of property on which delinquent taxes are not paid within three years, the County may sell the property at public auction to pay the amounts due. There is no legal limit at the present time on the property tax rates which may be established by the County. Property taxes (including delinquent payments, penalties, and interest) accounted for 65.9% of total General Fund revenues in FY 2002. However, this percentage does not include the reimbursement from the Commonwealth of Virginia for a portion of the personal property tax. Including the reimbursement which is reflected in Intergovernmental revenue, the percentage of revenue from property taxes is 69.2%. A discussion concerning the Commonwealth's plan to reduce personal property taxes paid by citizens follows.

During its 1998 Special Session, the General Assembly of Virginia enacted legislation that will reduce personal property taxes applicable to individually owned motor vehicles. The reduction, which will apply to the first $20,000 in assessed value, is scheduled to be phased in over a five year period. The legislation states that the Commonwealth will reimburse local governments for the revenue lost from the reduction in personal property tax collections. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. In FY 2000, 2001, and 2002 the Commonwealth's plan reduced Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent respectively, with offsetting reimbursements paid to the County by the Commonwealth of Virginia. In order to balance the State's FY 2003 budget, car tax relief was frozen at 70% of the tax. The original plan was to increase the reimbursement to 100% in FY 2003. Depending on State revenue growth, the percentage will remain at 70% or increase to 100% as long as funds are appropriated by the General Assembly. The County's total personal property tax collections for FY 2002 were $402.7 million comprised of $282.9 million paid by taxpayers and $188.6 million reimbursed by the Commonwealth of Virginia.

Other Local Taxes -- The County levies various other local taxes, including a 1% local sales tax (collected by the State and remitted to the County), a tax on consumer utility bills based on consumption for gas and electric services and 22.2% for telephone on bills up to $50 per month for residential classes and 22.2% for bills up to $1,600 per month for commercial classes. Also included in this category is a cigarette tax of 5¢ per pack, property recordation taxes, an automobile license tax, and various business, professional and occupational licenses taxes. These taxes accounted for 15.7% of total General Fund revenues in FY 2002.

Permits, Privilege Fees and Regulatory Licenses -- The County requires that licenses or permits be obtained in order to perform certain activities in the County and that fees be paid for services provided by certain County departments. These revenues represented 1.2% of total General Fund revenues for FY 2002.

Fines and Forfeitures -- The sources of revenue in this category include court fines and penalties from the Circuit Court and the General District Court and court fines and costs from the Juvenile and Domestic Relations District Court. The fines are for traffic violations, misdemeanors and felonies. In addition, the County receives revenues from parking violations as authorized under the County Code. Revenues in this category represented 0.4% of General Fund revenues in FY 2002.

Revenue from the Use of Money and Property -- The principal sources of revenue from the use of money and property to the General Fund are interest on General Fund and Capital Project Fund investments and minor amounts of revenue from the sale and lease of County equipment and property. These revenues represented 1.2% of General Fund revenues in FY 2002.

Charges for Services and Recovered Costs -- The principal sources of revenue to the General Fund from charges for services are County Clerk fees, school age child care fees, recreation fees, publication sales and various other services for which the County charges a fee. Revenues in this category represented 1.8% of General Fund revenues in FY 2002.

Intergovernmental Revenue -- Intergovernmental revenue is comprised of revenue from the State and revenue from the Federal government. Revenues in this category represented 13.7% of General Fund revenues in FY 2002. This percentage includes the revenue that the County receives from the Commonwealth as reimbursement for the County's personal property tax. Each revenue source within intergovernmental revenue is discussed below:

- Revenue from the State -- The County is reimbursed by the Commonwealth of Virginia for a portion of shared expenses including certain expenditures for social services, the sheriff's office, courts, the Office of the Commonwealth Attorney and other constitutional offices. Additionally, the County receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales and State contributions to assist in meeting law enforcement expenditures. As mentioned in the section concerning General Property Taxes, the Commonwealth also reimburses the County for a portion of its personal property tax on vehicles. Including the reimbursement for the County's personal property tax, revenues from this category represent 12.1% of total General Fund revenues in the fiscal year ended June 30, 2002. Excluding this reimbursement, revenue from this category represents 3.9% of General Fund revenue in FY 2002. The County receives a significant amount of additional State aid in support of public school operations. These revenues are credited directly to the School Operating and School Lunch Funds, however, and are not reflected in the General Fund.

- Revenue from the Federal Government -- The principal sources of categorical Federal aid to the General Fund are Federal grant moneys for air pollution control and Federal Title XX funds primarily used to purchase foster care, day care and protective services for clients of the Department of Family Services. This revenue category represented 1.6% of General Fund revenues in FY 2002.

Miscellaneous Revenues -- The sources of revenue in this category include the sale of land and buildings, contract rebates, and other miscellaneous sources. These revenue sources accounted for less than 0.1% of General Fund revenue in FY 2002.

Expenditures and Transfers

The following is a discussion of the major classifications of General Fund expenditures and transfers.

Transfer to School Operating Fund -- The County transfers monies from the General Fund to the School Operating Fund to pay the County's share of the costs of operating public schools in Fairfax County. This transfer represented approximately 47.1% of total disbursements from the General Fund in the fiscal year ended June 30, 2002. The transfer to the School Operating Fund was approximately 73.6% of total receipts of the School Operating Fund. Other revenues credited directly to the School Operating and School Lunch Funds include revenue from the Federal Government, the Commonwealth of Virginia, the City of Fairfax (representing tuition of students residing in the City of Fairfax who attend Fairfax County schools), and other revenue derived locally from sale of textbooks, school lunches, etc.

Costs of General County Government -- The County pays from the General Fund the costs of general County government. These costs include expenditures for general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, and community development. This classification was approximately 40.6% of total General Fund disbursements in FY 2002.

Transfer to Debt Service Funds -- The County transfers from the General Fund to the Debt Service Funds amounts sufficient to pay principal and interest on outstanding County and School debt including general obligation bonds, South County Government Center Certificates of Participation, EDA and FCRHA lease revenue bonds and Literary Fund loans. Transfers to the Debt Service Fund represented 8.9% of total General Fund disbursements in FY 2002.

Transfer to Capital Project Funds -- The County transfers monies from the General Fund to the Capital Project Funds to pay the cost of certain capital improvements. The General Fund transfer to the Capital Project Funds (except for the General Fund transfer for Fairfax County's obligations to the Washington Metropolitan Area Transit Authority ("WMATA"), which is discussed below) represented 0.3% of total General Fund disbursements in FY 2002. Other revenues of the Capital Project Funds consist primarily of bond proceeds.

Transfer to Metro Construction and Operations Fund -- The County is a member jurisdiction of WMATA and as such has agreed to make certain capital contributions in support of the construction by WMATA of a rail transit system to serve the Washington metropolitan area (which includes the County) and to pay a portion of the deficit incurred by WMATA in the operation of its bus system and rail system. The County generally has used bond proceeds to fund its capital contributions to WMATA and has transferred monies from the General Fund to pay its share of the bus and rail operating subsidies. The General Fund transfer to the Metro Construction and Operations Fund to pay the County's share of the system's operating subsidies represented 0.5% of total General Fund disbursements in FY 2002. See the subsection herein entitled "Transportation" for a more complete discussion of the County's obligations with respect to WMATA.

Transfers to Other Funds -- The County transfers monies from the General Fund to other funds for a variety of purposes. The General Fund transfer to other funds includes transfers to the County Transit Systems, Information Technology, Aging Grants and Programs, Community-Based Funding Pool, Housing Programs for the Elderly, Health Benefits Trust and Equipment Management and Transportation Agency. Transfers to other funds were 2.6% of total General Fund disbursements in FY 2002.

Transfer to Revenue Stabilization Fund – Beginning in FY 2000 the County began transferring monies from the General Fund to a Revenue Stabilization Fund to address significant revenue reductions during severe, prolonged economic downturns.

FY 2004 Budget

On April 28, 2003, the Board of Supervisors adopted the FY 2004 Budget. The FY 2004 Adopted Budget totals $4.5 billion including General Fund disbursements of $2.56 billion. General Fund revenues and disbursements reflect increases of 4.7 percent and 2.77 percent, respectively, over the FY 2003 Revised Budget

Plan. Included in the General Fund disbursement amount is a transfer of $1.24 billion to the School Operating Fund, reflecting an increase of 5.95 percent. General Fund direct expenditures reflect a decrease of $8.05 million or .8 percent from the FY 2003 Revised Budget Plan.

Growth in County revenues is driven by 12.48 percent growth in the real estate assessments that produces 58.4 percent of projected total revenue in the FY 2004 budget. FY 2004 General Fund revenues are projected to increase 4.7 percent primarily due to the net increase in real estate taxes and reflects a decrease of 5 cents in the real property tax rate. For FY 2003 the real estate tax rate was lowered to $1.16 from $1.21 per $100 of assessed value.

The FY 2004 budget reflects a combination of strategies to identify additional resources and continue to balance community needs with increasing real estate assessments. In addition to the real estate tax rate decrease of 5 cents, other revenues were increased by $8.2 million including a new cellular phone tax, and an increase of 75 cents per line to the E-911 fee. Commensurate reductions of $51.3 million to recurring operating expenses were also made including a net decrease of 83 positions and adjustments to the County's compensation programs resulting in a net decrease of $4.2 million. However, including all adjustments, the General Fund budget increased by approximately $69 million, all of which has been allocated to the school system. Funding for the schools represents 53.1 percent of the total budget.

On April 21, 2003, the Board of Supervisors reaffirmed and approved Budget Guidelines for FY 2005. The Board directed the County Executive to develop a budget for FY 2005 that limits growth in expenditures and the School Transfer to projected increases in revenue. In addition the Board directed that all information on the FY 2005 revenue and economic outlook should be forwarded to the Board for discussion in Fall 2003 so that guidance to the County Executive regarding the tax rate as well as the transfer to the Schools can be provided. Balances identified throughout the fiscal year, and not required to support expenditures of a critical nature, should be held in reserve. In order to eliminate structural imbalances between County resources and requirements, the Board directed that both County and School resources should be allocated with consideration for the continued availability of funds. All non-recurring funds should be directed toward non-recurring uses and recurring resources should be targeted toward recurring expenses.

In addition, on September 13, 1999, the Board of Supervisors established a Revenue Stabilization Fund, with a goal of reaching a level equal to 3% of General Fund disbursements. This level will be accomplished over a multi-year period allocating a minimum of 40% of non-recurring balances identified at quarterly reviews to the Fund. Withdrawal from the Revenue Stabilization Fund will not be made unless the projected revenues reflect a decrease greater than 1.5 percent of the current year estimate. In addition, any withdrawal from the Revenue Stabilization Fund should not exceed one half of the fund balance in any fiscal year.

CAPITAL IMPROVEMENT PROGRAM

In connection with the County's adopted comprehensive land use plan, the Fairfax County Planning Commission annually prepares and submits to the Board of Supervisors, a capital improvement program (the "CIP") for the ensuing five-year period. The CIP is designed to balance the need for public facilities as expressed by the County land use plan with the fiscal capability of the County to provide for those needs.

The CIP is an integral element of the County's budgeting process. The five-year document serves as a general planning guide for the construction of general purpose, school and public utility projects in the County. The CIP is updated and approved by the Board of Supervisors each year. This annual review process prompts careful attention to the development of reliable capital expenditure and revenue estimates and the timely scheduling of bond referenda.

In connection with the CIP process, the Board of Supervisors has adopted certain policy guidelines for the development and financing of the CIP. These guidelines include self-imposed restrictions on the issuance of general obligation bonds designed to keep General Fund supported debt service expenditures less than 10% of total Combined General Fund disbursements, and to maintain the ratio of net bonded indebtedness to the market value of taxable property in the County at a level less than 3.0%.

The Board of Supervisors continues to thoroughly review the County's debt program in light of current fiscal conditions and capital needs. Currently, new bond sales are limited to an average of $200 million per year with a maximum limit of $225 million in a single year. On November 5, 2002, County voters approved $80 million of bonds for capital improvements for public safety/courthouse and park purposes. Additional referenda of approximately $350 million in each of 2003 and 2005 to finance school facilities are anticipated. Future referenda for parks, libraries, transportation, and human services are anticipated in 2004. The CIP for Fiscal Years 2004-2008 (with Future Fiscal Years to 2013) was approved by the Board of Supervisors on April 28, 2003.

RETIREMENT SYSTEMS

The County administers four separate public employee retirement systems that provide pension benefits for various classes of County employees (Educational Employees Supplemental Retirement System, Police Officers Retirement System, Employees' Retirement System and Uniformed Retirement System). In addition, professional employees of the Fairfax County School Board participate in a plan sponsored and administered by the Virginia Retirement System.

The Fairfax County retirement systems investments are managed by independent professional investment managers. Investments in derivatives are not made for speculative purposes but may be used by investment managers to gain access to markets, to reduce risk, or to reduce transaction costs. Investment Managers are prohibited from using leverage and options.

For further information regarding the County's retirement systems, see "Basic Financial Statements – Notes to Financial Statements – Note G " in Appendix IV.

CONTINGENT LIABILITIES AND CLAIMS

The County is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. See Note K in the County's Financial Statements Appendix IV to this Official Statement for details as of the end of fiscal year 2002.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel, the proposed form of whose opinion is included herein as Appendix VI.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, except as provided in the following sentence, interest on the Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the County or the school board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and their respective covenants regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the United States Treasury; and no opinion is rendered by Bond Counsel as to the exclusion from gross income of the interest on the Bonds for Federal income tax purposes on or after the date on which any action affecting such covenants is taken upon the approval of counsel other than such firm.

In the opinion of Bond Counsel, interest on the Bonds will not be a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Bond Counsel renders no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum

tax) of interest that is excluded from gross income. Interest on the Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for Federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral Federal income tax consequences discussed below. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral Federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisors with respect to the determination for Federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Original Issue Premium

The excess, if any, of the tax basis of Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Bonds for Federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for Federal income tax purposes; however, bond premium on such Bonds is treated as an offset to qualified stated interest received on such Bonds. Owners of such Bonds should consult their tax advisors with respect to the determination for Federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Collateral Tax Consequences

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the status of the Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Bonds.

FINANCIAL ADVISOR

BB&T Capital Markets, a division of Scott & Stringfellow, Inc., Richmond, Virginia, is serving as financial advisor to the County with respect to the sale of the Bonds. The financial advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds and provided other advice. The financial advisor will not participate as an underwriter in any offer to purchase the Bonds from the County.

RATINGS

The Bonds have been rated "____" by Fitch Ratings ("Fitch"), "____" by Moody's Investors Service, Inc. ("Moody's") and "____" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"). The County requested that the Bonds be rated and furnished certain information to Fitch, Moody's and Standard & Poor's, including certain information that is not included in this Official Statement.

These ratings are not a recommendation to buy, sell or hold the Bonds. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies, if, in the judgment of any or all, circumstances so warrant. Such circumstances may include, without limitation, change in or unavailability of information relating to the County. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Chairman of the Board of Supervisors and the County Executive of the County will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that the Chairman of the Board of Supervisors and the County Executive of the County did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the County and its officers but that they have no reason to believe that such information is not accurate.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the estimates will be realized.

FUTURE FINANCIAL INFORMATION

SEC Rule 15c2-12. On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments (the "Amendments") to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. In general, the Amendments prohibit an underwriter from purchasing or selling municipal securities sold on or after July 3, 1995, such as the Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material "obligated persons" have committed to provide (i) on an annual basis, certain financial information and operating data ("Annual Reports"), and, if available, audited financial statements, to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") and the relevant state

information depository (if any) and (ii) notice of various events described in the Amendments, if material ("Event Notices"), to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and to any such state information depository.

The County will covenant in the Continuing Disclosure Agreement (the form of which appears in Appendix VII) to be dated the date of delivery of the Bonds for the benefit of the holders of the Bonds to provide to each NRMSIR and to any Virginia information depository that has been formed, annually, not later than March 31 of each year commencing March 31, 2004, Annual Reports with respect to itself, as issuer. Similarly, the County will provide Event Notices with respect to the Bonds to each such NRMSIR, the MSRB and to any Virginia information depository. The County has not failed to comply as to its general obligation bonds with previous undertakings with regard to the Amendments. The County's filing of its annual report and financial statements for its Integrated Sewer System's Enterprise Fund for the fiscal year ended June 30, 1999, pursuant to an undertaking made in connection with its Sewer Revenue Bonds, Series 1996, was made approximately 30 days late, and timely notice of such late filing was given to each of the NRMSIRs. The County's sewer filings for fiscal years 2000, 2001 and 2002 were timely made with each of the NRMSIRs.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of the Official Statement have been duly authorized by the Board of Supervisors of the County.

BOARD OF SUPERVISORS OF
FAIRFAX COUNTY, VIRGINIA

By: ,Chairman

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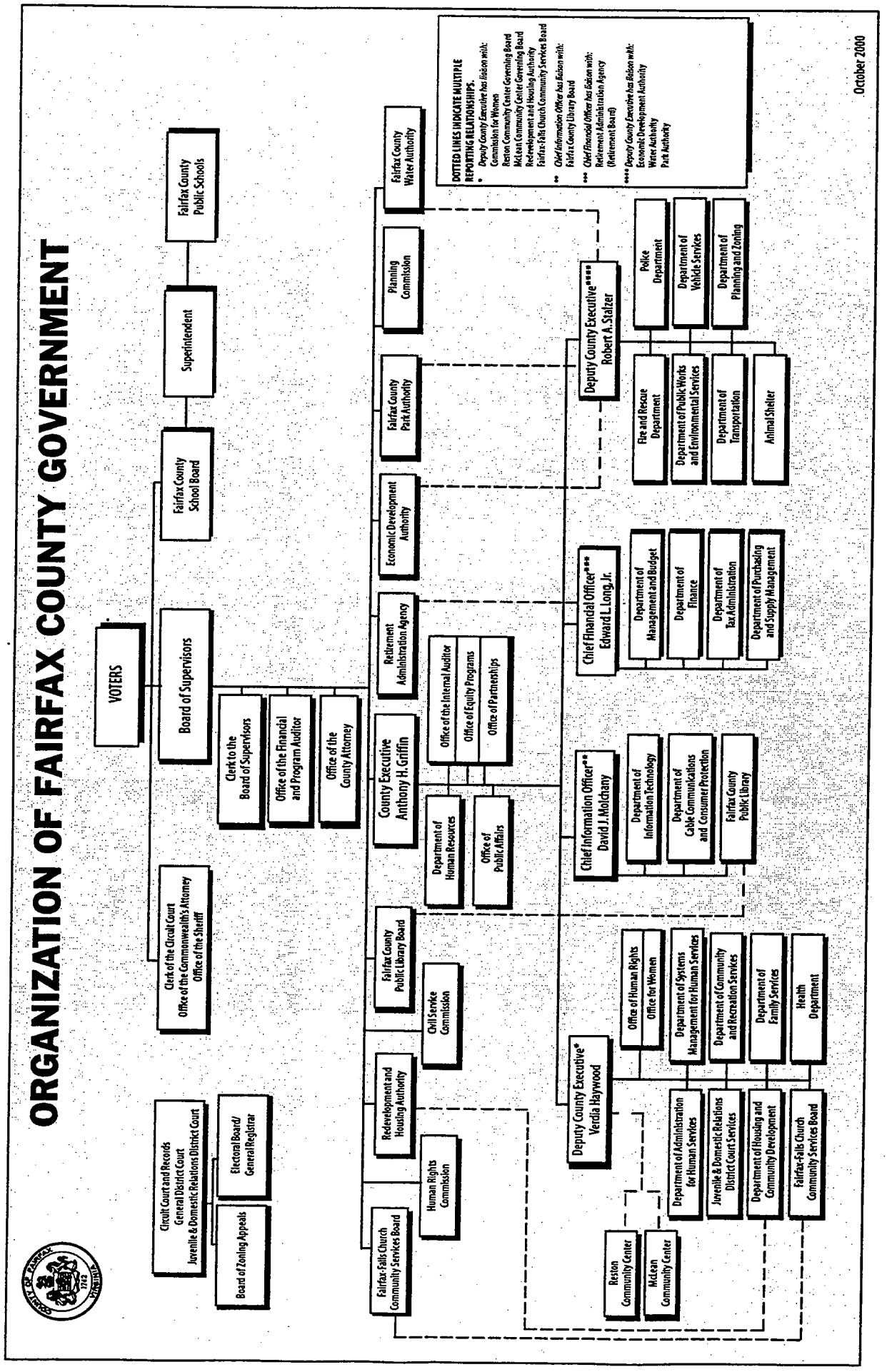
ORGANIZATION OF FAIRFAX COUNTY GOVERNMENT
October 2000
VOTERS
Board of Supervisors
Fairfax County School Board
Superintendent
Fairfax County Public Schools
Clerk to the Board of Supervisors
Office of the Financial and Program Auditor
Office of the County Attorney
Clerk of the Circuit Court
Office of the Commonwealth's Attorney
Office of the Sheriff
Circuit Court and Records
General District Court
Juvenile & Domestic Relations District Court
Electoral Board/ General Registrar
Board of Zoning Appeals
County Executive Anthony H. Griffin
Office of the Internal Auditor
Office of Equity Programs
Office of Partnerships
Department of Human Resources
Office of Public Affairs
Fairfax County Water Authority
Planning Commission
Fairfax County Park Authority
Economic Development Authority
Retirement Administration Agency
Fairfax County Public Library Board
Civil Service Commission
Redevelopment and Housing Authority
Human Rights Commission
Fairfax-Falls Church Community Services Board
DOTTED LINES INDICATE MULTIPLE REPORTING RELATIONSHIPS.
* Deputy County Executive has liaison with:
Commission for Women
Reston Community Center Governing Board
McLean Community Center Governing Board
Redevelopment and Housing Authority
Fairfax-Falls Church Community Services Board
** Chief Information Officer has liaison with:
Fairfax County Library Board
*** Chief Financial Officer has liaison with:
Retirement Administration Agency
(Retirement Board)
**** Deputy County Executive has liaison with:
Economic Development Authority
Water Authority
Park Authority
Deputy County Executive**** Robert A. Stalzer
Police Department
Department of Vehicle Services
Department of Planning and Zoning
Fire and Rescue Department
Department of Public Works and Environmental Services
Department of Transportation
Animal Shelter
Chief Financial Officer*** Edward L. Long, Jr.
Department of Management and Budget
Department of Finance
Department of Tax Administration
Department of Purchasing and Supply Management
Chief Information Officer** David J. Molchany
Department of Information Technology
Department of Cable Communications and Consumer Protection
Fairfax County Public Library
Deputy County Executive* Verdia Haywood
Office of Human Rights
Office for Women
Department of Systems Management for Human Services
Department of Community and Recreation Services
Department of Family Services
Health Department
Department of Administration for Human Services
Juvenile & Domestic Relations District Court Services
Department of Housing and Community Development
Fairfax-Falls Church Community Services Board
Reston Community Center
McLean Community Center

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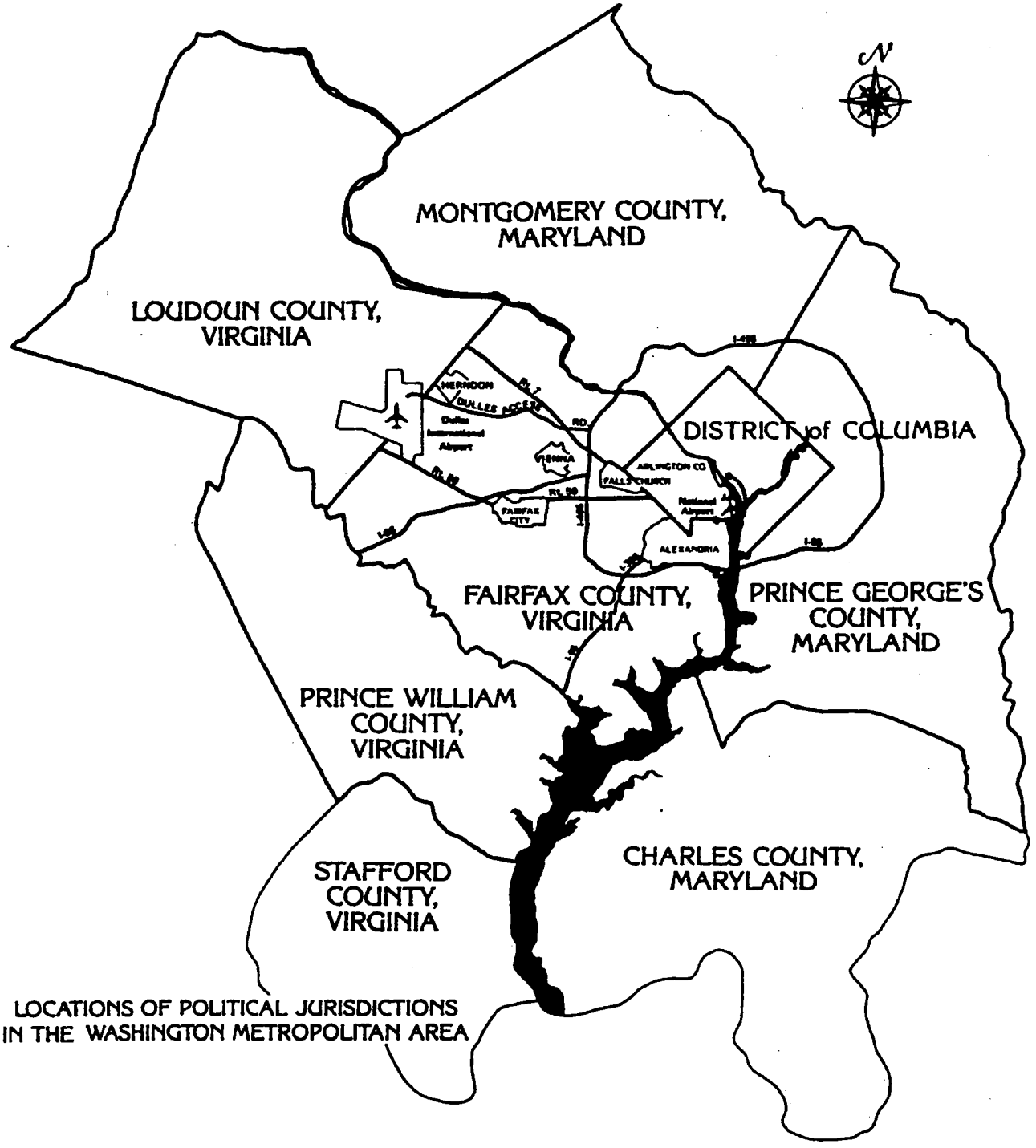

LOCATIONS OF POLITICAL JURISDICTIONS IN THE WASHINGTON METROPOLITAN AREA

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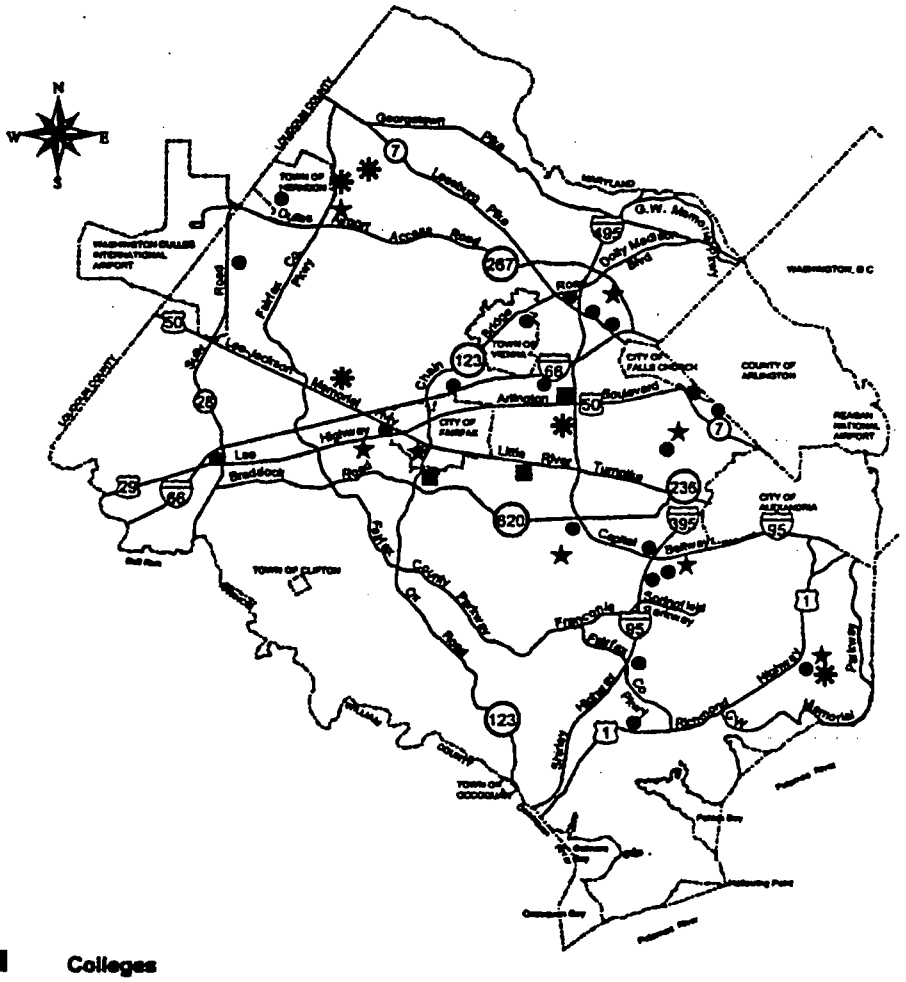

Colleges

George Mason University
Northern Virginia Community College
University of Virginia
  Northern Virginia Graduate Center
Virginia Polytechnic Institute and State University
  Northern Virginia Graduate Center

Governmental Centers

Fairfax County Governmental Center
Franconia Governmental Center
Mason Governmental Center
McLean Governmental Center
Mount Vernon Governmental Center
North County Governmental Center
Public Safety Center
West Springfield Governmental Center

Hospitals

Access (Ambulatory-Emergency)
Fair Oaks Hospital
Fairfax Hospital
Mount Vernon Hospital
Reston Hospital

Commercial Areas

Annandale
Bailey's Crossroads
Centreville
Dulles / Chantilly
Fairfax Center
Fort Belvior
Franconia
Herndon
McLean
Merrifield
Newington
Oakton
Ravensworth
Reston
Richmond Highway
Seven Corners
Shirley Highway
Springfield
Tysons Corner
Vienna

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Appendix IV

FAIRFAX COUNTY, VIRGINIA

BASIC FINANCIAL STATEMENTS
(Fiscal Year Ended June 30, 2002)

2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia (the County), as of and for the year ended June 30, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County of Fairfax's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the discretely presented component units of the Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County representing 2.5% and 0.3%, respectively, of total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's aggregate discretely presented component units financial statements, insofar as it relates to the amounts included for the discretely presented component units of FCRHA, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (specifications). Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. All financial statements of the discretely presented component units of FCRHA were audited in accordance with auditing standards generally accepted in the United States of America, and certain financial statements of these discretely presented component units were also audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

KPMG

As discussed in Note L to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001.

The Management's Discussion and Analysis on pages 3 through 15 and the pension trend data on pages 97 and 98 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2002 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as introductory section, other supplementary information, and statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

November 15, 2002

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2002

	Primary Government		Total
	Governmental Activities	Business-Type Activities	Primary Government
ASSETS			
Equity in pooled cash and temporary investments	$ 623,009,189	105,230,797	728,239,986
Cash in banks	-	-	-
Investments	-	21,418,061	21,418,061
Receivables (net of allowances):			
Accounts	27,450,176	-	27,450,176
Accrued interest	596,741	111,100	707,841
Property taxes:			
Delinquent	20,072,737	-	20,072,737
Not yet due	1,608,938,014	-	1,608,938,014
Business license taxes - delinquent	2,418,904	-	2,418,904
Notes	5,667,848	-	5,667,848
Mortgages	-	-	-
Other	45,041	-	45,041
Due from intergovernmental units (net of allowances):			
Property taxes:			
Delinquent	5,206,094	-	5,206,094
Not yet due	171,700,200	-	171,700,200
Other	48,853,597	18,632,456	67,486,053
Due from primary government	-	-	-
Due from component units	1,591,703	-	1,591,703
Interfund receivables	126,958	(126,958)	-
Inventories of supplies	3,643,899	502,908	4,146,807
Prepaid items and other assets	266,920	-	266,920
Restricted assets:			
Equity in pooled cash and temporary investments	31,307,771	151,693,025	183,000,796
Cash with fiscal agents	925,270	-	925,270
Certificates of deposit - performance bonds	481,699	-	481,699
Investments	-	24,326,147	24,326,147
Land held for sale	-	-	-
Capital assets:			
Non-depreciable:			
Land	325,445,841	17,346,080	342,791,921
Construction in progress	52,122,448	117,678,608	169,801,056
Depreciable:			
Equipment	213,749,719	9,353,179	223,102,898
Library collections	33,458,568	-	33,458,568
Purchased capacity	-	537,865,741	537,865,741
Buildings and improvements	749,709,510	740,820,345	1,490,529,855
Infrastructure	376,552,368	-	376,552,368
Accumulated depreciation	(407,125,357)	(298,859,052)	(705,984,409)
Accumulated amortization	-	(39,679,490)	(39,679,490)
Total capital assets, net	1,343,913,097	1,084,525,411	2,428,438,508
Deferred bond issuance costs (net of amortization)	829,993	1,123,946	1,953,939
Total assets	$ 3,897,045,851	1,407,436,893	5,304,482,744

See accompanying notes to the financial statements.

Exhibit A

Total Component Units	Reclassifications (See Note A-13)	Total Reporting Entity
238,482,679	-	966,722,665
6,856,581	-	6,856,581
-	-	21,418,061
9,056,828	-	36,507,004
113,312	-	821,153
-	-	20,072,737
-	-	1,608,938,014
-	-	2,418,904
6,814,090	-	12,481,938
56,202	-	56,202
1,653,470	-	1,698,511
-	-	5,206,094
-	-	171,700,200
33,983,535	-	101,469,588
7,924,635	-	7,924,635
-	-	1,591,703
-	-	-
4,392,981	-	8,539,788
602,453	-	869,373
16,060,893	-	199,061,689
7,444,059	-	8,369,329
723,988	-	1,205,687
4,815,074	-	29,141,221
4,599,973	-	4,599,973
320,381,706	-	663,173,627
320,096,458	-	489,897,514
143,203,688	-	366,306,586
20,678,288	-	54,136,856
-	-	537,865,741
1,762,265,742	-	3,252,795,597
-	-	376,552,368
(713,922,276)	-	(1,419,906,685)
-	-	(39,679,490)
1,852,703,606	-	4,281,142,114
506,433	-	2,460,372
2,196,790,792	-	7,501,273,536

continued

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2002

	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
LIABILITIES			
Accounts payable and accrued liabilities	$ 67,266,042	6,214,321	73,480,363
Contracts payable	1,646,653	7,267,141	8,913,794
Contract retainages	2,823,499	-	2,823,499
Due to primary government	-	-	-
Due to component units	1,439,179	-	1,439,179
Matured bond principal and interest payable	240,455	-	240,455
Accrued interest payable	8,087,079	-	8,087,079
Deferred revenue:			
Property taxes not yet due	1,794,277,000	-	1,794,277,000
Other	35,057,454	-	35,057,454
Performance and other deposits	67,851,390	-	67,851,390
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds payable, net	130,177,807	-	130,177,807
Revenue bonds payable, net	4,030,000	10,185,026	14,215,026
Notes payable	-	-	-
Compensated absences	44,228,365	1,053,811	45,282,176
Landfill closure and postclosure costs	16,392,797	-	16,392,797
Capital leases	9,133,389	-	9,133,389
Insurance and benefit claims payable	13,262,895	-	13,262,895
Other	1,986,364	-	1,986,364
Portion due or payable after one year:			
General obligation bonds payable, net	1,392,267,010	-	1,392,267,010
Revenue bonds payable, net	102,620,000	473,411,022	576,031,022
Notes payable	-	-	-
Compensated absences	28,329,497	618,905	28,948,402
Landfill closure and postclosure costs	49,376,935	-	49,376,935
Capital leases	41,824,262	-	41,824,262
Insurance and benefit claims payable	12,434,221	-	12,434,221
Other	5,544,092	-	5,544,092
Total liabilities	3,830,296,385	498,750,226	4,329,046,611
NET ASSETS			
Invested in capital assets, net of related debt	905,544,976	621,870,392	1,527,415,368
Restricted for:			
Grant programs	6,184,342	-	6,184,342
Sewer improvements and nitrification facilities	-	150,674,322	150,674,322
Community centers	4,907,876	-	4,907,876
Housing	-	-	-
Capital projects	-	-	-
Debt service	-	3,891,412	3,891,412
Unrestricted (deficit)	(849,887,728)	132,250,541	(717,637,187)
Total net assets	$ 66,749,466	908,686,667	975,436,133

See accompanying notes to the financial statements.

Exhibit A
continued

Total Component Units	Reclassifications (See Note A-13)	Total Reporting Entity
124,497,692	-	197,978,055
-	-	8,913,794
10,980,537	-	13,804,036
1,591,703	-	1,591,703
-	-	1,439,179
-	-	240,455
774,947	-	8,862,026
-	-	1,794,277,000
14,099,184	-	49,156,638
1,204,960	-	69,056,350
-	-	130,177,807
747,193	-	14,962,219
22,556,282	-	22,556,282
16,329,863	-	61,612,039
-	-	16,392,797
7,536,543	-	16,669,932
17,012,925	-	30,275,820
124,057	-	2,110,421
-	-	1,392,267,010
23,970,901	-	600,001,923
61,206,028	-	61,206,028
10,809,257	-	39,757,660
-	-	49,376,935
20,144,259	-	61,968,521
12,074,500	-	24,508,721
1,678,785	-	7,222,877
347,339,616	-	4,676,386,227
1,747,908,785	(968,739,537)	2,306,584,616
-	-	6,184,342
-	-	150,674,322
-	-	4,907,876
10,586,137	-	10,586,137
16,060,893	(16,060,893)	-
1,080,897	-	4,972,309
73,814,464	984,800,430	340,977,707
1,849,451,176	-	2,824,887,309

COUNTY OF FAIRFAX, VIRGINIA
Statement of Activities
For the fiscal year ended June 30, 2002

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government administration	$ 132,867,365	3,085,153	286,457	-
Judicial administration	32,652,640	13,477,787	1,320,689	-
Public safety	391,465,390	30,698,240	53,044,156	50,186,542
Public works	141,536,370	61,306,429	7,691,965	16,474,683
Health and welfare	370,118,888	38,309,902	110,030,299	-
Community development	142,055,156	20,869,899	1,256,528	11,122,261
Parks, recreation and cultural	105,852,089	6,095,365	1,228,929	-
Education - payments to Public Schools	1,209,931,327	-	-	-
Interest on long-term debt	77,719,236	-	-	-
Total governmental activities	2,604,198,461	173,842,775	174,859,023	77,783,486
Business-type activities:				
Public works - Sewer	105,766,365	110,093,926	-	9,862,455
Total business-type activities	105,766,365	110,093,926	-	9,862,455
Total primary government	2,709,964,826	283,936,701	174,859,023	87,645,941
Component units:				
Public Schools	1,574,535,598	78,281,595	100,156,368	7,985,121
FCRHA	55,349,525	17,821,086	31,049,548	3,253,183
Park Authority	62,851,329	28,885,584	-	438,332
EDA	7,292,427	-	-	-
Total component units	$ 1,700,028,879	124,988,265	131,205,916	11,676,636

General revenues:
- Taxes:
  - Real property
  - Personal property
  - Business licenses
  - Local sales and use
  - Consumers utility
  - Motor vehicle decals
  - Recordation
  - Occupancy, tobacco and other
- Grants and contributions not restricted to specific programs
- Revenue from the use of money and property
- Share of Commonwealth's lottery proceeds
- Payment from primary government
- Other

Total general revenues
Change in net assets
Net assets, July 1, 2001, as restated
Net assets, June 30, 2002

See accompanying notes to the financial statements.

Exhibit A-1

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Total
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
(129,495,755)	-	(129,495,755)	-
(17,854,164)	-	(17,854,164)	-
(257,536,452)	-	(257,536,452)	-
(56,063,293)	-	(56,063,293)	-
(221,778,687)	-	(221,778,687)	-
(108,806,468)	-	(108,806,468)	-
(98,527,795)	-	(98,527,795)	-
(1,209,931,327)	-	(1,209,931,327)	-
(77,719,236)	-	(77,719,236)	-
(2,177,713,177)	-	(2,177,713,177)	-
-	14,190,016	14,190,016	-
-	14,190,016	14,190,016	-
(2,177,713,177)	14,190,016	(2,163,523,161)	-
-	-	-	(1,388,112,514)
-	-	-	(3,225,708)
-	-	-	(33,527,413)
-	-	-	(7,292,427)
-	-	-	(1,432,158,062)
1,241,257,331	-	1,241,257,331	-
284,981,993	-	284,981,993	-
90,973,176	-	90,973,176	-
139,345,413	-	139,345,413	-
86,368,876	-	86,368,876	-
18,694,344	-	18,694,344	-
19,843,886	-	19,843,886	-
16,486,754	-	16,486,754	-
207,655,319	-	207,655,319	365,968,070
31,667,551	7,031,710	38,699,261	1,963,189
-	-	-	7,682,332
-	-	-	1,251,764,326
8,594,474	251,847	8,846,321	11,173,909
2,145,869,117	7,283,557	2,153,152,674	1,638,551,826
(31,844,060)	21,473,573	(10,370,487)	206,393,764
98,593,526	887,213,094	985,806,620	1,643,057,412
$ 66,749,466	908,686,667	975,436,133	1,849,451,176

COUNTY OF FAIRFAX, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2002

Exhibit A-2

		General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and temporary investments	$	199,588,246	353,449,349	553,037,595
Receivables (net of allowances):				
Accounts		10,339,068	16,799,658	27,138,726
Accrued interest		249,495	331,347	580,842
Property taxes:				
Delinquent		20,072,737	-	20,072,737
Not yet due		1,601,400,014	7,538,000	1,608,938,014
Business license taxes - delinquent		2,418,904	-	2,418,904
Notes		-	5,667,848	5,667,848
Due from intergovernmental units:				
Property taxes (net of allowances):				
Delinquent		5,206,094	-	5,206,094
Not yet due		171,700,200	-	171,700,200
Other		33,779,249	15,074,348	48,853,597
Due from component units		-	1,591,703	1,591,703
Interfund receivables		4,367,200	-	4,367,200
Inventories of supplies		1,208,662	-	1,208,662
Prepaid items and other assets		58,757	20,938	79,695
Restricted assets:				
Equity in pooled cash and temporary investments		-	31,307,771	31,307,771
Cash with fiscal agents		576,526	348,744	925,270
Certificates of deposit - performance bonds		481,699	-	481,699
Total assets	$	2,051,446,851	432,129,706	2,483,576,557
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$	36,879,822	26,180,922	63,060,744
Contracts payable		-	1,646,653	1,646,653
Contract retainages		-	2,823,499	2,823,499
Due to component units		1,191,003	248,176	1,439,179
Interfund payables		-	3,608,213	3,608,213
Matured bond principal and interest payable		-	240,455	240,455
Deferred revenue:				
Property taxes not yet due		1,786,739,000	7,538,000	1,794,277,000
Other		37,969,779	33,783,812	71,753,591
Performance and other deposits		61,873,805	5,977,585	67,851,390
Total liabilities		1,924,653,409	82,047,315	2,006,700,724
Fund balances:				
Reserved for:				
Encumbrances		12,852,653	59,174,568	72,027,221
Inventories of supplies		1,208,662	-	1,208,662
Long-term receivables		-	7,259,551	7,259,551
Prepaid items		58,757	20,938	79,695
Certain capital projects		-	31,307,771	31,307,771
Unreserved, reported in:				
General fund		112,673,370	-	112,673,370
Special revenue funds		-	174,045,654	174,045,654
Debt service funds		-	10,222,617	10,222,617
Capital projects funds		-	68,051,292	68,051,292
Total fund balances		126,793,442	350,082,391	476,875,833
Total liabilities and fund balances	$	2,051,446,851	432,129,706	2,483,576,557

See accompanying notes to the financial statements.

continued

COUNTY OF FAIRFAX, VIRGINIA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2002

Exhibit A-2
continued

Fund balances - Total governmental funds		$	476,875,833
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:			
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds:			
Non-depreciable assets:			
Land	$ 323,507,153		
Construction-in-progress	52,122,448		
Depreciable assets:			
Equipment	156,722,476		
Library collections	33,458,568		
Buildings and improvements	734,107,360		
Infrastructure	376,552,368		
Total capital assets	1,676,470,373		
Less accumulated depreciation	(365,789,868)		1,310,680,505
Some of the County's receivables will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds:			
Delinquent taxes (net of allowances):			
Property	$ 22,312,323		
Business license	2,418,904		
Sales and use taxes	9,964,910		
Recovery from contractor	2,000,000		36,696,137
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.			829,993
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 assets.			
Assets:			
Current assets	$ 73,109,042		
Capital assets	74,568,081		
Less accumulated depreciation	(41,335,489)		
Liabilities	(33,085,995)		73,255,639
Long-term liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation bonds	$ (1,522,444,817)		
Lease revenue bonds	(106,650,000)		
Special assessment bonds	(525,000)		
Accrued interest on long-term debt	(8,087,079)		
Capital leases and installment purchase agreements	(50,957,651)		
Landfill closure and postclosure costs	(65,769,732)		
Compensated absences	(70,148,906)		
Other	(7,005,456)		(1,831,588,641)
Net assets of governmental activities		$	66,749,466

COUNTY OF FAIRFAX, VIRGINIA Exhibit A-3

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2002

		General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$	1,876,356,504	21,836,080	1,898,192,584
Permits, privilege fees and regulatory licenses		28,609,183	8,330,001	36,939,184
Intergovernmental		315,653,061	136,026,346	451,679,407
Charges for services		35,241,909	97,993,651	133,235,560
Fines and forfeitures		10,318,703	-	10,318,703
Developers' contributions		-	6,187,626	6,187,626
Revenue from the use of money and property		28,211,926	5,904,026	34,115,952
Recovered costs		5,450,839	3,558,644	9,009,483
Local matching grants		-	5,690,108	5,690,108
Gifts, donations and contributions		788,324	246,997	1,035,321
Other		448,980	6,348,936	6,797,916
Total revenues		2,301,079,429	292,122,415	2,593,201,844
EXPENDITURES				
Current:				
General government administration		89,830,205	9,396,556	99,226,761
Judicial administration		30,258,588	594,125	30,852,713
Public safety		340,998,807	38,380,749	379,379,556
Public works		49,409,626	95,240,082	144,649,708
Health and welfare		232,586,804	132,955,982	365,542,786
Community development		48,163,157	81,890,902	130,054,059
Parks, recreation and cultural		72,728,671	25,546,317	98,274,988
Education - payments to Public Schools		1,079,911,756	131,640,935	1,211,552,691
Capital outlay:				
General government administration		914,815	8,658,344	9,573,159
Judicial administration		38,522	639,228	677,750
Public safety		2,788,431	33,186,445	35,974,876
Public works		541,779	3,284,942	3,826,721
Health and welfare		435,057	30,747,140	31,182,197
Community development		366,617	8,111,158	8,477,775
Parks, recreation and cultural		5,736,190	6,410,436	12,146,626
Debt service:				
Principal retirement		887,208	129,163,380	130,050,588
Interest and other charges		240,521	77,387,145	77,627,666
Total expenditures		1,955,836,754	813,233,866	2,769,070,620
Excess (deficiency) of revenues over (under) expenditures		345,242,675	(521,111,451)	(175,868,776)
OTHER FINANCING SOURCES (USES)				
Transfers in		4,614,594	343,909,898	348,524,492
Transfers out		(341,424,523)	(6,854,969)	(348,279,492)
Proceeds from sale of County general obligation bonds		-	201,345,513	201,345,513
Capital leases and installment purchases		4,640,753	29,000,000	33,640,753
Proceeds from sale of refunding bonds		-	62,614,916	62,614,916
Payments to refunded bond escrow agent		-	(62,561,378)	(62,561,378)
Total other financing sources (uses)		(332,169,176)	567,453,980	235,284,804
Net change in fund balances		13,073,499	46,342,529	59,416,028
Fund balances, July 1, 2001, as restated		113,682,037	303,739,862	417,421,899
Increase in reserve for inventories of supplies		37,906	-	37,906
Fund balances, June 30, 2002	$	126,793,442	350,082,391	476,875,833

See accompanying notes to the financial statements.

continued

COUNTY OF FAIRFAX, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2002

Exhibit A-3
continued

Net change in fund balances - Total governmental funds		$	59,416,028
Amounts reported for governmental activities in the statement of activities (Exhibit A-1) are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays	$ 101,859,104		
Less depreciation expense	(52,373,823)		49,485,281
In the statement of activities, the loss on the disposition of capital assets is reported. However, in the governmental funds, only the proceeds from sales are reported, which increase fund balance. Thus, the difference is the depreciated cost of the capital assets disposed.			(23,291,345)
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.			5,148,069
Some revenues will not be collected for several months after the fiscal year ends, hence, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) by this amount this year:			
Delinquent taxes:			
Property	$ 2,112,593		
Business license	(1,111,514)		
Sales and use taxes and other taxes	(1,572,890)		
Recovery from contractor	2,000,000		1,428,189
Proceeds from the issuance of long-term debt are reported as financing sources in the governmental funds and thus increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statements of net assets and does not affect the statement of activities. Proceeds were received from:			
Series 2002A General Obligation Bonds	$ (263,960,429)		
Principal amounts of new capital leases	(33,640,753)		(297,601,182)
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.			829,993
Repayment of the principal amounts of long-term debt is reported as an expenditure or as an other financing use when debt is refunded in governmental funds and, thus, reduces fund balance. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.			
Principal repayments of matured bonds	$ 124,453,925		
Payment to escrow agent to refund bonds, less $219,764 reported as interest expense	62,341,614		
Principal payments of capital leases	5,596,663		192,392,202
Interest on long-term debt is reported as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This timing difference in interest reporting is as follows:			
Accrued interest on bonds	$ (378,912)		
Accrued interest on capital leases	(322,887)		(701,799)
Under the modified accrual basis of accounting used in the governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, however, they are reported as expenses and liabilities as they accrue. The timing differences are as follows:			
Landfill closure and postclosure costs	$ (13,658,852)		
Compensated absences	(6,154,758)		
Other	1,990,270		(17,823,340)
Internal service funds are used by management to provide certain goods and services to governmental funds. The change in net assets, excluding capital contributions within the primary government, is reported with governmental activities.			(1,126,156)
Change in net assets of governmental activities		$	(31,844,060)

COUNTY OF FAIRFAX

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VIRGINIA

COUNTY OF FAIRFAX, VIRGINIA Exhibit A-4

Budgetary Comparison Statement - General Fund (Budget Basis)

For the fiscal year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive
	Original	Final	(Budget Basis)	(Negative)
REVENUES				
Taxes	$ 1,846,706,188	1,853,705,418	1,876,356,504	22,651,086
Permits, privilege fees and regulatory licenses	33,892,369	28,990,840	28,609,183	(381,657)
Intergovernmental	330,013,546	325,907,543	315,653,061	(10,254,482)
Charges for services	33,000,331	34,109,394	35,241,909	1,132,515
Fines and forfeitures	11,595,781	10,024,451	10,318,703	294,252
Revenue from the use of money and property	45,849,562	29,013,426	28,894,001	(119,425)
Recovered costs	5,427,243	5,270,662	5,450,839	180,177
Other	351,147	311,647	448,980	137,333
Total revenues	2,306,836,167	2,287,333,381	2,300,973,180	13,639,799
EXPENDITURES				
Current:				
General government administration	81,790,729	82,522,174	76,761,411	5,760,763
Judicial administration	24,653,202	25,863,799	25,697,058	166,741
Public safety	277,283,155	282,558,693	276,877,297	5,681,396
Public works	50,601,527	54,618,749	51,162,491	3,456,258
Health and welfare	217,258,679	212,568,661	210,223,149	2,345,512
Community development	38,384,396	37,493,556	35,287,296	2,206,260
Parks, recreation and cultural	63,722,662	61,895,007	61,327,324	567,683
Nondepartmental	119,351,398	125,780,923	117,615,055	8,165,868
Total expenditures	873,045,748	883,301,562	854,951,081	28,350,481
Excess of revenues over expenditures	1,433,790,419	1,404,031,819	1,446,022,099	41,990,280
OTHER FINANCING USES				
Transfers in from other primary government funds	2,914,594	4,614,594	4,614,594	-
Transfers out to other primary government funds	(355,101,384)	(355,963,226)	(355,963,226)	-
Transfers out to component units	(1,079,343,341)	(1,081,102,417)	(1,081,102,417)	-
Total other financing uses	(1,431,530,131)	(1,432,451,049)	(1,432,451,049)	-
Net change in fund balance	$ 2,260,288	(28,419,230)	13,571,050	41,990,280

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2002

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Equity in pooled cash and temporary investments	$ 105,230,797	69,971,594
Investments	17,318,061	-
Accrued interest receivable	111,100	15,899
Accounts receivable	-	311,450
Due from intergovernmental units (net of allowance)	18,632,456	-
Interfund receivables	-	187,637
Inventories and other	502,908	2,435,237
Prepaid items and other assets	-	187,225
Total current assets	141,795,322	73,109,042
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and temporary investments	151,693,025	-
Investments	24,326,147	-
Total restricted assets	176,019,172	-
Capital assets:		
Land	17,346,080	1,938,688
Construction in progress	117,678,608	-
Buildings and improvements	740,820,345	15,602,150
Purchased capacity	537,865,741	-
Equipment	9,353,179	57,027,243
Accumulated depreciation	(298,859,052)	(41,335,489)
Accumulated amortization	(39,679,490)	-
Total capital assets, net	1,084,525,411	33,232,592
Other noncurrent assets:		
Investments	4,100,000	-
Deferred bond issuance costs (net of amortization)	1,123,946	-
Total other noncurrent assets	5,223,946	-
Total noncurrent assets	1,265,768,529	33,232,592
Total assets	$ 1,407,563,851	106,341,634

See accompanying notes to the financial statements.

Exhibit A-5

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,214,321	4,205,298
Contracts payable	7,267,141	-
Interfund payables	126,958	774,625
Compensated absences	1,053,811	1,437,532
Insurance and benefit claims payable	-	13,262,895
Revenue bonds payable	10,249,204	-
Bond discount (net of amortization)	(64,178)	-
Total current liabilities	24,847,257	19,680,350
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	474,272,394	-
Bond discount (net of amortization)	(861,372)	-
Compensated absences	618,905	971,424
Insurance and benefit claims payable	-	12,434,221
Total noncurrent liabilities	474,029,927	13,405,645
Total liabilities	498,877,184	33,085,995
NET ASSETS		
Invested in capital assets, net of related debt	621,870,392	33,232,592
Restricted for:		
Sewer improvements and nitrification facilities	150,674,322	-
Debt service	3,891,412	-
Unrestricted	132,250,541	40,023,047
Total net assets	$ 908,686,667	73,255,639

COUNTY OF FAIRFAX, VIRGINIA Exhibit A-6

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2002

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
Operating revenues:		
Sales of services	$ 79,438,990	-
Charges to other funds	-	117,923,863
Other	251,847	292,381
Total operating revenues	79,690,837	118,216,244
Operating expenses:		
Personnel services	17,688,856	20,292,259
Materials and supplies	9,774,641	2,775,642
Equipment operation and maintenance	-	27,998,676
Risk financing and benefit payments	-	56,659,825
Depreciation and amortization	23,473,238	7,354,248
Professional consultant and contractual services	41,201,302	4,995,967
Other	-	186,878
Total operating expenses	92,138,037	120,263,495
Operating loss	(12,447,200)	(2,047,251)
Nonoperating revenues (expenses):		
Availability fees	30,654,936	-
Intergovernmental revenue	1,250,023	-
Interest revenue	7,033,632	825,337
Interest expense	(13,549,231)	-
Amortization expense for bond issuance costs	(79,097)	-
Gain (loss) on disposal of capital assets	(1,922)	340,758
Total nonoperating revenues (expenses)	25,308,341	1,166,095
Income (loss) before contributions and transfers	12,861,141	(881,156)
Capital contributions	8,612,432	2,634,072
Transfers in	-	2,755,000
Transfers out	-	(3,000,000)
Change in net assets	21,473,573	1,507,916
Total net assets, July 1, 2001, as restated	887,213,094	71,747,723
Total net assets, June 30, 2002	$ 908,686,667	73,255,639

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2002

Exhibit A-7

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 80,246,007	-
Receipts from interfund services provided	-	117,951,968
Payments to suppliers and contractors	(50,827,202)	(13,055,727)
Payments to employees	(17,673,665)	(20,218,037)
Claims and benefits paid	-	(53,923,666)
Payments for interfund services used	-	(22,017,559)
Net cash provided by operating activities	11,745,140	8,736,979
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loan from General Fund	-	630,809
Payment of loan to General Fund	-	(482,311)
Transfers to other funds	-	(3,000,000)
Transfers from other funds	-	2,755,000
Net cash used by noncapital financing activities	-	(96,502)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Availability fees	30,654,936	-
Intergovernmental revenue received	1,250,023	-
Principal payments on sewer revenue bonds	(8,061,456)	-
Interest payments on sewer revenue bonds	(12,707,821)	-
Proceeds from issuance of sewer revenue bond	50,000,000	-
Proceeds from sale of capital assets	42,007	657,003
Purchase of capital assets, other than purchased capacity	(22,024,266)	(11,465,287)
Acquisition of purchased capacity	(43,545,699)	-
Net cash used by capital and related financing activities	(4,392,276)	(10,808,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of restricted investments (net)	(300,810)	-
Purchases of investments	(4,100,000)	-
Interest received	6,150,064	829,708
Net cash provided by investing activities	1,749,254	829,708
Net increase (decrease) in cash and cash equivalents	9,102,118	(1,338,099)
Cash and cash equivalents, July 1, 2001	247,821,704	71,309,693
Cash and cash equivalents, June 30, 2002	$ 256,923,822	69,971,594
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (12,447,200)	(2,047,251)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	23,473,238	7,354,248
Change in assets and liabilities:		
Increase in accounts receivable	-	(298,147)
Decrease in intergovernmental receivables	555,170	-
Decrease in interfund receivables	-	33,164
Decrease in inventories of supplies	61,519	81,419
Decrease in prepaid items and other assets	-	912
Increase in accounts payable and accrued liabilities, net of interest	230,470	3,599,435
Decrease in contracts payable	(128,057)	-
Increase in interfund payables	-	13,199
Total adjustments to operating loss	24,192,340	10,784,230
Net cash provided by operating activities	$ 11,745,140	8,736,979
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines and manholes	$ 8,612,432	-
Capital contributions - police vehicles	-	2,634,072

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA Exhibit A-8
Statement of Fiduciary Net Assets
June 30, 2002

	Pension Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and temporary investments	$ 12,978,421	2,483,985
Cash collateral for securities lending	151,854,950	-
Accounts receivable	-	43,295
Accrued interest and dividends receivable	14,567,568	978
Receivable from sale of pension investments	90,245,405	-
Due from intergovernmental units	-	34,447
Investments, at fair value	3,069,409,520	40,112,772
Equipment	-	2,328,200
Total assets	3,339,055,864	$ 45,003,677
LIABILITIES		
Accounts payable and accrued liabilities	3,560,139	1,922,374
Payable for purchase of pension investments	275,718,105	-
Liabilities for collateral received under securities lending agreements	151,854,950	-
Liabilities under reimbursement agreements	-	41,858,701
Interfund payable	45,041	-
Obligations under capital lease and installment purchases	-	1,222,602
Total liabilities	431,178,235	$ 45,003,677
NET ASSETS		
Held in trust for pension benefits	$ 2,907,877,629	

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Changes in Plan Net Assets
Pension Trust Funds
For the fiscal year ended June 30, 2002

Exhibit A-9

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 64,940,333
Plan members	39,446,006
Total contributions	104,386,339
Investment income:	
Net depreciation in fair value of investments	(217,799,689)
Interest	62,575,775
Dividends	26,494,633
Securities lending	4,713,216
Other	59,631
Total investment loss	(123,956,434)
Less investment expenses:	
Investment fees and other	9,705,424
Securities lending	3,659,009
Total investment expenses	13,364,433
Net investment loss	(137,320,867)
Total additions	(32,934,528)
DEDUCTIONS	
Benefits	114,844,347
Refunds of contributions	4,665,035
Administrative expenses	1,226,792
Total deductions	120,736,174
Net decrease	(153,670,702)
Net assets, July 1, 2001	3,061,548,331
Net assets, June 30, 2002	$ 2,907,877,629

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2002

	Public Schools	FCRHA	Park Authority	EDA	Total Component Units
ASSETS					
Equity in pooled cash and temporary investments	$ 200,846,413	20,372,282	17,263,984	-	238,482,679
Cash in banks	-	6,856,581	-	-	6,856,581
Receivables (net of allowances):					
Accounts	7,073,691	1,945,668	37,469	-	9,056,828
Accrued interest	57,959	47,337	8,016	-	113,312
Notes	-	6,814,090	-	-	6,814,090
Mortgages	-	56,202	-	-	56,202
Other	-	1,653,470	-	-	1,653,470
Due from intergovernmental units	33,983,535	-	-	-	33,983,535
Due from primary government	6,566,691	-	1,254,122	103,822	7,924,635
Inventories of supplies	4,392,981	-	-	-	4,392,981
Prepaid items and other assets	-	602,453	-	-	602,453
Restricted assets:					
Equity in pooled cash and temporary investments	14,766,420	-	1,294,473	-	16,060,893
Cash with fiscal agents	-	7,444,059	-	-	7,444,059
Certificates of deposit - performance bonds	-	723,988	-	-	723,988
Investments	-	2,693,421	2,121,653	-	4,815,074
Land held for sale	-	4,599,973	-	-	4,599,973
Capital assets:					
Non-depreciable:					
Land	43,410,537	30,098,466	246,872,703	-	320,381,706
Construction in progress	300,848,525	10,942,126	8,305,807	-	320,096,458
Depreciable:					
Equipment	129,255,868	2,351,071	11,589,747	7,002	143,203,688
Library collections	20,678,288	-	-	-	20,678,288
Buildings and improvements	1,438,891,208	146,448,935	176,925,599	-	1,762,265,742
Accumulated depreciation	(556,329,740)	(62,399,054)	(95,189,281)	(4,201)	(713,922,276)
Total capital assets, net	1,376,754,686	127,441,544	348,504,575	2,801	1,852,703,606
Deferred bond issuance costs	-	-	506,433	-	506,433
Total assets	$ 1,644,442,376	181,251,068	370,990,725	106,623	2,196,790,792

See accompanying notes to the financial statements.

Exhibit A-10

	Public Schools	FCRHA	Park Authority	EDA	Total Component Units
LIABILITIES					
Accounts payable and accrued liabilities	$ 114,355,950	6,965,724	3,072,196	103,822	124,497,692
Contract retainages	10,836,156	-	144,381	-	10,980,537
Due to primary government	-	1,591,703	-	-	1,591,703
Accrued interest payable	-	-	774,947	-	774,947
Deferred revenue	6,346,909	3,189,043	4,563,232	-	14,099,184
Performance and other deposits	-	1,101,306	103,654	-	1,204,960
Long-term liabilities:					
Portion due or payable within one year:					
Revenue bonds payable, net	-	297,153	450,040	-	747,193
Notes payable	-	6,491,310	16,064,972	-	22,556,282
Compensated absences	13,722,404	382,174	2,121,696	103,589	16,329,863
Capital leases	7,536,543	-	-	-	7,536,543
Insurance and benefit claims payable	17,012,925	-	-	-	17,012,925
Other	-	124,057	-	-	124,057
Portion due or payable after one year:					
Revenue bonds payable, net	-	11,675,225	12,295,676	-	23,970,901
Notes payable	-	61,206,028	-	-	61,206,028
Compensated absences	8,773,340	458,037	1,551,495	26,385	10,809,257
Capital leases	20,144,259	-	-	-	20,144,259
Insurance and benefit claims payable	12,074,500	-	-	-	12,074,500
Other	-	1,678,785	-	-	1,678,785
Total liabilities	210,802,986	95,160,545	41,142,289	233,796	347,339,616
NET ASSETS					
Invested in capital assets, net of related debt	1,376,754,686	50,376,514	320,774,784	2,801	1,747,908,785
Restricted for:					
Housing	-	10,586,137	-	-	10,586,137
Capital projects	14,766,420	-	1,294,473	-	16,060,893
Debt service	-	-	1,080,897	-	1,080,897
Unrestricted (deficit)	42,118,284	25,127,872	6,698,282	(129,974)	73,814,464
Total net assets	$ 1,433,639,390	86,090,523	329,848,436	(127,173)	1,849,451,176

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Activities
Component Units
For the fiscal year ended June 30, 2002

		Program Revenues		
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Schools:				
Education	$ 1,574,535,598	78,281,595	100,156,368	7,985,121
FCRHA:				
Community development	55,349,525	17,821,086	31,049,548	3,253,183
Park Authority:				
Parks, recreation and cultural	62,851,329	28,885,584	-	438,332
EDA:				
Community development	7,292,427	-	-	-
Total component units	$ 1,700,028,879	124,988,265	131,205,916	11,676,636

General revenues:
Grants and contributions not restricted to specific programs
Revenue from the use of money and property
Share of Commonwealth's lottery proceeds
Payment from primary government
Other
Total general revenues
Change in net assets
Net assets, July 1, 2001, as restated
Net assets, June 30, 2002

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Public Schools	FCRHA	Park Authority	EDA	Total Component Units
(1,388,112,514)	-	-	-	(1,388,112,514)
-	(3,225,708)	-	-	(3,225,708)
-	-	(33,527,413)	-	(33,527,413)
-	-	-	(7,292,427)	(7,292,427)
(1,388,112,514)	(3,225,708)	(33,527,413)	(7,292,427)	(1,432,158,062)
280,906,232	-	85,061,838	-	365,968,070
613,144	976,173	373,872	-	1,963,189
7,682,332	-	-	-	7,682,332
1,208,290,392	-	36,176,933	7,297,001	1,251,764,326
7,497,943	3,675,966	-		11,173,909
1,504,990,043	4,652,139	121,612,643	7,297,001	1,638,551,826
116,877,529	1,426,431	88,085,230	4,574	206,393,764
1,316,761,861	84,664,092	241,763,206	(131,747)	1,643,057,412
$ 1,433,639,390	86,090,523	329,848,436	(127,173)	1,849,451,176

COUNTY OF FAIRFAX
1742
VIRGINIA

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Fairfax, Virginia (the County) is organized under the Urban County Executive form of government (as defined under Virginia law). The governing body of the County is the Board of Supervisors which makes policies for the administration of the County. The Board of Supervisors comprises ten members: the Chairman, elected at large for a four-year term, and one member from each of nine supervisor districts, elected for a four-year term by the voters of the district in which the member resides. The Board of Supervisors appoints a County Executive to act as the administrative head of the County. The County Executive serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board of Supervisors.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

1. Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the County (the primary government) and its component units. The financial data of the component units are included in the County's basic financial statements because of the significance of their operational or financial relationships with the County. The County and its component units are together referred to herein as the reporting entity.

Blended Component Units

Blended component units are entities that are legally separate from the County but that are so closely related to the County that they are, in essence, extensions of the County. The blended component units that are reported as part of the primary government are:

Solid Waste Authority of Fairfax County (SWA) - The SWA is considered a blended component unit because the Board of Supervisors comprises the Board of Directors of the SWA and has the ability to impose its will on the SWA.

The SWA is authorized under the Virginia Water and Waste Authorities Act and was created by the Board of Supervisors on June 29, 1987. The SWA has financed the construction of a solid waste to energy facility which is operated by a commercial entity in accordance with agreements between the County, the SWA, and the commercial entity. The assets of the SWA are reported in an agency fund of the County, the Resource Recovery Fund. Separate financial statements of the SWA can be obtained by writing to the Financial Reporting Division, Department of Finance, Suite 214, 12000 Government Center Parkway, Fairfax, Virginia 22035.

The County has assumed the responsibility for the management oversight of the arrangement between the SWA and the commercial entity and for providing sufficient solid waste to result in a financially viable operation; this oversight activity is reported in a special revenue fund of the County, the Energy Resource Recovery Facility Fund.

Small District One - The Board of Supervisors created Small District One, which is located within the Dranesville Magisterial District, in 1970 to provide for the construction of a community center and the operation of its social, cultural, educational, and recreational facilities. This small district is reported as a separate special revenue fund of the County, the McLean Community Center Fund, because it is governed by the Board of Supervisors, which has the ability to impose its will on the small district. Separate financial statements are not prepared for Small District One.

Small District Five - The Board of Supervisors created Small District Five, which is located within the Dranesville and Hunter Mill Magisterial Districts, in 1975 to provide for the construction of a community center and the operation of its social, cultural, educational, and recreational facilities. This small district is reported as a separate special revenue fund of the County, the Reston Community Center Fund, because it is governed by the Board of Supervisors, which has the ability to impose its will on the small district. Separate financial statements are not prepared for Small District Five.

Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the County's other component units. They are presented in separate columns to emphasize that they are legally separate from the County. Separate financial statements of the component units can be obtained by writing to the Financial Reporting Division, Department of Finance, Suite 214, 12000 Government Center Parkway, Fairfax, Virginia 22035. All of the component units have a fiscal year end of June 30. The discretely presented component units are:

Fairfax County Public Schools (Public Schools) - Public Schools is responsible for elementary and secondary education within the County. The School Board is elected by County voters. Public Schools is fiscally dependent on the County; Public Schools operations are funded primarily by transfers from the County's General Fund and the County issues general obligation debt for Public Schools' capital projects.

Fairfax County Redevelopment and Housing Authority (FCRHA) - FCRHA plans, coordinates and directs the low income housing programs within the County under the Virginia Housing Authorities Law. FCRHA was approved by a voter referendum in November 1965 and was activated by the Board of Supervisors in February 1966. FCRHA is a political subdivision of and reports to the Commonwealth of Virginia. The Board of Supervisors appoints FCRHA's Board of Commissioners and the County provides certain managerial and related financial assistance to FCRHA.

Fairfax County Park Authority (Park Authority) - The Park Authority was created by the Board of Supervisors of the County on December 6, 1950, to maintain and operate the public parks and recreational facilities located in the County. The Board of Supervisors appoints the Park Authority's governing board, and the County provides funding for the Park Authority's General Fund and one of its capital projects funds. A memorandum of understanding currently in effect between the County and the Park Authority defines the roles of the County and the Park Authority.

Fairfax County Economic Development Authority (EDA) - EDA is an independent authority legally authorized by an act of the Virginia General Assembly and was formally created by resolutions of the Board of Supervisors. EDA's mission is to attract businesses to Fairfax County and to work with the existing businesses to retain them as they expand and create new jobs. EDA also operates the Fairfax County Convention and Visitors Bureau, established to attract business travelers and meetings and conventions to the County. The Board of Supervisors appoints the seven members of the Authority's commission which appoints the Authority's executive director. The Board of Supervisors appropriates funds annually to EDA for operating expenditures incurred in carrying out its mission.

Related Organizations

The Board of Supervisors is also responsible for appointing the members of the boards of the Fairfax County Water Authority (FCWA) and the Industrial Development Authority of Fairfax County (IDAFC), but the County's accountability does not extend beyond making the appointments. The IDAFC does not have a significant operational or financial relationship with the County. The FCWA bills and collects for the sales of sewer services on behalf of the County's sewer system. During fiscal year 2002, the FCWA collected approximately $60.8 million on behalf of the County, and as of June 30, 2002, the County has receivables of approximately $13 million due from the FCWA.

Joint Venture

The County is a participant in the Upper Occoquan Sewage Authority (UOSA). UOSA is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act to construct, finance, and operate the regional sewage treatment facility in the upper portion of the Occoquan Watershed. UOSA was formed on March 3, 1971, by a concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Cities of Manassas and Manassas Park. The governing body of UOSA is an eight-member board of directors consisting of two members from each participating jurisdiction appointed to four-year terms. The UOSA Board of Directors adopts an annual operating budget based on projected sewage flows. The County has no explicit and measurable interest in UOSA but does have an ongoing financial responsibility for its share of UOSA's operating costs, construction costs and annual debt service. Complete financial statements of UOSA can be obtained by writing to UOSA, P.O. Box 918, Centreville, Virginia 20122.

2. Basis of Presentation

Government-wide Statements

The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to avoid the double-counting of interfund activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed primarily by fees charged to external parties. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each activity of the County. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular activity. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meet the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the reporting entity are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major funds:

Governmental Fund: The General Fund is the County's primary operating fund, and it is used to account for all revenue sources and expenditures which are not required to be accounted for in other funds.

Enterprise Fund: The Fairfax County Integrated Sewer System (Sewer System) is the only enterprise fund of the County. This fund is used to account for the financing, construction, and operations of the countywide sewer system.

The County reports the following nonmajor governmental fund types:

Special Revenue Funds: The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds: The debt service funds are used to account for the accumulation of resources for, and the payment of, the general obligation debt service of the County and for the debt service of the lease revenue bonds and special assessment debt. Included in this fund type is the School Debt Service Fund as the County is responsible for servicing the general obligation debt it has issued on behalf of Public Schools.

Capital Projects Funds: The capital projects funds are used to account for financial resources used for all general construction projects other than enterprise fund construction.

The County reports the following additional fund types:

Internal Service Funds: These funds are proprietary funds used to account for the provision of general liability, malpractice, and workers' compensation insurance, health benefits for employees and retirees, vehicle services, supplies, document services, and technology infrastructure support that are provided to County departments on a cost reimbursement basis.

Pension Trust Funds: These are fiduciary funds used to account for the assets held in trust by the County for the employees and beneficiaries of its defined benefit pension plans – the Employees' Retirement System, the Police Officers Retirement System, and the Uniformed Retirement System.

Agency Funds: These are fiduciary funds used to account for monies received, held and disbursed on behalf of certain developers, certain welfare recipients, the recipients of certain bond proceeds, the Commonwealth of Virginia, and certain other local governments.

3. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Pension Trust Fund Statements

The government-wide, proprietary, and pension trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. For the pension trust funds, both member and employer contributions to each plan are recognized in the

period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. For the Sewer System, principal operating revenues include sales to existing customers for continuing sewer service. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Also, unbilled Sewer System receivables, net of an allowance for uncollectible accounts, are recorded at year end to the extent they can be estimated.

In preparing the financial statements of the proprietary funds, the County has not elected to apply the option provided in Paragraph 7 of GASB Statement No. 20 titled "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Therefore, the reporting entity has applied all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's Sewer System and various other functions of the government; elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental and Agency Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenue from the use of money and property and from intergovernmental reimbursement grants is recorded as earned. Other revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or within 45 days thereafter. The primary revenues susceptible to accrual include property, business license and other local taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Expenditures are recorded when the related fund liability is incurred, except that principal and interest on general long-term debt and certain other general long-term obligations, such as compensated absences and landfill closure and postclosure care costs, are recognized only to the extent they have matured. General capital asset acquisitions are reported as capital outlays in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The agency funds also use the modified accrual basis of accounting to recognize assets and liabilities. In addition, the effect of interfund activity has not been eliminated from the fund financial statements.

4. Budgetary Data

The Board of Supervisors adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

a. By March 1, the County Executive submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During April, public hearings are conducted to obtain taxpayer comments. By May 1, the budget is legally enacted through passage of an appropriation resolution.

b. The operating budget includes all County appropriated funds and certain non-appropriated funds. The non-appropriated funds are primarily certain funds of the Park Authority and the FCRHA that are not financed by the County.

c. Budget reviews are held during the fiscal year. Public hearings are held if the recommended increase in the appropriated budget is greater than $500,000, or one percent of revenues.

d. The budget is controlled at certain legal and administrative levels. The Code of Virginia requires that the County annually adopt a balanced budget. The adopted Fiscal Planning Resolution places legal restrictions on expenditures at the agency or fund level and identifies administrative controls at the character or project level. The County's Department of Management and Budget is authorized to transfer budgeted amounts between characters or projects within any agency or fund as a management function. Any revisions that alter the total expenditures of any agency or fund must be approved by the Board of Supervisors.

e. Annual operating budgets are adopted for all appropriated governmental funds, except for the capital projects funds in which budgetary control is achieved on a project-by-project basis. The budgets are on a basis consistent with GAAP for all governmental funds, except that:

* revenue from investments is recognized in the governmental funds for budget purposes only if collected within 45 days of year end, instead of as earned;
* amortization of deferred rent is not budgeted;
* certain loans are reported as expenditures when made and as revenue when repaid for budget purposes in the Community Development Block Grant (CDBG) Fund;
* offsetting revenues and expenditures related to donated food are not budgeted;
* certain amounts which are budgeted as expenditures in the General Fund, certain special revenue funds and a capital projects fund have been reported as transfers out to component units;
* certain reported revenues are budgeted as expenditure reductions in certain special revenue funds;
* capital lease transactions when initiated are not budgeted as offsetting expenditures and other financing sources;
* the proceeds attributed to premiums on bonds issued for new capital projects are reported as other financing sources in the debt service funds rather than

as other financing sources in the capital projects funds and transfers out to the debt service funds;

* the proceeds from the sale of refunding bonds that are deposited with an escrow agent to provide the resources to redeem refunded bonds are not budgeted as other financing sources and uses;
* certain capital outlays in the General Fund and special revenue funds are budgeted as functional expenditures;
* payments from or to component units are budgeted as transfers rather than functional revenues and expenditures;
* the Elderly Housing Program Fund and the Homeowner and Business Loan Program Fund are budgeted as special revenue funds of the primary government but are reported as enterprise funds of the FCRHA;
* the Gift Fund, which is included in the County's General Fund for reporting purposes, is treated as an agency fund;
* the Consolidated Community Funding Pool Fund and the Contributory Fund, which are included in the County's General Fund for reporting purposes, are treated as special revenue funds; and
* payments for retiree health benefits in the internal service fund are budgeted as transfers rather than as charges for services.

The following schedule reconciles the amounts on the Budgetary Comparison Statement – General Fund (Budget Basis) (Exhibit A-4) to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit A-3):

	Primary Government General Fund
Net change in fund balance (Budget basis)	$ 13,571,050
Basis difference - Revenue from investments	(731,411)
Entity differences:	
The Gift Fund is treated as an agency fund for budget purposes	223,617
The Consolidated Community Funding Pool Fund is treated as a special revenue fund for budget purposes	40,981
The Contributory Fund is treated as a special revenue fund for budget purposes	(30,738)
Net change in fund balance (GAAP basis)	$ 13,073,499

f. Original and final budgeted amounts are shown; amendments were not significant in relation to the original budget.

g. Appropriations lapse at June 30 unless the Board of Supervisors approves carrying them forward to the next fiscal year.

5. Pooled Cash and Temporary Investments

The County maintains cash and temporary investments for all funds in a single pooled account, except for certain cash and investments required to be maintained with fiscal agents or in separate pools or accounts in order to comply with the provisions of bond indentures. The component units also invest in the pooled cash account. As of June 30, 2002, the pooled cash and temporary investments have been allocated between the County and the respective component units based upon their respective ownership

percentages. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair value. Interest earned, less an administrative charge, is allocated generally to the respective funds and component units based on each fund's or unit's equity in the pooled account. In accordance with the County's legally adopted operating budget, interest earned by certain funds is assigned directly to the General Fund.

For the year ended June 30, 2002, interest earned by certain funds assigned directly to the County's General Fund is as follows:

Primary Government	
Special Revenue Funds:	
County Transit Systems	$ 419,858
Federal/State Grants	3,368
Aging Grants and Programs	41,391
Cable Communications	313,528
Fairfax-Falls Church Community Services Board	1,190,920
Housing Trust	43,228
Debt Service Funds:	
County Debt Service	1,355,290
School Debt Service	1,470,456
Capital Projects Funds:	
Countywide Roadway Improvement	56,279
Library Construction	16,981
County Construction	545,078
Primary and Secondary Road Bond Construction	261,122
Sidewalk Construction	112,868
Public Works Construction	309,539
Metro Operations and Construction	228,093
Storm Drainage Bond Construction	4,830
County Bond Construction	194,944
Public Safety Construction	4,604
Trail Construction	8,710
Neighborhood Improvement	3,575
Commercial Revitalization Program	6,542
Pro Rata Drainage Construction	550,191
Housing Assistance Program	49,577
Housing General Obligation Bond Construction	2,108
Internal Service Funds:	
Retiree Health Benefits	31,395
Vehicle Services	412,221
Document Services	80,852
Technology Infrastructure Services	371,398
Agency Funds:	
State Taxes	869
Lake Barcroft Watershed	1,050
Total primary government	$ 8,090,865

Component Units	
Public Schools:	
General Fund	$ 2,723,032
Special Revenue Fund - Grants and Self-Supporting Progra	29,865
Capital Projects Fund	451,847
Internal Service Fund - Insurance	526,789
Internal Service Fund - Central Procurement	1,241
Total Public Schools	3,732,774
FCRHA	57,287
Park Authority - Capital Projects Fund - Construction Bond	38,021
Total component units	3,828,082
Total reporting entity	$ 11,918,947

6. Cash and Cash Equivalents

For purposes of the statements of cash flows, the amounts reported as cash and cash equivalents for the proprietary fund types represent amounts maintained in the reporting entity's investment pool, as they are considered to be demand deposits for the purpose of complying with GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

7. Investments

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are reported at 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 on the basis of 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 occurs approximately three business days after the trade date. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets and as related liabilities for collateral received.

8. Derivatives

The County Retirement Systems (the Systems), which include the Employees', Police Officers, and Uniformed Systems, as well as the Educational Retirement System of the Public Schools component unit, invest in derivatives as permitted by the Code of Virginia and in accordance with policies set by their respective Board of Trustees. The Systems may invest in various derivative instruments on a limited basis, in order to increase potential earnings and to hedge against potential losses.

During fiscal year 2002, the Systems invested in derivative instruments, which are generally not reported in the financial statements, and some traditional securities that have derivative-like characteristics, which generally are reported. Derivative investments include futures, forwards, and options or swap contracts. Traditional securities with derivative-like characteristics include structured notes, in which the return may be linked

to one or more investment indexes and certain asset-backed securities, such as collateralized mortgage obligations, whose values are sensitive to changes in interest rates and prepayments.

The Systems enter into these types of investments to:

* gain market exposure to the S&P 500 and the U.S. Treasury indexes in a more efficient way and at lower transaction costs;
* effect settlement of securities traded in currencies other than U.S. dollars and to protect the base currency (U.S. dollars) from fluctuations in the exchange rates of foreign currencies;
* increase earnings;
* provide exposure to portions of the mortgage market; and/or
* control duration within the portfolio.

These investments generally contain market risks due to:

* adverse changes in market prices;
* changes in interest rates and the level of the underlying prepayments; and/or
* adverse movements in currency exchange rates.

The credit risks associated with these investments are inherent with the:

* creditworthiness of the counterparties to the contracts; and
* creditworthiness of the related consumers or mortgagees.

The Systems are indirectly exposed to market and credit risks associated with ownership interest in certain mutual funds which hold futures contracts, options, collateralized mortgage obligations, interest-only strip securities, and call warrants.

At June 30, 2002, the notional values of the derivative investments, including mutual funds that are not reported in the financial statements are: Employees' - $892 million, Police Officers - $57 million, Uniformed - $1.13 million, and Educational - $36.8 million.

The table below shows the percentage of in-financial-statement investments in derivatives, including mutual funds, to the total portfolio (at fair value) for each system at June 30, 2002, and the range of holdings for the fiscal year, as derived from quarterly reports.

	At June 30, 2002	High During Year	Low During Year
Retirement System:			
Employees'	5.0 %	5.0 %	0.0 %
Police Officers	4.0	4.0	2.0
Uniformed	0.0	0.0	0.0
Educational	2.0	2.8	2.0

9. Inventories and Prepaid Items

The purchases method of accounting for inventories and prepaid items is used in the General Fund and special revenue funds. Under this method, the cost is recorded as an expenditure at the time individual items are purchased. At year end, a portion of the fund balance is reserved for the ending balances. This reserve is maintained to indicate that a

portion of the fund balance is not available for future appropriations. Inventories are valued and carried on an average unit cost basis.

The consumption method of accounting for inventories and prepaid items is used in the proprietary fund types. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts and prepaid items are expensed in the period to which they apply.

10. Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The County holds certificates of deposit purchased by developers under the terms of performance agreements. The County may require a developer to enter into these agreements in order to ensure that certain structures and improvements are completed according to approved site plans. The certificates, issued by various financial institutions, are released to the developer when the terms of the agreement have been satisfied. The amount of the certificates held is reported as a restricted asset in the General Fund.

In accordance with the provisions of the 1985 General Bond Resolution, certain assets of the Sewer System are restricted for specific future uses, such as repayment of debt obligations, payments on construction projects, and extensions and improvements. Additionally, the State Water Control Board (SWCB) regulations require the removal of ammonia-nitrogen from the discharges from the County's Noman Cole Pollution Control Plant and the Alexandria and Arlington County Wastewater Treatment Plants. Certain assets are restricted to fund the construction of nitrogen removal facilities. As of June 30, 2002, the Sewer System has cash and investments of $176,019,172 that are restricted for the following uses:

Restricted Assets of the Sewer System	
Extensions and improvements	$ 114,374,322
Nitrogen removal facilities	36,300,000
Long-term debt service requirements	21,453,438
Current debt service requirements	3,891,412
Total restricted assets	$ 176,019,172

In accordance with requirements of the U.S. Department of Housing and Urban Development and the Virginia Housing Development Authority, the FCRHA is required to maintain certain restricted deposits and funded reserves for repairs and replacements.

The Park Authority has restricted assets representing the amount of the debt service reserve requirement pertaining to its outstanding revenue bonds.

11. Capital Assets

Capital assets, including land, buildings, improvements, equipment, library collections, purchased capacity, and infrastructure, that individually cost $5,000 and over, with useful lives greater than one year are reported in the proprietary funds and applicable governmental or business-type activities columns in the government-wide financial statements. The County has capitalized general infrastructure assets, including solid waste disposal facilities, storm water management facilities, public drainage systems, mass transportation facilities, commercial revitalization improvements, and public trails and walkways that were acquired or substantially improved subsequent to July 1, 1980. The County does not capitalize roads and bridges as these belong to the Commonwealth of Virginia.

Purchased capacity consists of payments made by the Sewer System under intermunicipal agreements with the District of Columbia Water and Sewer Authority (Blue Plains), UOSA, Alexandria Sanitation Authority (ASA), Arlington County, and Prince William County Service Authority (PWCSA) for the Sewer System's allocated share of improvements to certain specified treatment facilities owned and operated by these jurisdictions.

Purchased capital assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value as of the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Capital Assets	Useful Lives
Infrastructure	10 - 100 years
Sewer lines	50 years
Buildings	30 - 50 years
Purchased capacity	30 years
Improvements	10 - 30 years
Equipment	5 - 15 years
Library collections	5 years

No depreciation is taken in the year of acquisition for infrastructure and library collections; depreciation/amortization on other capital assets commences when the assets are purchased or are substantially complete and ready for use. For constructed assets, all associated costs necessary to bring such assets to the condition and location necessary for their intended use are initially capitalized as construction in progress and are transferred to buildings or improvements when the assets are substantially complete and ready for use.

12. Compensated Absences

All reporting entity employees earn annual leave based on a prescribed formula which allows employees with less than ten years of service to accumulate a maximum of 240 hours and employees with ten years or more of service to accumulate a maximum of 320 hours of annual leave as of the end of each year. In addition, employees, except for Public Schools employees, may accrue compensatory leave for hours worked in excess of

their scheduled hours. Compensatory leave in excess of 240 hours at the end of the year is forfeited.

The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at June 30. The entire liability for compensated absences is reported in the government-wide and proprietary fund statements, whereas, only the matured portion resulting from employee resignations and retirements is reported in the governmental fund statements.

13. Net Assets

Net assets are comprised of three categories: Net assets invested in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the outstanding liquid assets and any associated unamortized costs. Restricted net assets are restricted assets, net of related debt. Net assets which are neither restricted nor related to capital assets, are reported as unrestricted net assets.

The County issues debt to finance the construction of school facilities for the Public Schools and park facilities for the Park Authority component units because Public Schools does not have borrowing or taxing authority and the Park Authority does not have taxing authority. The County reports this debt, whereas the Public Schools and Park Authority report the related capital assets and unspent bond proceeds. As a result, in the Statement of Net Assets (Exhibit A), the debt reduces unrestricted net assets for the primary government, while the capital assets are reported in net assets invested in capital assets, net of related debt and the unspent bond proceeds are reported in restricted net assets for Public Schools and the Park Authority. Because this debt is related to capital assets and restricted assets of the reporting entity as a whole, the debt amount of $984,800,430 is reclassified as shown below to present the total reporting entity column of Exhibit A:

			Reclassification of Debt Issued for:		
Net Assets (summarized)	Primary Government	Component Units	Public Schools Facilities	Park Authority Facilities	Total Reporting Entity
Invested in capital assets, net of related debt	$1,527,415,368	1,747,908,785	(879,420,157)	(89,319,380)	2,306,584,616
Restricted for:					
Capital projects	-	16,060,893	(14,766,420)	(1,294,473)	-
Other	165,657,952	11,667,034	-	-	177,324,986
Unrestricted	(717,637,187)	73,814,464	894,186,577	90,613,853	340,977,707
Total net assets	$ 975,436,133	1,849,451,176	-	-	2,824,887,309

14. Designations of Unreserved Fund Balances

Unreserved fund balances as of June 30, 2002, have the following significant designations:

Designation	Amount
Primary Government	
General Fund:	
Revenue stabilization during periods of economic downturn	$ 27,492,910
Emergency needs and loss of revenue sources through actions of other governments	46,457,565
Special Revenue Funds:	
I-95 Refuse Disposal Fund - Landfill closure and postclosure costs	65,769,732
Energy Resource Recovery Facility Fund - Solid waste disposal	6,600,908
Total - Primary government	$ 146,321,115
Component Unit - Park Authority	
Park Capital Improvement Fund - E.C. Lawrence Park expenditures	$ 1,507,926

15. Recovered Costs

Reimbursements from another government, organization or private company for utilities, tuition fees, vehicle insurance and services rendered or provided to citizens are recorded as recovered costs.

16. Intermunicipal Agreements

The Sewer System has entered into several intermunicipal agreements for the purpose of sharing sewage flow and treatment facility costs (see Note J). The payments made to reimburse operating costs and debt service requirements are recorded as expenses in the year due. Payments made to fund the Sewer System's portion of facility expansion and upgrade costs are capitalized as purchased capacity (see Note K). The Sewer System amortizes these costs over the period in which benefits are expected to be derived, which is generally 30 years.

The City of Fairfax (the City) makes payments to the County for the City's share of governmental services and debt service costs. Payments for governmental services such as court, jail, custody, health, library, and County agent services are recorded as revenue in the General Fund. Debt service payments represent the City's share of principal and interest and are recorded as revenue in the County Debt Service Fund. In addition, the City pays the County a share of the local portion of all public assistance payments and services including related administrative costs, which is recorded as revenue in the General Fund. The City of Falls Church receives its governmental services from Arlington County. However, Falls Church makes payments to Fairfax County for the full cost of the local portion of public assistance payments (including allocated administrative costs) and for the use of special County health facilities by Falls Church residents. These payments are recorded as revenue in the General Fund.

The County and the cities of Fairfax and Falls Church comprise the Fairfax-Falls Church Community Services Board (CSB), established under State mandate in 1969, to provide mental health, mental retardation and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses the County as its fiscal agent. The operations of the CSB, including payments received from these cities for services performed by the County, are reported in a special revenue fund.

17. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

1. Deposits

At June 30, 2002, all of the reporting entity's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act provides for the pooling of collateral pledged 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 name as security for deposits. 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 banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. 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 the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

A summary of the reporting entity's public deposits at June 30, 2002, is as follows:

	Carrying Value	Bank Balance
Primary government	$ 135,858,182	137,134,243
Component units	67,573,271	68,512,822
Total reporting entity	$ 203,431,453	205,647,065

The bank balance above includes the pooled cash account which, for reporting purposes, has been allocated between the primary government and the participating component units. The differences between carrying values and bank balances generally result from checks outstanding and deposits in transit at June 30, 2002.

2. Allowed Investments

Except for its pension funds, under the Virginia Investment of Public Funds Act, the reporting entity is authorized to purchase the following investments:

* Commercial paper
* Money market funds
* Bankers acceptances
* Repurchase agreements
* Medium term corporate notes
* Local government investment pool
* U.S. Treasury and agency securities
* Obligations of the Asian Development Bank
* Obligations of the African Development Bank
* Obligations of the International Bank for Reconstruction and Development
* Obligations of the Commonwealth of Virginia and its instrumentalities
* Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
* Obligations of state and local government units located within other states
* Savings accounts or time deposits in any bank or savings and loan association within the Commonwealth that complies with the Virginia Security for Public Deposits Act

The reporting entity's investment policy requires that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of the securities underlying repurchase agreements is monitored on a daily basis during the year by the reporting entity to ensure compliance with the policy.

3. Pension Fund Investments

The authority to establish pension funds is set forth in the Code of Virginia, which authorizes the following investments for pension funds:

* U.S. Treasury and agency securities
* Obligations of the Commonwealth of Virginia and its instrumentalities
* Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
* Obligations of state and local governmental units located within other states
* Obligations of the International Bank for Reconstruction and Development
* Obligations of the Asian Development Bank
* Obligations of the African Development Bank

In addition, the Code of Virginia provides that the reporting entity may purchase other investments for pension funds (including common and preferred stocks and corporate bonds) that meet the standard of judgment and care set forth in the Code.

Boards of Trustees policies permit the pension funds to lend their securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The pension funds' custodians are the agents in lending the pension funds' domestic and international securities for collateral of 102 and 105 percent, respectively, of the market value of the related security. The custodians receive cash, securities and irrevocable bank letters as collateral. All securities loans can be terminated on demand by either the pension funds or the borrowers. Cash collateral is invested in the lending agents' collective collateral investment pools. The pension funds do not have the ability to pledge or sell securities received as collateral in the absence of borrower default. The relationship between the maturities of the investment pools and the pension funds' loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pools, which the pension funds cannot determine.

The pension funds did not impose any restrictions during the period on the amounts of loans the lending agents made on their behalf, and the agents have agreed to indemnify the pension funds by purchasing replacement securities, or returning the cash collateral thereof, in the event a borrower fails to return loaned securities or pay distributions thereon. There were no such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from the default of a borrower or lending agent. At year end, the pension funds had no credit risk exposure to borrowers because the amounts the pension funds owed the borrower exceeded the amounts the borrowers owed the pension funds.

4. Custodial Credit Risk Categories

The reporting entity's investments are categorized to give an indication of the level of custodial credit risk assumed by the entity as of June 30, 2002. Category 1 includes investments that are insured or registered, or securities held by the reporting entity or its agent in the reporting entity's name. Category 2 includes investments that are uninsured or unregistered, with securities held by the counterparty's trust department or agent in the reporting entity's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the reporting entity's name. Securities lent for securities and irrevocable letters of credit collateral are classified according to the category of the collateral received. All of the reporting entity's investments are Category 1 investments, except for mutual funds, short-term investment funds, securities lending short-term collateral investment pools and investments held under securities loans with cash collateral, which are not categorized because such investments are not evidenced by specific securities.

5. Investments at June 30, 2002

The reporting entity's investments as of June 30, 2002, are summarized below at carrying value:

INVESTMENTS AT JUNE 30, 2002	
Primary Government	
Pooled Investments:	
Bankers acceptances	$ 149,554,877
Commercial paper	320,747,255
U.S. Treasury securities	254,471,568
Repurchase agreements	67,478,275
Total pooled investments	792,251,975
Integrated Sewer System Fund:	
Repurchase agreements	7,701,712
U.S. Treasury securities	16,621,820
Obligations of authorities of the Commonwealth of Virginia	21,418,061
Total Integrated Sewer System Fund	45,741,593
Vienna/Huntington Metrorail Fund:	
Repurchase agreements	2,199,569
Total Vienna/Huntington Metrorail Fund	2,199,569
Resource Recovery Fund:	
Repurchase agreements	8,373,138
U.S. Treasury securities	24,429,514
Total Resource Recovery Fund	32,802,652
Employees' Retirement System Fund:	
Short-Term Investments:	
Certificates of deposits	2,000,329
Time deposits	5,000,000
Commercial paper	76,864,913
Repurchase agreements	49,959,078
Corporate bonds	9,521,869
Asset-backed securities	55,037,426
Government bonds	11,026,633
Common and Preferred Stock - Not on securities loan	538,518,231
U.S. Treasury securities:	
Not on securities loan	13,982,574
On securities loan for letter of credit collateral	560,031
Asset-backed securities - Not on securities loan	214,864,850
Other bonds and notes	139,744,715
Total Employees' Retirement System Fund	1,117,080,649
Police Officers Retirement System Fund:	
Short-Term Investments:	
Time deposits	7,000,000
Repurchase agreements	72,209,304
Corporate bonds	16,878,368
Common and Preferred Stock - Not on securities loan	235,868,439
U.S. Treasury securities:	
Not on securities loan	6,052,174
On securities loan for letter of credit collateral	44,561
Asset-backed securities:	
Not on securities loan	76,151,513
On securities loan for letter of credit collateral	267,150
Other bonds and notes	71,437,005
Total Police Officers Retirement System Fund	$ 485,908,514

INVESTMENTS AT JUNE 30, 2002 (continued)	
Uniformed Retirement System Fund:	
Short-Term Investments:	
Time deposits	$ 3,000,000
Repurchase agreements	30,857,009
Asset-backed securities	5,833,080
Government bonds	998,740
Corporate bonds	7,701,227
Common and Preferred Stock - Not on securities loan	107,018,261
U.S. Treasury securities:	
Not on securities loan	10,817,999
On securities loan for letter of credit collateral	4,450,906
Asset-backed securities:	
Not on securities loan	92,501,660
On securities loan for letter of credit collateral	518,440
Other bonds and notes - Not on securities loan	77,880,596
Total Uniformed Retirement System Fund	341,577,918
Mutual and Short-Term Investment Funds:	
Integrated Sewer System Fund	2,615
Vienna/Huntington Metrorail Fund	5,085,404
Resource Recovery Fund	25,146
Employees' Retirement System Fund	601,935,524
Police Officers Retirement System Fund	83,222,470
Uniformed Retirement System Fund	298,155,781
Total mutual and short-term investment funds	988,426,940
Securities Lending Short-Term Collateral Investment Pools:	
Employees' Retirement System Fund	78,786,454
Police Officers Retirement System Fund	33,811,115
Uniformed Retirement System Fund:	39,257,381
Total securities lending short-term collateral investment pools	151,854,950
Investments Held under Securities Loans with Cash Collateral:	
Employees' Retirement System Fund:	
Common and preferred stock	14,570,828
U.S. Treasury securities	20,652,971
Asset-backed securities	6,635,571
Other bonds and notes	32,490,912
Police Officers Retirement System Fund:	
Common and preferred stock	1,508,809
U.S. Treasury securities	9,509,540
Asset-backed securities	10,110,600
Other bonds and notes	10,801,558
Uniformed Retirement System Fund:	
Common and preferred stock	4,280,962
U.S. Treasury securities	8,189,288
Asset-backed securities	12,345,331
Other bonds and notes	10,432,295
Total investments held under securities loans with cash collateral	141,528,665
Total primary government	$ 4,099,373,425

INVESTMENTS AT JUNE 30, 2002 (continued)

Component Units	
Pooled Investments:	
Bankers acceptances	$ 41,079,208
Commercial paper	88,101,728
U.S. Treasury securities	69,897,355
Repurchase agreements	18,534,695
Total pooled investments	217,612,986
FCRHA - Repurchase agreements	2,693,421
Park Authority - Money Market	2,121,653
Educational Employees' Supplementary Retirement System Fund:	
Investments Not Held under Securities Loans with Cash Collateral:	
Short-Term Investments - Not on securities loan	52,590,942
U.S. Treasury Securities:	
Not on securities loan	6,923,406
On securities loan for securities collateral	942,450
Corporate bonds	123,249,260
Common Stock - Not on securities loan	761,225,327
Preferred stock	2,272,905
Asset-backed securities	160,843,513
Other bonds and notes	72,387,306
Mutual Funds	93,568,935
Money Market	34,910,700
Securities Lending Short-Term Collateral Investment Pool	128,195,137
Total investments not held under securities loans with cash collateral	1,437,109,881
Investments Held under Securities Loans with Cash Collateral:	
Short-term investments	4,273,405
Common and preferred stock	24,324,770
U.S. Treasury securities	79,725,345
Asset-backed securities	2,819,551
Other bonds and notes	13,412,636
Total investments held under securities loans with cash collateral	124,555,707
Total component units	$ 1,784,093,648
Total reporting entity	$ 5,883,467,073

Reconciliation of the Statements of Net Assets to Total Deposits and Investments	Primary Government			Component Units		
	Governmental and Business-Type Activities (Exhibit A)	Fiduciary Funds (Exhibit A-8)	Total Primary Government	Component Units (Exhibit A)	Fiduciary Funds (Exhibit J-9)	Total Component Units
Equity in pooled cash and temporary investments	$ 728,239,986	15,462,406	743,702,392	238,482,679	-	238,482,679
Cash in banks	-	-	-	6,856,581	268,275	7,124,856
Cash with fiscal agents	-	-	-	-	15,349,781	15,349,781
Cash collateral for securities lending	-	151,854,950	151,854,950	-	-	-
Investments	21,418,061	3,109,522,292	3,130,940,353	-	1,561,665,589	1,561,665,589
Restricted Assets:						-
Equity in pooled cash and temporary investmen	183,000,796	-	183,000,796	16,060,893	-	16,060,893
Cash with fiscal agents	925,270	-	925,270	7,444,059	-	7,444,059
Certificate of deposit - performance bonds	481,699	-	481,699	723,988	-	723,988
Investments	24,326,147	-	24,326,147	4,815,074	-	4,815,074
Total cash and investments	$ 958,391,959	3,276,839,648	4,235,231,607	274,383,274	1,577,283,645	1,851,666,919
Total deposits, including performance bonds			135,858,182			67,573,271
Total investments			4,099,373,425			1,784,093,648
Total deposits and investments			$ 4,235,231,607			1,851,666,919

C. PROPERTY TAXES

Real estate is assessed on January 1 each year at the estimated fair market value of all land and improvements. Real estate taxes are due in equal installments, on July 28 and December 5. Unpaid taxes automatically constitute liens on real property which must be satisfied prior to sale or transfer, and after three years, foreclosure proceedings can be initiated.

Personal property taxes on vehicles and business property are based on the estimated fair market value at January 1 each year. The tax on a vehicle may be prorated for the length of time the vehicle has situs in the County. A declaration form is required to be filed, and there is a ten percent penalty for late filing. Personal property taxes together with vehicle decal fees are due on October 5, with certain exceptions. Delinquency notices are sent before statutory measures, such as the seizure of property and the placing of liens on bank accounts and/or wages, are initiated.

Real estate and personal property taxes not paid by the due dates are assessed a ten percent late payment penalty on the tax amount. Furthermore, interest accrues from the first day following the due date at an annual rate of ten percent for the first year and thereafter at the rate set by the Internal Revenue Service. The net delinquent taxes receivable, including interest and penalties, as of June 30, 2002, after allowances for uncollectible amounts, is $20,072,737, of which $2,908,624 has been included in tax revenue for fiscal year 2002 because it was collected within 45 days after June 30.

As required by GAAP, the County reports real estate and personal property taxes (net of allowances) assessed for calendar year 2002 as receivables and deferred revenue because the County has an enforceable legal claim to these resources at June 30, 2002; however, these resources, which amount to $1,794,277,000, will not be available to the County until fiscal year 2003.

The 1998 Virginia General Assembly enacted the Personal Property Tax Relief Act to provide property tax relief, scheduled to be phased in over five years, on the first $20,000 of value of motor vehicles not used for business purposes. Due to budget constraints, the 2002 Virginia General Assembly has temporarily frozen the tax reduction at 70 percent. The scheduled tax reductions are reflected in the County's invoices to the taxpayers. Following receipt by the County of the reduced tax amounts, the Commonwealth reimburses the County for the tax reductions plus certain administrative costs. For fiscal year 2002, payments from the Commonwealth totaling $188,573,375 are reported as intergovernmental revenue in the General Fund.

D. RECEIVABLES

Receivables and allowances for uncollectible receivables of the primary government at June 30, 2002, consist of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total (Exhibit A)	Fiduciary Funds	Total Primary Government
Receivables:							
Accounts	$ 10,339,068	17,081,439	-	311,450	27,731,957	43,295	27,775,252
Accrued interest	249,495	331,347	111,100	15,899	707,841	14,568,546	15,276,387
Property taxes:							
Delinquent	44,193,405	-	-	-	44,193,405	-	44,193,405
Not yet due	1,607,769,014	7,538,000	-	-	1,615,307,014	-	1,615,307,014
Business license taxes - delinque	6,591,036	-	-	-	6,591,036	-	6,591,036
Receivable from sale of pension investments	-	-	-	-	-	90,245,405	90,245,405
Notes	-	5,667,848	-	-	5,667,848	-	5,667,848
Other	-	-	-	-	45,041 *	-	45,041
Total receivables	1,669,142,018	30,618,634	111,100	327,349	1,700,244,142	104,857,246	1,805,101,388
Allowances for uncollectibles:							
Accounts receivable	-	281,781	-	-	281,781	-	563,562
Property taxes:					-		
Delinquent	24,120,668	-	-	-	24,120,668	-	48,241,336
Not yet due	6,369,000	-	-	-	6,369,000	-	12,738,000
Business license taxes - delinque	4,172,132	-	-	-	4,172,132	-	8,344,264
Total allowances for uncollectibles	34,661,800	281,781	-	-	34,943,581	-	69,887,162
Total net receivables	$ 1,634,480,218	30,336,853	111,100	327,349	1,665,300,561	104,857,246	1,735,214,226

* The other receivables amount represents the amount due from fiduciary funds on a government-wide basis.

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2002, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2001	$ 4,949,394	12,810,203	17,759,597
2000	1,440,986	4,543,769	5,984,755
1999	693,974	3,645,008	4,338,982
Prior Years	2,040,974	7,495,264	9,536,238
Total delinquent taxes	9,125,328	28,494,244	37,619,572
Penalty and interest			6,573,833
Total delinquent taxes, penalty and interest			44,193,405
Allowances for uncollectibles			24,120,668
Net delinquent tax receivables			$ 20,072,737

Receivables of the component units, excluding fiduciary funds, at June 30, 2002, consist of the following:

	Public Schools	FCRHA	Park Authority	Total
Receivables:				
Accounts	$ 7,073,691	1,945,668	37,469	9,056,828
Accrued interest	57,959	47,337	8,016	113,312
Notes	-	9,182,434	-	9,182,434
Mortgages	-	56,202	-	56,202
Other	-	1,653,470	-	1,653,470
Total receivables	7,131,650	12,885,111	45,485	20,062,246
Allowances for uncollectibles	-	2,368,344	-	2,368,344
Total net receivables	$ 7,131,650	10,516,767	45,485	17,693,902

Amounts due to the primary government and component units from other governmental units at June 30, 2002, include:

	Primary Government						Component Unit	
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total (Exhibit A)	Fiduciary Funds	Total	Public Schools	Total Reporting Entity
Federal government	$ 2,774,402	7,944,444	161,512	10,880,358	-	21,760,716	18,669,906	40,430,622
State government:				-				
Property taxes:				-				
Delinquent	10,802,775	-	-	10,802,775	-	21,605,550	-	21,605,550
Allowance for uncollectibles	(5,596,681)	-	-	(5,596,681)	-	(11,193,362)	-	(11,193,362)
Not yet due	177,486,300	-	-	177,486,300	-	354,972,600	-	354,972,600
Allowance for uncollectibles	(5,786,100)	-	-	(5,786,100)	-	(11,572,200)	-	(11,572,200)
Other	30,001,557	6,141,939		36,143,496	34,447	72,321,439	15,241,736	87,563,175
Local governments	1,003,290	987,965	18,470,944	20,462,199	-	40,924,398	71,893	40,996,291
Total governmental units	$ 210,685,543	15,074,348	18,632,456	244,392,347	34,447	488,819,141	33,983,535	522,802,676

E. INTERFUND BALANCES AND TRANSFERS

Payments for fringe benefits are made through the General Fund on behalf of all funds of the County. As a result, interfund payables primarily represent the portion of fringe benefits to be paid by certain other funds to the General Fund. Interfund receivables and payables are also recorded when funds overdraw their share of pooled cash. All amounts are expected to be paid within one year. The composition of interfund balances as of June 30, 2002, is as follows:

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund	$ 4,367,200	-
Nonmajor Governmental Funds	-	3,608,213
Enterprise Fund	-	126,958
Internal Service Funds	187,637	774,625
Fiduciary Funds	-	45,041
Total primary government	$ 4,554,837	4,554,837
Component Unit		
Public Schools:		
General Fund	$ 5,400,000	-
Nonmajor Governmental Funds	-	3,700,000
Internal Service Funds	-	1,700,000
Total component units	$ 5,400,000	5,400,000

Due to/from primary government and component units represent amounts paid by one entity on behalf of the other entity. Due to/from primary government and component units as of June 30, 2002, are as follows:

Receivable Entity	Payable Entity	Amount
Component Units	**Primary Government**	
Public Schools	General Fund	$ 81,235
	Government-wide long-term obligation	6,485,456
Park Authority	General Fund	1,005,946
	Nonmajor Governmental Funds	248,176
EDA	General Fund	103,822
	Total	$ 7,924,635
Primary Government	**Component Unit**	
Nonmajor Governmental Funds	FCRHA	$ 1,591,703

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2002, are as follows:

	Transfers In	Transfers Out
Primary Government		
General Fund	$ 4,614,594	341,424,523
Nonmajor Governmental Funds	343,909,898	6,854,969
Internal Service Funds	2,755,000	3,000,000
Total primary government	$ 351,279,492	351,279,492
Component Unit		
Public Schools:		
General Fund	$ 1,516,947	26,101,844
Nonmajor Governmental Funds	25,832,938	-
Internal Service Funds	268,906	1,516,947
Park Authority:		
Nonmajor Governmental Funds	1,379,575	1,379,575
Total component units	$ 28,998,366	28,998,366

F. CAPITAL ASSETS

The primary government has restated the balances of capital assets at July 1, 2001, to include infrastructure assets and library collections in connection with its implementation of Governmental Accounting Standards Board Statement No. 34 (see also Note L). In addition, the primary government reclassified certain capital assets and removed certain maintenance and landfill closure expenditures that were improperly classified as capital assets in prior years.

As a result, the capital asset balances for the governmental activities of the primary government were restated as follows:

Total capital assets, net, July 1, 2001, as previously reported	$ 1,154,198,398
Infrastructure assets, net, and library collections, net, not previously reported as capital assets	312,566,693
Other adjustments, net	(157,988,795)
Total capital assets, net, July 1, 2001, as restated	$ 1,308,776,296

Capital assets activity for the primary government for the year ended June 30, 2002, is as follows:

	Balances July 1, 2001, as restated	Increases	Decreases	Balances June 30, 2002
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 319,542,863	16,246,729	(10,343,751)	325,445,841
Construction in progress	27,768,043	45,671,964	(21,317,559)	52,122,448
Total capital assets, not being depreciated	347,310,906	61,918,693	(31,661,310)	377,568,289
Capital assets, being depreciated:				
Buildings	669,886,363	37,226,769	(16,310,489)	690,802,643
Improvements	58,828,352	78,515	-	58,906,867
Equipment	192,065,758	28,902,920	(7,218,959)	213,749,719
Infrastructure	365,147,656	11,404,712	-	376,552,368
Library collections	27,841,600	5,616,968	-	33,458,568
Total capital assets, being depreciated	1,313,769,729	83,229,884	(23,529,448)	1,373,470,165
Less accumulated depreciation for:				
Buildings	(141,796,637)	(15,119,224)	1,081,010	(155,834,851)
Improvements	(20,761,179)	(2,462,469)	-	(23,223,648)
Equipment	(109,323,960)	(27,269,721)	3,826,090	(132,767,591)
Infrastructure	(70,800,720)	(9,308,384)	-	(80,109,104)
Library collections	(9,621,843)	(5,568,320)	-	(15,190,163)
Total accumulated depreciation	(352,304,339)	(59,728,118)	4,907,100	(407,125,357)
Total capital assets, being depreciated, net	961,465,390	23,501,766	(18,622,348)	966,344,808
Total capital assets, net - Governmental activities	1,308,776,296	85,420,459	(50,283,658)	1,343,913,097
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	17,383,765	-	(37,685)	17,346,080
Construction in progress	100,995,040	20,362,928	(3,679,360)	117,678,608
Total capital assets, not being depreciated/amortized	118,378,805	20,362,928	(3,717,045)	135,024,688
Capital assets, being depreciated/amortized:				
Buildings	55,221,333	-	-	55,221,333
Improvements	673,339,156	12,259,856	-	685,599,012
Equipment	7,986,091	1,693,274	(326,186)	9,353,179
Purchased capacity	494,320,042	43,545,699	-	537,865,741
Total capital assets, being depreciated/amortized	1,230,866,622	57,498,829	(326,186)	1,288,039,265
Less accumulated depreciation/amortization for:				
Buildings	(23,141,433)	(1,128,895)	-	(24,270,328)
Improvements	(252,283,405)	(15,733,976)	-	(268,017,381)
Equipment	(5,899,458)	(991,825)	319,940	(6,571,343)
Purchased capacity	(34,060,948)	(5,618,542)	-	(39,679,490)
Total accumulated depreciation/amortization	(315,385,244)	(23,473,238)	319,940	(338,538,542)
Total capital assets, being depreciated/amortized,	915,481,378	34,025,591	(6,246)	949,500,723
Total capital assets, net - Business-type activities	1,033,860,183	54,388,519	(3,723,291)	1,084,525,411
Total capital assets, net - Primary government	$ 2,342,636,479	139,808,978	(54,006,949)	2,428,438,508

The Public Schools component unit also restated the balances of capital assets at July 1, 2001, to include library collections and accumulated depreciation in accordance with its implementation of Governmental Accounting Standards Board Statement No. 34 (see also Note L). As a result, the capital asset balances for Public Schools were restated as follows:

Total capital assets, July 1, 2001, as previously reported	$ 1,741,944,093
Library collections, not previously reported as capital assets	17,348,989
Accumulated depreciation, not previously reported	(509,913,297)
Total capital assets, net, July 1, 2001, as restated	$ 1,249,379,785

Capital assets activity for component units for the year ended June 30, 2002, is as follows:

	Balances July 1, 2001, as restated	Increases	Decreases	Balances June 30, 2002
Component Units				
Public Schools				
Capital assets, not being depreciated:				
Land	$ 41,421,804	11,525,152	(9,536,419)	43,410,537
Construction in progress	225,664,151	181,012,730	(105,828,356)	300,848,525
Total capital assets, not being depreciated	267,085,955	192,537,882	(115,364,775)	344,259,062
Capital assets, being depreciated:				
Buildings	901,026,196	15,935,254	(179,834,387)	737,127,063
Improvements	454,439,520	249,384,707	(2,060,082)	701,764,145
Equipment	119,392,422	20,450,452	(10,587,006)	129,255,868
Library collections	17,348,989	3,329,299	-	20,678,288
Total capital assets, being depreciated	1,492,207,127	289,099,712	(192,481,475)	1,588,825,364
Less accumulated depreciation for:				
Buildings	(269,733,766)	(14,463,111)	-	(284,196,877)
Improvements	(169,649,911)	(25,808,569)	-	(195,458,480)
Equipment	(64,329,382)	(10,797,272)	8,122,307	(67,004,347)
Library collections	(6,200,238)	(3,469,798)	-	(9,670,036)
Total accumulated depreciation	(509,913,297)	(54,538,750)	8,122,307	(556,329,740)
Total capital assets, being depreciated, net	982,293,830	234,560,962	(184,359,168)	1,032,495,624
Total capital assets, net - Public Schools	1,249,379,785	427,098,844	(299,723,943)	1,376,754,686
FCRHA				
Capital assets, not being depreciated:				
Land	29,156,983	941,483	-	30,098,466
Construction in progress	9,213,833	3,669,517	(1,941,224)	10,942,126
Total capital assets, not being depreciated	38,370,816	4,611,000	(1,941,224)	41,040,592
Capital assets, being depreciated:				
Buildings and improvements	136,583,074	9,865,861	-	146,448,935
Equipment	5,158,731	57,843	(2,865,503)	2,351,071
Total capital assets, being depreciated	141,741,805	9,923,704	(2,865,503)	148,800,006
Less accumulated depreciation for:				
Buildings and improvements	(54,971,212)	(5,036,727)	-	(60,007,939)
Equipment	(2,325,601)	(65,514)	-	(2,391,115)
Total accumulated depreciation	(57,296,813)	(5,102,241)	-	(62,399,054)
Total capital assets, being depreciated, net	84,444,992	4,821,463	(2,865,503)	86,400,952
Total capital assets, net - FCRHA	$ 122,815,808	9,432,463	(4,806,727)	127,441,544

	Balances July 1, 2001, as restated	Increases	Decreases	Balances June 30, 2002
Component Units (continued)				
Park Authority				
Capital assets, not being depreciated:				
Land	$ 161,221,642	85,662,890	(11,829)	246,872,703
Construction in progress	3,445,309	9,721,119	(4,860,621)	8,305,807
Total capital assets, not being depreciated	164,666,951	95,384,009	(4,872,450)	255,178,510
Capital assets, being depreciated:				
Buildings and improvements	169,419,117	7,506,482	-	176,925,599
Equipment	11,155,963	532,483	(98,699)	11,589,747
Total capital assets, being depreciated	180,575,080	8,038,965	(98,699)	188,515,346
Less accumulated depreciation for:				
Buildings and improvements	(81,658,928)	(4,951,137)	-	(86,610,065)
Equipment	(7,505,114)	(1,172,801)	98,699	(8,579,216)
Total accumulated depreciation	(89,164,042)	(6,123,938)	98,699	(95,189,281)
Total capital assets, being depreciated, net	91,411,038	1,915,027	-	93,326,065
Total capital assets, net - Park Authority	256,077,989	97,299,036	(4,872,450)	348,504,575
EDA				
Capital assets, being depreciated - Equipment	13,141	-	(6,139)	7,002
Less accumulated depreciation - Equipment	(8,940)	(1,400)	6,139	(4,201)
Total capital assets, net - EDA	4,201	(1,400)	-	2,801
Total capital assets, net - Component units	$ 1,628,277,783	533,828,943	(309,403,120)	1,852,703,606

Depreciation and amortization expense for the year ended June 30, 2002, charged to the functions of the primary government and component units is as follows:

	Primary Government	Component Units	Total Reporting Entity
Primary Government:			
General government administration	$ 17,199,553	-	17,199,553
Judicial administration	1,426,212	-	1,426,212
Public safety	8,903,954	-	8,903,954
Public works	34,438,093	-	34,438,093
Health and welfare	2,440,214	-	2,440,214
Community development	11,383,394	-	11,383,394
Parks, recreation and cultural	7,409,936	-	7,409,936
Component Units:			
Public Schools	-	54,538,750	54,538,750
FCRHA	-	5,102,241	5,102,241
Park Authority	-	6,123,938	6,123,938
EDA	-	1,400	1,400
Total depreciation and amortization expense	$ 83,201,356	65,766,329	148,967,685

G. RETIREMENT PLANS

The reporting entity administers the following four separate public employee retirement systems that provide pension benefits for various classes of employees; in addition, professional employees of Public Schools participate in a plan sponsored and administered by the Virginia Retirement System (VRS).

1. Fairfax County Employees' Retirement System

Plan Description

The Fairfax County Employees' Retirement System (ERS) is a cost-sharing multiple-employer defined benefit pension plan which covers only employees of the reporting entity. The plan covers full-time and certain part-time employees of the reporting entity who are not covered by other plans of the reporting entity or the VRS. Information regarding membership in the ERS is disclosed in item 6 of this note.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, or (b) attain the age of 50 with age plus years of creditable service being greater than or equal to 80. 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. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. 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.

The ERS 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 ERS members are established and may be amended by County ordinances. Members may elect to join Plan A or Plan B. Plan A requires member contributions of 4.0 percent of compensation up to the Social Security wage base and 5.33 percent of compensation in excess of the wage base. Plan B requires member contributions of 5.33 percent of compensation. The reporting entity is required to contribute at an actuarially determined rate; the fiscal year 2002 rate is 6.12 percent of annual covered payroll.

Annual Pension Cost

For the years ended June 30, 2002, 2001 and 2000, the County's and Public Schools' annual pension costs were equal to their required and actual contributions, as follows:

	Annual Pension Costs for Years Ended June 30		
	2002	2001	2000
Primary Government	$ 22,800,675	21,993,157	19,912,422
Public Schools	8,283,130	7,967,827	7,221,173
Total	$ 31,083,805	29,960,984	27,133,595

The required contributions for fiscal year 2002 were determined as part of the July 1, 2000 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.3 to 5.4 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of ERS's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. ERS's excess of assets is being amortized as a level percentage of projected payroll on a rolling fifteen-year weighted-average basis. On a weighted-average basis, the remaining amortization period, which is closed as of July 1, 2001, is 16.35 years.

Concentrations

The ERS 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 assets held in trust for pension benefits.

2. Fairfax County Police Officers Retirement System

Plan Description

The Fairfax County Police Officers Retirement System (PORS) is a legally separate single-employer defined benefit pension plan established under the Code of Virginia. The plan covers County police officers who are not covered by other plans of the reporting entity or the VRS and former Park Police officers who elected to transfer to the PORS from the Uniformed Retirement System effective January 22, 1983. Information regarding membership in the PORS is disclosed in item 6 of this note.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement, an individual must meet the following criteria: (a) if employed before July 1, 1981; attained the age of 55 or completed 20 years of creditable service, or (b) if employed on or after July 1, 1981; attained the age of 55 or completed 25 years of creditable service. The normal retirement benefit is calculated using average final compensation and years (or partial years) of creditable service at date of termination. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. 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. To be eligible for early retirement, the employee must have 20 years of creditable service (does not apply if hired before July 1, 1981). The benefit for early retirement is actuarially reduced and payable at early termination.

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

Funding Policy

The contribution requirements of PORS members are established and may be amended by County ordinances. Member contributions are based on 12.0 percent of compensation. The County is required to contribute at an actuarially determined rate; the fiscal year 2002 rate is 21.79 percent of annual covered payroll.

Annual Pension Cost

For each of the years ended June 30, 2002, 2001, and 2000, the County's annual pension cost of $15,077,920, $17,149,427, and $11,950,073, respectively, was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2000 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.5 to 8.0 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of the PORS's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PORS's excess of assets is being amortized as a level percentage of projected payroll on a thirty-year basis. On a weighted-average basis, the remaining amortization period, which is closed at July 1, 2001, is 3.56 years.

Concentrations

The PORS 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 assets held in trust for pension benefits.

3. Fairfax County Uniformed Retirement System

Plan Description

The Fairfax County Uniformed Retirement System (URS) is a single-employer defined benefit pension plan. The plan covers uniformed employees including non-clerical employees of the Fire and Rescue Department and Office of Sheriff, Park Police, Helicopter Pilots, Animal Wardens and Game Wardens who are not covered by other plans of the reporting entity or the VRS. Information regarding membership in the URS is disclosed in item 6 of this note.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement an individual must meet the following criteria: (a) attain the age of 55 with six years of creditable service, or (b) complete 25 years of creditable service. The normal retirement benefit is calculated using average final compensation and years (or partial years) of creditable service at date of termination. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. 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. To be eligible for early retirement employees must have 20 years of creditable service. The benefit for early retirement is actuarially reduced and payable at early termination.

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

Funding Policy

The contribution requirements of URS members are established and may be amended by County ordinances. Plan A members were given the opportunity to enroll in Plan B as of July 1, 1981 and to enroll in Plan C as of April 1, 1997. From July 1, 1981 through March 31, 1997, all new hires were enrolled in Plan B. Plan B members were given the opportunity to enroll in Plan D as of April 1, 1997. From April 1, 1997 forward all new hires are enrolled in Plan D. Plan A requires member contributions of 4.0 percent of compensation up to the Social Security wage base and 5.75 percent of compensation in excess of the wage base. Plan B requires member contributions of 7.08 percent of compensation up to the Social Security wage base and 8.83 percent of compensation in excess of the wage base. Plan C requires member contributions of 4.0 percent of compensation. Plan D requires contributions of 7.08 percent of compensation. The County is required to contribute at an actuarially determined rate; the fiscal year 2002 rate is 18.93 percent of annual covered payroll.

Annual Pension Cost

For each of the years ended June 30, 2002, 2001, and 2000, the County's annual pension cost of $18,778,608, $18,818,351, and $16,489,406, respectively, was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2000 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.1 to 6.1 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of URS's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. URS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a rolling fifteen-year basis. The weighted average remaining amortization period, which is closed at July 1, 2001, is 15 years.

Concentrations

The URS 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 assets held in trust for pension benefits.

4. Educational Employees' Supplementary Retirement System of Fairfax County

Plan Description

The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is a legally separate single-employer retirement system established under the Code of Virginia. The ERFC covers all full-time educational and civil service employees who are employed by the Public Schools and who are not covered by other plans of the reporting entity. The ERFC contains two plans, ERFC and ERFC 2001. ERFC is the original defined benefit plan effective July 1, 1973 and remains in effect. It is, however, closed to new members. Effective July 1, 2001, all new-hire full-time educational and civil service employees are enrolled in the ERFC 2001 plan. This new defined benefit plan incorporates a streamlined stand-alone retirement benefit and allows vested (after five years) members to have a one-time irrevocable option of transferring to a new defined contribution plan. The details of the new defined contribution plan are still being developed and will be incorporated into the plan document when finalized.

The ERFC and ERFC 2001 plans provide retirement, disability, and death benefits to plan members and their beneficiaries. Annual post-retirement increases of 3.0 percent are effective each March 31. All benefits vest after five years of creditable service. Benefit provisions are established and may be amended by the Fairfax County Public School Board. The ERFC plan supplements the Virginia Retirement System plan. The benefit

structure is designed to provide a level retirement benefit through a combined ERFC/VRS benefit structure. The ERFC 2001 plan has a stand-alone structure. Member contributions for the ERFC and ERFC 2001 plans are made through an arrangement which results in a deferral of taxes on the contributions. Further analysis of member contributions may be found in Article III of the ERFC and ERFC 2001 Plan Documents.

The ERFC and ERFC 2001 plans are divided into 12 types of benefit payments. Minimum eligibility conditions for receipt of full benefits range from members attaining the age of 55 with 25 years of creditable service to completing five years of creditable service prior to age 65. A description of each of the 12 types of benefits payments is contained in the actuarial valuation at June 30, 2001. Total plan membership for the plans is disclosed in item 6 of this note.

The ERFC issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Educational Employees' Supplementary Retirement System, 8001 Forbes Place, Springfield, VA 22151.

Funding Policy

The contribution requirements for ERFC and ERFC 2001 members are established and may be amended by the ERFC Board of Trustees. All members are required to contribute 2.0 percent of their covered salaries. The employer is required to contribute at an actuarially determined rate. For fiscal year 2002, the Public Schools is required to contribute 3.69 percent of annual covered payroll for educational employees and civil service employees.

Annual Pension Cost

For each of the years ended June 30, 2002, 2001, and 2000, the Public Schools' annual pension cost of $30,849,067, $29,145,883, and $35,655,898, respectively, was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.0 to 8.2 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of the ERFC's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. ERFC's excess of assets is being amortized as a level percentage of projected payroll over a period of future years, which has never exceeded 30 years. The remaining amortization period, which is closed at June 30, 2001, was 30 years.

Concentrations

The ERFC plans do 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 assets available for benefits.

5. Virginia Retirement System

Plan Description

The Public Schools contributes to the Virginia Retirement System (VRS) on behalf of covered professional Public Schools employees. VRS is a cost-sharing multiple-employer public employee defined benefit pension plan administered by the Commonwealth of Virginia for its political subdivisions. All full-time, salaried permanent employees of participating employers must participate in the VRS.

In accordance with the requirements established by State statute, the VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The VRS issues a publicly available annual report that includes financial statements and required supplementary information for the VRS. This report can be obtained by writing the Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by State statute to contribute 5.0 percent of their annual covered salary to the VRS. If a plan member leaves covered employment, the accumulated contributions plus interest earned may be refunded. In accordance with State statute, the Public Schools is required to contribute at an actuarially determined rate. The rate for fiscal year 2002 was 3.6 percent of annual creditable compensation. State statute may be amended only by the Commonwealth of Virginia Legislature. The Public Schools' contributions to the VRS for the years ended June 30, 2002, 2001 and 2000 were $30,939,858, $60,201,616, and $73,823,688, respectively, equal to the required contributions for each year.

6. Current Plan Membership

At June 30, 2001, the date of the latest actuarial valuations, membership in the reporting entity's plans consisted of:

	Primary Government			Component Unit - Public Schools
	Employees' Retirement System	Police Officers Retirement System	Uniformed Retirement System	Educational Employees' Supplementary Retirement System
Retirees and beneficiaries receiving benefits	3,974	631	636	5,766
Terminated employees entitled to, but not yet receiving, ben	409	4	18	1,157
Active employees	13,849	1,169	1,620	15,955
Total number of plan members	18,232	1,804	2,274	22,878

7. Required Supplementary Information

Pension trend data, including the schedule of funding progress and the schedule of employer contributions, can be found in the required supplementary information section immediately following the notes to the financial statements.

H. RISK MANAGEMENT

The reporting entity is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The County and the Public Schools maintain self-insurance internal service funds for workers' compensation claims and certain property and casualty risks and for health insurance benefits. The County and Public Schools believe that it is more cost effective to manage certain risks internally rather than purchase commercial insurance. The Park Authority, EDA and FCRHA participate in the County's self-insurance program. Participating funds and agencies are charged "premiums" which are computed based on relevant data coupled with actual loss experience applied on a retrospective basis. Liabilities are reported in the self-insurance 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. Because actual claims liabilities depend on such complex factors as inflation, changes in governing laws and standards, and court awards, the process used in computing claims liabilities is reevaluated periodically, to include an annual actuarial study, to take into consideration the history, frequency and severity of recent claims and other economic and social factors. These liabilities are computed using a combination of actual claims experience and actuarially determined amounts and include any specific, incremental claim adjustment expenses and estimated recoveries.

The claims liabilities in the self-insurance funds are discounted at 5.5 percent at June 30, 2002 and 2001, to reflect anticipated investment income. Changes in the balances of claims liabilities during fiscal years 2002 and 2001 are as follows:

	Internal Service Funds			
	Primary Government		Component Unit - Public Schools	
	Self-Insurance	Health Benefits	Insurance	Health Benefits
Liability balances, June 30, 2000	$ 16,107,277	3,457,592	18,854,999	7,640,694
Claims and changes in estimates	8,854,630	35,100,692	4,483,453	103,027,936
Claims payments	(6,157,349)	(34,366,140)	(4,377,586)	(100,629,497)
Liability balances, June 30, 2001	18,804,558	4,192,144	18,960,866	10,039,133
Claims and changes in estimates	7,391,885	42,719,119	2,032,032	113,611,060
Claims payments	(6,799,596)	(40,610,994)	(4,991,539)	(110,564,127)
Liability balances, June 30, 2002	$ 19,396,847	6,300,269	16,001,359	13,086,066

In addition to the self-insurance program, commercial property insurance is carried for buildings and contents plus certain large and costly items such as fire apparatus and helicopters. Excess liability and workers' compensation insurance policies are maintained for exposures above a $1,000,000 self-insured retention. Settled claims have not exceeded any of these commercial coverages in any of the past three fiscal years.

I. LONG-TERM OBLIGATIONS

The following is a summary of changes in the government-wide long-term obligations of the reporting entity for the year ended June 30, 2002:

Summary of Long-Term Obligations (000)

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	$ 1,441,279	258,935	180,568	1,519,646	129,870
Premium on bonds payable	-	5,025	-	5,025	494
Deferred amount on refundings	-	(2,227)	-	(2,227)	(186)
Revenue bonds payable	110,485	-	3,835	106,650	4,030
Special assessment debt with governmental commitment	600	-	75	525	75
State Literary Fund loans	409	-	89	320	90
Compensated absences payable	66,172	46,399	40,013	72,558	44,228
Landfill closure and postclosure obligation	52,111	13,878	219	65,770	16,393
Obligations under capital leases	22,913	33,641	5,596	50,958	9,133
Insurance and benefit claims payable	22,997	50,111	47,411	25,697	13,263
Obligations for claims and judgments	1,419	-	1,219	200	200
Obligation to component unit	8,106	-	1,621	6,485	1,621
Total governmental activities - Primary government	1,726,491	405,762	280,646	1,851,607	219,211
Business-type activities - Sewer System					
Sewer revenue bonds payable:					
Principal amount of bonds payable	442,583	50,000	8,061	484,522	10,249
Discount on bonds payable	(990)	-	(64)	(926)	(64)
Compensated absences payable	1,753	989	1,069	1,673	1,054
Total business-type activities - Primary government	443,346	50,989	9,066	485,269	11,239
Total long-term liabilities - Primary government	$ 2,169,837	456,751	289,712	2,336,876	230,450
Component Units					
Public Schools					
Compensated absences payable	$ 23,210	13,434	14,148	22,496	13,722
Obligations under capital leases	22,656	23,441	18,416	27,681	7,537
Insurance and benefit claims payable	29,000	115,643	115,556	29,087	17,013
Total Public Schools	74,866	152,518	148,120	79,264	38,272
FCRHA					
Revenue bonds payable	12,745	960	1,733	11,972	297
Notes payable	60,157	11,117	3,577	67,697	6,491
Public housing loans	1,922	-	119	1,803	124
Compensated absences payable	852	508	520	840	382
Total FCRHA	75,676	12,585	5,949	82,312	7,294
Park Authority					
Revenue bonds payable:					
Principal amount of bonds payable	12,720	13,015	12,000	13,735	505
Discount on bonds payable	-	(94)	-	(94)	(5)
Deferred amount on refundings	-	(895)	-	(895)	(50)
Revenue notes payable	14,881	16,065	14,881	16,065	16,065
Compensated absences payable	3,417	2,293	2,037	3,673	2,122
Total Park Authority	31,018	30,384	28,918	32,484	18,637
EDA					
Compensated absences payable	136	112	118	130	104
Total long-term liabilities - Component units	$ 181,696	195,599	183,105	194,190	64,307
Total long-term liabilities - Reporting entity	$ 2,351,533	652,350	472,817	2,531,066	294,757

Compensated absences, capital leases and installment purchases, obligation to component unit, and claims and judgments for the primary government will be liquidated by the General Fund and other governmental funds. The sanitary landfill closure and postclosure obligation will be liquidated by the Energy Resource Recovery Facility Fund, a special revenue fund.

1. General Obligation Bonds

General obligation bonds have been issued to provide funding for long-term capital improvements. In addition, they have been issued to refund outstanding general obligation bonds when market conditions enabled the County to achieve significant reductions in its debt service payments. Such bonds are direct obligations of the County, and the full faith and credit of the County are pledged as security. The County is required to submit to public referendum for authority to issue general obligation bonds. At June 30, 2002, the amount of such bonds authorized and unissued is summarized as follows:

Bond Purpose	Amount (000)
School improvements	$ 510,430
Transportation improvements	57,460
Parks and park facilities	47,900
Commercial and redevelopment area improveme	20,580
Neighborhood improvements	2,820
Human services facilities	1,185
Storm drainage improvements	4,660
Adult detention facilities	8,520
Public safety facilities	75,920
Juvenile detention facilities	1,050
Total authorized but unissued bonds	$ 730,525

The Commonwealth of Virginia does not impose a legal limit on the amount of general obligation indebtedness which the County can incur or have outstanding. The Board of Supervisors, however, has self-imposed bond limits which provide that the County's net debt will not exceed three percent of the total market value of taxable real and personal property in the County. In addition, the annual debt service will not exceed ten percent of the annual combined General Fund disbursements. As a financial guideline, the Board of Supervisors also follows a self-imposed limitation in total general obligation bond sales of $1 billion over a five-year period or an average of $200 million annually, with a maximum of $225 million in any given year. All self-imposed bond limits have been complied with at June 30, 2002.

On June 13, 2002, the County issued $258,935,000 of Series 2002A General Obligation Public Improvement and Refunding Bonds dated June 1, 2002, with an average coupon interest rate of 4.61 percent. Of this total, $60,935,000 were issued to currently refund $20,155,000 of outstanding Series 1992B Bonds with an average coupon interest rate of 5.93 percent and to advance refund $39,960,000 of outstanding Series 1995A Bonds with an average coupon interest rate of 5.43 percent. Proceeds of $62,561,378 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow fund to provide for the resources to redeem the Series 1992B and 1995A Bonds on July 18, 2002, and June 1, 2003, respectively. The reacquisition prices exceeded the net

carrying amounts of the refunded bonds by $2,226,614, and this amount is being amortized over the remaining life of the refunded bonds. The County refunded these bonds to reduce its total debt service payments over the next 13 years by approximately $3.8 million and to obtain an economic gain (the difference between present values of the debt service payments on the old and new debt) of approximately $3.3 million.

Detailed information regarding the general obligation bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

2. Lease Revenue Bonds

In March 1994, the EDA issued $116,965,000 of lease revenue bonds to finance the County's acquisition of certain land and office buildings adjacent to its main government center. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on the bonds, the related transactions, including the liability for the bonds, have been recorded in the County's financial statements and not in those of EDA. Neither the bonds nor the related payment responsibility of the County is a general obligation debt of the County, and the full faith and credit of the County is not pledged to the bonds for such payment responsibility.

In October 1996, the FCRHA issued $6,390,000 of lease revenue bonds to finance the construction/renovation of two community center buildings. In December 1998, the FCRHA issued $5,500,000 of lease revenue bonds to finance the renovation and expansion of a third community center building. Also, in May 1999, the FCRHA issued $1,000,000 of lease revenue bonds to finance the construction of an adult day health care center to serve County residents. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest of these bonds, the related transactions, including the liability for these bonds, have been recorded in the County's financial statements and not in those of the FCRHA. Neither these bonds nor the related payment responsibility of the County is a general obligation debt of the County, and the full faith and credit of the County is not pledged to these bonds for such payment responsibility.

Detailed information regarding the lease revenue bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

3. Special Assessment Bonds

In July 1988, Small District One of the Dranesville District issued $1.5 million of serial bonds to provide funds for the expansion and renovation of the McLean Community Center. These bonds are general obligations of the respective District, and the Board of Supervisors is obligated, in each year in which any of these bonds shall be outstanding, to levy and collect an ad valorem tax on all real property in each District subject to taxation to provide funds for the payment of debt service on the bonds. However, these bonds are not general obligations of the County, and the full faith and credit of the County are not pledged as security for any of these bonds.

Detailed information regarding the special assessment bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

4. Sewer Revenue Bonds

In May 1993, the Sewer System issued of $72,100,000 of Series 1993 Sewer Revenue Refunding Bonds, with an average interest rate of 5.39 percent, to advance refund $64,500,000 of Series 1986 Sewer Revenue Bonds. The Series 1993 Refunding Bonds consists of $41,220,000 of serial bonds bearing an average interest rate of 4.86 percent, $22,395,000 of 5.5 percent term bonds due November 15, 2013, and $8,485,000 of 5.65 percent term bonds due November 15, 2015. The term bonds are subject to mandatory sinking fund redemption in varying amounts over fiscal years 2011 through 2016.

In July 1996, the Sewer System issued $104,000,000 of sewer revenue bonds with an average interest rate of 5.8 percent to fund plant expansion of the wastewater treatment facilities at the County's Noman Cole Pollution Control Plant and other system improvements. These Series 1996 bonds consist of $29,860,000 of serial bonds bearing an interest rate of 5.625 percent, $13,725,000 of 5.7 percent term bonds due July 15, 2017, $22,555,000 of 5.8 percent term bonds due July 15, 2022 and $37,860,000 of 5.875 percent term bonds due July 15, 2028. The $74,140,000 of term bonds are subject to mandatory sinking redemption in varying amounts over fiscal years 2015 through 2029.

The aforementioned sewer revenue bonds were issued in accordance with the General Bond Resolution adopted by the Board of Supervisors on July 29, 1985, and are payable from and secured by the net revenue generated through the Sewer System's operations. Accordingly, the Master Bond Resolution includes a rate covenant under which the Sewer System agreed that it will charge reasonable rates for the use of and services rendered by the Sewer System. Furthermore, the Sewer System will adjust the rates from time to time to generate net revenues sufficient to provide an amount equal to 100 percent of its annual principal and interest requirements and the Sewer System's annual commitments to fund its proportionate share of other jurisdictions' debt service requirements. In addition, payment of the principal and the interest on all bonds is insured by municipal bond insurance policies.

In January 1993, UOSA, a joint venture, issued $63,310,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to refund earlier bonds. In January 1996, UOSA issued $288,600,000 of Regional Sewer System Revenue Bonds to finance the cost of expanding the capacity of its wastewater treatment facilities from 32 MGD to 54 MGD and $42,260,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to finance a prior expansion. The Sewer System's share of this debt is $240,773,145, and it is subordinate to the sewer revenue bonds issued by the Sewer System.

In June 2001 and June 2002, the Sewer System issued 20-year subordinated sewer revenue bonds in the amounts of $40,000,000 and $50,000,000, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority. The proceeds have been used to finance a portion of the Sewer System's share of incurred expansion and upgrade costs of the Alexandria Sanitation Authority's wastewater treatment facilities, which provide service to certain County residents. The bonds bear interest rates of 4.1 percent per annum and 3.75 percent per annum, respectively, and collectively require semi-annual debt service payments of $3,318,536. The bonds are subordinated to all outstanding prior bond issues of the Sewer System and payments for operation and maintenance expenses.

Detailed information regarding the sewer revenue bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

5. County Bonds Payable and Related Interest to Maturity

The County's outstanding general obligation bonds, State Literary Fund loans, lease revenue bonds, special assessment bonds, Sewer System revenue bonds, and the related interest to maturity as of June 30, 2002, are comprised of the following issues:

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Principal Outstanding (000)	Interest Payable to Maturity (000)	Total Principal Outstanding & Interest Payable to Maturity (000)
Governmental activities:								
General Obligation Bonds and Loans:								
General County:								
Series 1992B Refunding	5.60	06-15-92	11-01-02	$ 61	56,820	63	2	65
Series 1992C Refunding	5.30	12-15-92	10-01-02	9,349	85,820	9,349	248	9,597
Series 1993A Refunding	4.90	04-01-93	06-01-03	9,625	113,053	9,625	474	10,099
Series 1993B Public Improvement	5.00	05-15-93	06-01-05	3,250	65,000	9,750	976	10,726
Series 1993C Refunding	4.80-5.40	07-15-93	05-01-12	3,845-8,285	128,635	75,815	20,811	96,626
Series 1994A Public Improvement	5.10-5.30	05-15-94	06-01-05	4,080	81,600	12,240	1,281	13,521
Series 1995A Public Improvement	4.88-5.00	05-15-95	06-01-07	1,850	36,960	9,250	1,381	10,631
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	2,510-2,512	50,250	35,152	14,100	49,252
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,450	69,000	51,750	21,432	73,182
Series 1998A Public Improvement	4.25-5.00	05-15-98	06-01-18	2,435	48,710	38,968	16,404	55,372
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	2,710	54,200	46,070	19,241	65,311
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	1,267-8,379	76,043	69,972	23,083	93,055
Series 1999B Public Improvement	4.50-5.50	12-01-99	12-01-19	180	3,600	3,240	1,580	4,820
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	1,900	38,000	34,200	16,886	51,086
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	110-115	2,250	2,135	980	3,115
Series 2001A Public Improvement	4.25-5.00	06-01-01	06-01-21	2,120	42,400	40,280	18,728	59,008
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	321-17,009	82,238	81,928	15,541	97,469
Series 2002A Public Improvement	2.75-5.00	06-01-02	06-01-22	3,400	68,000	68,000	33,240	101,240
Series 2002A Refunding	2.75-5.00	06-01-02	06-01-15	1,680-3,421	26,149	26,149	7,835	33,984
Total general obligation bonds - General County					1,128,728	623,936	214,223	838,159
Schools:								
Series 1992B Refunding	5.60	06-15-92	11-01-02	64	59,140	62	2	64
Series 1992C Refunding	5.30	12-15-92	10-01-02	5,491	51,205	5,491	145	5,636
Series 1993A Refunding	4.90	04-01-93	06-01-03	7,660	89,987	7,660	373	8,033
Series 1993B Public Improvement	5.00	05-15-93	06-01-05	1,900	38,000	5,700	570	6,270
Series 1993C Refunding	4.80-5.40	07-15-93	05-01-12	3,715-8,010	124,410	73,325	20,124	93,449
Series 1994A Public Improvement	5.10-5.30	05-15-94	06-01-05	3,825	76,500	11,475	1,201	12,676
Series 1995A Public Improvement	4.88-5.00	05-15-95	06-01-07	3,150	63,000	15,750	2,352	18,102
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	3,195-3,198	63,900	44,738	17,944	62,682
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,750	75,000	56,250	23,289	79,539
Series 1997B Public Improvement	4.50-5.00	12-01-97	12-01-17	3,000	60,000	48,000	18,930	66,930
Series 1998A Public Improvement	4.25-5.00	05-15-98	06-01-18	1,365	27,290	21,833	9,189	31,022
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	5,000	100,000	85,000	35,501	120,501
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-14	1,053-6,961	63,172	58,128	19,177	77,305
Series 1999B Public Improvement	4.50-5.50	12-01-99	12-01-19	4,000	80,000	72,000	35,125	107,125
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	2,500	50,000	45,000	22,220	67,220
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	2,500	50,000	47,500	22,075	69,575
Series 2001A Public Improvement	4.25-5.00	16-01-01	06-01-21	4,000	80,000	76,000	35,333	111,333
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	224-11,836	57,227	57,012	10,815	67,827
Series 2002A Public Improvement	2.75-5.00	06-01-02	06-01-22	6,500	130,000	130,000	63,545	193,545
Series 2002A Refunding	2.75-5.00	06-01-02	06-01-15	1,410-4,474	34,786	34,786	11,965	46,751
Total general obligation bonds - Schools					1,373,617	895,710	349,875	1,245,585
Total general obligation bonds					$ 2,502,345	1,519,646	564,098	2,083,744

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Principal Outstanding (000)	Interest Payable to Maturity (000)	Total Principal Outstanding & Interest Payable to Maturity (000)
State Literary Fund Loans - Schools:								
Terra Centre Elementary	3.00	01-01-83	01-01-03	$ 18	350	18	1	19
Science Lab #1	3.24	04-01-86	04-01-06	64	1,274	256	20	276
Science Lab #2	5.00	10-01-87	10-01-08	8	148	46	9	55
Total State Literary Fund loans					1,772	320	30	350
Lease Revenue Bonds:								
EDA Lease Revenue Bonds - Series 19	5.20-5.50	03-01-94	11-15-18	3,560-8,550	116,965	95,710	53,464	149,174
FCRHA Lease Revenue Bonds:								
Series 1996	5.10-5.55	09-15-96	06-01-17	240-505	6,390	5,340	2,632	7,972
Series 1998	3.70-4.85	12-01-98	06-01-18	210-390	5,500	4,615	1,987	6,602
Series 1999	4.30-5.38	05-27-99	05-01-29	20-65	1,000	985	886	1,871
Total lease revenue bonds					129,855	106,650	58,969	165,619
Special Assessment Bonds - Small District:								
One of the Dranesville District (McLean Community Center)	6.90-7.40	07-01-88	7-01-09	75	1,500	525	134	659
Total governmental activities					2,635,472	1,627,141	623,231	2,250,372
Business-type activities - Sewer System								
Revenue Bonds:								
Series 1993 Refunding	4.85-5.65	05-15-93	11-15-15	3,025-6,505	72,100	61,686	25,710	87,396
UOSA Bonds Subordinated	2.90-6.00	01-12-94	07-01-29	3,431-15,574	240,773	233,531	198,859	432,390
Series 1996	5.63-5.88	07-01-96	07-15-28	1,510-7,300	104,000	99,985	98,909	198,894
Series 2001 Subordinated	4.10	06-01-01	02-01-21	1,401-2,910	40,000	39,320	17,666	56,986
Series 2002 Subordinated	3.75	09-01-02	03-01-22	881-3,538	50,000	50,000	21,145	71,145
Total business-type activity - Sewer System					506,873	484,522	362,289	846,811
Total County bond and loan indebtedness					$ 3,142,345	2,111,663	985,520	3,097,183

Principal and interest to maturity (in thousands) for the County's general obligation bonds, State Literary Fund loans, lease revenue bonds, special assessment bonds, and Sewer System revenue bonds outstanding at June 30, 2002, are as follows:

	Governmental Activities								Business-Type Activity			
	General Obligation Bonds and Loans		State Literary Fund Loans		Lease Revenue Bonds		Special Assessment Bonds		Sewer System Revenue Bonds		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	$ 129,870	72,534	90	11	4,030	5,761	75	35	10,249	23,460	144,314	101,801
2004	123,414	66,844	72	8	4,240	5,557	75	30	11,842	23,632	139,643	96,071
2005	122,456	61,064	71	6	4,450	5,335	75	25	12,288	23,026	139,340	89,456
2006	118,481	55,243	71	3	4,690	5,098	75	19	13,055	22,386	136,372	82,749
2007	114,120	49,544	8	1	4,940	4,850	75	14	14,319	21,701	133,462	76,110
2008-2012	475,780	170,139	8	1	29,030	19,917	150	11	85,354	96,879	590,322	286,947
2013-2017	303,145	73,500	-	-	37,840	11,097	-	-	100,381	73,149	441,366	157,746
2018-2022	132,380	15,230	-	-	17,035	1,266	-	-	99,022	49,508	248,437	66,004
2023-2027	-	-	-	-	270	78	-	-	93,396	25,516	93,666	25,594
2028-2032	-	-	-	-	125	10	-	-	44,616	3,032	44,741	3,042
Totals	$ 1,519,646	564,098	320	30	106,650	58,969	525	134	484,522	362,289	2,111,663	985,520

6. Park Authority Bonds and Note Payable

In February 1995, the Park Authority issued $13,870,000 of Park Facilities Revenue Bonds, Series 1995 to fund the construction of additional golf facilities for County residents and patrons. On September 20, 2001, the Park Authority issued $13,015,000 of Park Facilities Revenue Refunding Bonds, Series 2001 dated September 15, 2001, with an average interest rate of 4.36 percent to advance refund $11,670,000 of the outstanding Series 1995 Bonds with an average interest rate of 6.62 percent. Proceeds of $12,615,112 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow fund to provide for the resources to redeem the Series 1995 Bonds

on July 15, 2003. The reacquisition price exceeded the net carrying amount of the refunded bonds by $945,112, and this amount is being amortized over the remaining life of the refunded bonds. The Park Authority refunded these bonds to reduce its total debt service payments over the next 19 years by $1,552,152 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1,002,961. These bonds are solely the obligations of the Park Authority and are payable from the Park Revenue Fund's revenues from operations, earnings from investments, and certain fund balance reserves. The debt service requirements for the outstanding bonds are:

	Component Unit - Park Authority			
Fiscal Year	Interest Rate	Principal	Interest	Total
2003	4.39 %	$ 505,000	487,373	992,373
2004	4.60	530,000	550,898	1,080,898
2005	3.10	555,000	523,995	1,078,995
2006	3.20	570,000	507,623	1,077,623
2007	3.40	585,000	489,953	1,074,953
2008-2012	3.85	3,245,000	2,132,172	5,377,172
2013-2017	4.43	3,930,000	1,435,867	5,365,867
2018-2021	4.75	3,815,000	463,363	4,278,363
Totals		$ 13,735,000	6,591,244	20,326,244

During fiscal year 2001, the Park Authority issued subordinated park facilities revenue notes in the amounts of $12,750,000 and $2,131,000 to finance the acquisition of certain properties for use as parkland. Each of these notes was redeemed during fiscal year 2002 via the issuance of a new note in the amount of the maturing principal plus the accrued interest. Similar redemptions and issuances occurred in July 2002. The County has agreed to provide the Park Authority with the funds needed to meet the principal and interest payment obligations of these notes from the County's General Fund. Relevant information pertaining to these notes is shown below.

Issue Dates	Redemption & Maturity Dates	Principal	Interest Rate
March 30, 2000	July 31, 2001	$ 12,750,000	6.825 %
May 24, 2001	August 27, 2001	2,131,000	3.870
July 31, 2001	July 31, 2002	13,912,667	3.810
August 27, 2001	July 31, 2002	2,152,305	3.625
July 31, 2002	July 31, 2003	14,442,740	2.030
July 31, 2002	July 31, 2003	2,224,691	2.030

7. FCRHA Bonds, Notes, and Loans Payable

In June 1989, the FCRHA issued $6,120,000 of 8.95 percent Elderly Bonds, Series 1989A. On August 29, 1996, on behalf of the Little River Glen project, the FCRHA issued FHA insured mortgage revenue bonds with an original principal amount of $6,340,000 and interest rates which vary between 4.65 and 6.10 percent with final payment due September 1, 2026, to redeem, through advance refunding, the Elderly Bonds on June 1, 1999. At June 30, 2002, $5,870,000 was outstanding on the FHA revenue bonds.

In November 1, 1992, the FCRHA issued $3,910,000 of special limited obligation bonds, carrying a coupon interest rate of 7.5 percent, payable semi-annually and maturing June 15, 2018. The proceeds of the bonds were used to finance the purchase of the FCRHA's Pender Drive office building. In June 1998, the FCRHA issued Series 1998 Lease Revenue bonds with an original principal amount of $3,630,000 and an interest rate of 4.71 percent with final payment due June 15, 2018, to advance refund the outstanding special limited obligation bonds. The new bonds are secured by the FCRHA's interest in payments under the lease agreements between FCRHA and the County whereby the FCRHA leases its Pender Drive Office building to the County and a first deed of trust on the office building. Proceeds from the new bonds along with other cash sources, totaling approximately $4,000,000, were placed in irrevocable escrow accounts to provide for all future debt service payments on the old bonds, which will be redeemed on June 15, 2018. At June 30, 2002, $3,150,000 was outstanding on the new bonds. These bonds are not obligations of the County.

In August 1997, FCRHA issued tax-exempt revenue bonds with a principal amount totaling $2,875,000 with an interest rate of 6.1 percent and final payments due July 1, 2027. The land, building, and equipment of the Herndon Harbor House Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were placed in irrevocable escrow accounts to make a loan to the Herndon Harbor House Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility. At June 30, 2002, $959,855 was outstanding for the new bond.

In May 1999, the FCRHA issued three Multifamily Housing Revenue Bonds in the principal amounts of $1,500,000, $225,000 and $1,775,000, bearing interest at the rates of 4.0 percent, 4.875 percent and 5.5 percent, and having final payment dates of November 1, 2002, May 1, 2009, and May 1, 2029, respectively. The proceeds of these bonds were placed in irrevocable escrow accounts to provide a loan to the Herndon Harbor II Limited Partnership to finance a portion of the costs for the acquisition, construction, and equipping of the Herndon Harbor rental property, which is pledged as security for the bonds. As of June 30, 2002, $1,992,523 was outstanding on these bonds.
To permanently finance certain public housing projects, the FCRHA issued notes to the Federal Financing Bank. These notes are payable in annual installments each November 1, until maturity in 2015 with interest at 6.6 percent. They are secured by the projects' land, buildings and equipment. Principal and interest is paid annually by HUD under the Annual Contributions Contract. As of June 30, 2002, $1,382,842 was outstanding on the notes.

To permanently finance the Rosedale Manor public housing project, the FCRHA issued public housing bonds in the original principal amount of $1,260,000 with interest at 5.0 percent maturing April 1, 2009. Principal and interest is paid semi-annually by HUD under the Annual Contributions Contract. As of June 30, 2002, $420,000 was outstanding on the bonds.

The FCRHA has also issued various notes to finance its operations.

FCRHA Public Housing bonds, notes, and loans payable as of June 30, 2002, excluding its component units, are as follows:

Series	Secured By	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Total Principal Outstanding (000)
Housing Bonds Payable:							
Mortgage revenue bonds	Little River Glen rental property	4.65-6.10	08-29-96	09-01-26	$ 100	6,340	5,870
Lease revenue bonds	FCRHA revenues	4.71	06-15-98	06-15-18	125	3,630	3,150
Tax-exempt revenue bonds	Herndon Harbor I - rental property	6.10	08-01-97	07-01-27	16-30	2,875	960
Multi-family revenue bonds	Herndon Harbor II - rental property	4.00-4.875	05-01-99	05-01-29	30-40	3,500	1,992
Total bonds payable - FCRHA						16,345	11,972
Mortgage Notes Payable:							
United Bank	One University Plaza office building	5.75	11-01-97	01-31-04	13-18	363	295
SunTrust Bank	United Community Ministries	4.71	08-25-98	04-01-13	20-35	400	322
	Creighton Square	7.10	06-25-99	07-01-12	30-40	550	465
	Leland Road Group Home property	5.55	10-06-99	04-01-17	21-31	615	555
Bank of America	Cholster Town, McLean Hills and Springfield Green rental properties	8.50	04-01-95	04-01-05	7-12	1,072	841
U.S. Dept. of Housing and Urban Development	Hopkins Glen rental property	3.00	07-12-98	04-01-10	35-49	1,112	341
	Various FCRHA rental properties	6.45-9.15	02-01-92	varies	285	5,690	2,840
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	50	500	200
	Stonegate Village rental property	8.00-9.25	02-01-91	varies	55-205	1,700	710
	Various FCRHA rental properties	3.73-7.90	02-01-93	varies	155	3,100	1,705
	Various FCRHA rental properties	4.75-7.18	08-01-94	varies	195-205	3,775	2,410
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	5	80	50
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	25	500	350
	Cedar Ridge rental property	1.00	05-24-95	varies	-	1,510	1,318
	Various FCRHA rental properties - Section 108 interim financing	90% of 30 day LIBOR	08-23-99	08-01-17	Int. only	215	215
Virginia Housing Development Authority	Minerva Fisher-Hall Group Home property	8.07	07-01-79	06-01-19	2-16	437	339
	Penderbrook rental property	10.25	09-01-88	10-01-18	16-25	770	655
	Rolling Road Group Home property	8.00	09-21-00	09-01-20	5-20	234	224
	Patrick Street Group Home property	8.00	06-01-02	05-01-22	3-22	239	238
	Mount Vernon Group Home property	8.00	01-01-93	04-01-22	5-15	246	215
	West Ox Group Home property	8.00	01-01-92	11-01-02	15-20	842	743
	First Stop Group Home property	8.00	01-30-95	03-01-05	6-8	453	417
Various note holders within the Hom Improvement Loan Program	Various properties owned by note holders	9.00-12.50	varies	varies	5-6	65	58
First Union Bank	Various properties-interim financing	90% of 30 day LIBOR	varies	02-13-03	Int. only	2,460	2,448
Midland Loan Services	Cedar Ridge rental property	7.05	07-01-95	07-01-35	77-100	10,131	9,719
Fairfax County Board of Supervisors	Unsecured Bond Anticipation Note	6.13	11-17-00	11-17-02	Int. only	200	200
	Unsecured Bond Anticipation Note	5.38	01-03-01	01-03-03	Int. only	500	500
	Unsecured Bond Anticipation Note	4.39	07-13-01	07-13-03	Int. only	700	700
	Unsecured Bond Anticipation Note	2.86	10-16-01	10-16-03	Int. only	1,000	1,000
	Unsecured Bond Anticipation Note	3.17	02-13-02	02-13-04	Int. only	2,400	2,400
WMF Huntoon Paige	Cedar Ridge rental property	7.05	11-01-70	09-01-10	90-100	2,850	894
Federal Financing Bank	Property, plant, and equipment	6.60	07-09-82	11-01-12	40-55	1,143	641
Total mortgage notes payable - FCRHA						45,851	34,008
Public Housing Loans Payable:							
Public housing notes - Federal Financing Bank	The projects' land, buildings, and equipment	6.60	02-05-82	11-01-15	74-100	2,348	1,383
Public housing bonds	Declaration of Trust	5.00	04-01-68	04-01-09	50-60	1,260	420
Total public housing loans payable - FCRHA						3,608	1,803
Total public housing bonds, notes, and loans payable - FCRHA primary government						$ 65,804	47,783

The FCRHA's annual required principal payments on the bonds, loans, and notes payable, excluding its component units, are as follows:

	Component Unit - FCRHA							
	Bonds Payable		Public Housing Loans		Notes Payable		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	$ 297,153	674,154	124,057	112,518	4,485,569	1,789,078	4,906,779	2,575,750
2004	300,122	658,762	133,945	105,130	5,847,905	1,686,441	6,281,972	2,450,333
2005	318,277	643,052	143,933	97,392	1,852,514	1,558,082	2,314,724	2,298,526
2006	341,632	626,156	149,695	88,630	2,155,395	1,583,912	2,646,722	2,298,698
2007	350,195	608,297	160,616	79,710	1,177,392	1,290,288	1,688,203	1,978,295
2008-2012	2,087,829	2,731,115	711,300	255,575	5,967,505	5,166,863	8,766,634	8,153,553
2013-2017	2,757,386	2,083,150	379,296	54,708	4,040,286	3,489,070	7,176,968	5,626,928
2018-2022	2,383,251	1,326,593	-	-	1,994,246	2,651,787	4,377,497	3,978,380
2023-2027	2,881,990	565,882	-	-	1,850,554	1,979,806	4,732,544	2,545,688
2028-2032	254,543	13,911	-	-	2,586,906	1,212,623	2,841,449	1,226,534
2033-2037	-	-	-	-	2,049,454	230,360	2,049,454	230,360
Total FCHRA primary government	$ 11,972,378	9,931,072	1,802,842	793,663	34,007,726	22,638,310	47,782,946	33,363,045

8. Conduit Debt Obligations

The FCRHA is empowered by the Commonwealth of Virginia to issue tax-exempt bonds on behalf of qualified businesses to develop or rehabilitate low income housing within the County. Principal and interest on the tax-exempt bonds are paid entirely by the owners of the properties, which have entered into binding contracts to develop or rehabilitate the subject properties. The terms of the tax-exempt bonds stipulate that neither the FCRHA nor the County guarantee the repayment of principal and interest to the bondholders. A bondholder's sole recourse in the event of default on the tax-exempt bonds is to the subject property and third-party beneficiaries. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, approximately $174 million of such tax-exempt bonds are outstanding.

The EDA is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating and/or expanding their operations within the County. Principal and interest on the IRBs are paid entirely by the businesses. The terms of the IRBs stipulate that neither the EDA nor the County guarantees the repayment of principal and interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the principal amounts outstanding on these IRBs total approximately $556.8 million.

9. Defeasance of Debt

During fiscal year 2002 and in prior years, components of the reporting entity have defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2002, the following amounts of outstanding bonds are considered defeased:

County general obligation bonds	$ 60,115,000
Park Authority revenue bonds	11,670,000
FCRHA general and limited obligation bond	3,345,932
Sewer System revenue bonds	100,000
Total reporting entity	$ 75,230,932

10. Sanitary Landfill Closure and Postclosure Obligation

State and federal laws require the County to place a final cover on its I-95 Sanitary Landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The existing raw waste and ash disposal units are filled to capacity. As of June 30, 2002, closure expenditures have been incurred for approximately 55 percent of the area involved. A new ash disposal unit is under construction. The ash disposal units meet or exceed all EPA Subtitle D requirements for waste disposal. The County holds permits which allow it to continue using the landfill until approximately 2020. The $49,376,935 reported as the landfill closure and postclosure care obligation – portion due or payable after one year in the Statement of Net Assets at June 30, 2002, represents the total estimated cost remaining to be incurred based on landfill capacity used to date. The actual cost may vary due to inflation, changes in technology, or changes in regulations. The closure and postclosure care costs for the new ash disposal unit have not been determined since no waste has been accepted into this unit as of June 30, 2002. Although it is expected that the landfill closure and postclosure care costs will be funded from landfill tipping fees, if closure and postclosure care costs exceed available resources in the I-95 Refuse Disposal Fund, funding may be sought from other participants who used the landfill, such as Washington D.C., Arlington County, and the City of Alexandria; the amounts which might be obtained from these jurisdictions have not been determined.

11. Obligations Under Capital Lease and Installment Purchase Agreements

The reporting entity has financed the acquisition of certain capital assets by entering into capital leases and installment purchase agreements. The types of capital assets and the minimum obligations under these agreements as of June 30, 2002, are as follows:

	Primary Government - Governmental Activities	Component Unit - Public Schools
Asset Class	Minimum Obligations	Minimum Obligations
Land	$ 3,099,226	-
Buildings	26,635,796	1,408,126
Improvements	3,029,436	-
Equipment	18,193,193	26,272,676
Total	$ 50,957,651	27,680,802
Fiscal Year	Minimum Obligations	Minimum Obligations
2003	$ 9,133,389	8,684,417
2004	7,891,696	8,444,116
2005	6,354,882	6,161,172
2006	6,349,822	5,009,170
2007	3,447,864	2,196,215
2008-2012	12,266,209	-
2013-2017	10,691,105	-
2018-2022	10,689,778	-
2023-2027	10,495,180	-
2028-2032	10,354,520	-
Total minimum obligations	87,674,445	30,495,090
Less portion representing interest	36,716,794	2,814,288
Present value of minimum obligation	$ 50,957,651	27,680,802

12. Obligation to Component Unit

The County has a liability of approximately $6.5 million to the Public Schools that originated in 1983 upon the recognition of teachers' compensation in the year services are rendered rather than over the twelve-month contract period ending in August. The County agreed to fund the original liability of approximately $46.4 million over a period of years beginning in fiscal year 1984. Payments to Public Schools were deferred from fiscal years 1990 through 1996. In fiscal year 2002, the County paid the sixth of ten equal annual installments of $1.62 million from the General Fund towards the remaining liability. This liability is included with "Other" long-term liabilities in the statement of net assets.

J. LONG-TERM COMMITMENTS

1. Washington Metropolitan Area Transit Authority (WMATA)

The County's commitments to WMATA are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies and debt service for the rail, bus and paratransit systems. The County's commitments in each of these areas are summarized below.

Capital Contributions - Rail Construction

Since 1970, the County and other local jurisdictions have entered into five Interim Capital Contribution Agreements (ICCA) with WMATA. These agreements are to provide local funds to match federal government appropriations to fund the construction of the 103-mile Metrorail Adopted Regional System. The final 13.5 miles of construction was funded through ICCA-V and Public Law 101-551. In approving ICCA-V, the jurisdictions agreed to provide local matching contributions totaling $780 million over the life of the authorization. The agreement requires the County to provide $113.2 million in matching funds between fiscal years 1993 and 2004. The County is providing this match through a combination of state aid, state bonds and locally generated funds.

For fiscal year 2002, the County's obligation of approximately $3.7 million was funded with County general obligation bond proceeds. The County's total obligations to date of approximately $237.2 million for Metrorail construction have been funded with $129.0 million of County general obligation bond proceeds, $105.1 million of state aid provided to the County through the NVTC and $3.1 million of credits available at WMATA. As of June 30, 2002, the County is obligated to contribute an additional $1.0 million toward Metrorail construction. It is anticipated that this obligation will be paid from state aid provided through the NVTC and the proceeds of County general obligation bonds.

Capital Contributions - Bus and Rail Replacement and Rehabilitation

Each fiscal year, the County makes contributions for capital purchases for WMATA's bus system and to improve the reliability of capital equipment. The County's obligation of approximately $6.9 million for fiscal year 2002 was funded with $3.2 million of County general obligation bond proceeds and $3.7 million of state aid provided through the NVTC. It is anticipated that the County's obligations for fiscal year 2003 will be funded with state aid and County general obligation bond funds.

Operating Subsidies and Debt Service

The County and other local jurisdictions continue to contribute toward WMATA's deficits resulting from the operation of the Metrorail, Metrobus and MetroAccess (paratransit) systems and the debt service on federally guaranteed transit revenue bonds issued by WMATA. For fiscal year 2002, the County's obligation of approximately $50.8 million for operating subsidies and debt service was funded with $9.6 million from the County's Metro Operations and Construction Fund and $41.2 million from state aid for transportation and regional gasoline tax receipts. It is anticipated that the County's expenditures for fiscal year 2003 will be approximately $11.5 million.

2. Virginia Railway Express (VRE)

The County, as a member of the NVTC and in cooperation with the Potomac and Rappahannock Transportation Commission (PRTC), is a participating jurisdiction in the operation of the VRE commuter rail service. The service primarily consists of rush hour trips originating from Manassas, Virginia and from Fredericksburg, Virginia to Union Station in Washington, DC. There are five stations in Fairfax County.

In October 1989, the Board of Supervisors of Fairfax County approved the Commuter Rail Master Agreement and financial plans. The Master Agreement requires the County to contribute to capital, operating and debt service costs of the VRE on a pro rata basis according to its share of ridership and population. In February 1990, NVTC sold $79.4 million in bonds to finance passenger cars, locomotives, yard facilities and stations. Approximately $6 million of the bond proceeds was made available to the County to assist with financing its local stations. The County's fiscal year 2002 contribution to VRE's commuter rail operating, capital and debt service cost was $2.5 million. Also, the County has been authorized to apply $5.2 million of general obligation bond proceeds toward the cost of commuter rail facilities within the County. Through June 30, 2002, approximately $3.9 million of this amount has been expended.

3. Operating Lease Commitments

The County and the EDA lease real estate under various long-term lease agreements. Certain leases contain provisions which allow for increased rentals based upon increases in real estate taxes and the Consumer Price Index. All lease obligations are contingent upon the Board of Supervisors appropriating funds for each fiscal year's payments. For fiscal year 2002 the County's and EDA's total expenditures for these operating leases were $11,413,944 and $647,232, respectively. At June 30, 2002, the minimum long-term real estate lease commitments accounted for as operating leases were as follows:

	Primary Government	Component Unit
Fiscal Year	Governmental Activities	EDA
2003	$ 10,098,248	894,485
2004	8,147,901	772,241
2005	5,907,126	882,058
2006	5,291,049	902,762
2007	3,977,109	929,845
2008-2012	5,963,157	1,669,450
2013-2017	3,336,707	-
2018-2022	1,134,205	-
2023-2027	274,853	-
2028-2032	178,654	-
Total	$ 44,309,009	6,050,841

4. Intermunicipal Agreements

Alexandria Sanitation Authority

At June 30, 2002, the Sewer System was obligated under an agreement with the City of Alexandria, Virginia, Sanitation Authority (ASA) to share the construction and operating costs and debt service requirements for certain sewage treatment facilities. Under this agreement, the City of Alexandria is conducting the expansion and general improvement of the facilities. The Sewer System's share of the estimated cost is approximately $180 million, of which approximately $79 million has been incurred to date. The Sewer System is allowed only one non-voting representative at the meetings of the ASA and has no significant influence in the management of the treatment facilities. In addition, the Sewer System has no direct ongoing equity interest in the assets or liabilities of the ASA.
The ASA agreement sets forth a method for allocating the construction costs associated

with the ASA's treatment facilities. The Sewer System paid the ASA $29,158,748 in fiscal year 2002 to fund its share of construction costs, and it estimates its share of fiscal year 2003 expansion and improvements to be $24,900,000. The Sewer System made payments to the ASA in 2002 of $10,476,230 for its share of the ASA's operating costs.

Blue Plains Intermunicipal Agreement

In 1985, the users of the Blue Plains Waste-Water Treatment Plant - Fairfax County, the District of Columbia (District), Montgomery and Prince George's Counties in Maryland, and the Washington Suburban Sanitary Commission (WSSC) - entered into the Blue Plains Intermunicipal Agreement (IMA). The IMA sets forth the method for allocating the capital and operating costs associated with the facility. Currently, the County has a capacity entitlement of 24.69 million gallons per day (MGD) of the plant's interim treatment capacity of 325 MGD. Under the terms of the IMA, the County's capacity entitlement will increase to 31 MGD when the Blue Plains Plant is fully upgraded and expanded to 370 MGD. The County purchased this capacity entitlement through contributions to the capital construction program at the plant.

The District established an independent Water and Sewer Authority (WASA), effective April 18, 1996, to operate its water and sewer systems and the Blue Plains Plant. The WASA has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from Fairfax County. The WASA is honoring the capacity entitlements assigned to Blue Plains users under the IMA. The County has no significant control over plant operations and construction and no ownership interest in the assets of the plant under the IMA.

The Sewer System made payments of $9,473,593 to the District in fiscal year 2002 for its share of the plant's operating costs and $3,665,746 to fund its portion of current construction costs. For fiscal year 2003, the County estimates that its share of these costs will be $9,500,000 and $17,500,000, respectively.

Upper Occoquan Sewage Authority

As described in Note A, the Upper Occoquan Sewage Authority (UOSA) is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act to be the single regional entity to construct, finance, and operate the regional sewage treatment facility for the upper portion of the Occoquan Watershed. The capacity of UOSA's treatment facility has been 32 MGD. An expansion of its facility to a capacity of 54 MGD is expected to be completed during fiscal year 2003. Each jurisdiction's allocated share of UOSA's capacity as of June 30, 2002, is as follows:

Member Jurisdiction	Old Capacity (MGD)	New Capacity (MGD)
Fairfax County	13.1899	27.5999
Prince William County	9.9981	15.7971
City of Manassas	6.8663	7.6893
City of Manassas Park	1.9457	2.9137
Total	32.0000	54.0000

UOSA's current operating expenses, construction costs, and annual debt service payments are funded by each of the participating jurisdictions based on their allocated capacity, with certain modifications. The Sewer System made payments to UOSA in fiscal year 2002 of $8,047,974 to pay its share of USOA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2001 and 2000 (the most recent audited financial information available) is as follows:

	2001	2000
Total assets	$ 476,454,006	467,683,474
Total liabilities	(397,135,178)	(398,620,023)
Total equity	79,318,828	69,063,451
Total revenue	45,276,862	36,822,826
Total expenses	(26,289,560)	(23,488,192)
Net income	$ 18,987,302	13,334,634

Arlington Agreement

In January 1989, the Sewer System signed the Sewage Conveyance Treatment and Disposal Agreement (Arlington Agreement) with Arlington County, Virginia, which obligates the Sewer System to share the construction and operating costs for certain sewage treatment facilities owned and operated by Arlington County. The Sewer System has no direct on-going equity interest in the facilities' assets and liabilities. Furthermore, the Sewer System has no significant influence over the management of the treatment facilities.

The Arlington Agreement sets forth a method for allocating construction and operating costs associated with Arlington's treatment facilities. In fiscal year 2002, the Sewer System incurred costs of $1,038,922 associated with its share of Arlington's operating costs and $564,232 to fund its share of current facility expansion costs. The Sewer System estimates its share of future construction costs to be $1,500,000 in fiscal year 2003.

5. Fairfax County Solid Waste Authority (SWA) - Resource Recovery

During fiscal year 1999, as a result of a call option, the EDA issued $195,505,000 of 1998 Series A Resource Recovery Revenue Refunding Bonds, the proceeds of which, together with certain other available funds, were used to refund all remaining outstanding 1988 Series Bonds, which were initially issued to finance the construction of a 3,000-ton-per-day mass burn facility at the County's landfill site near Interstate 95. The operation of the facility by an independent contractor commenced in 1990. Solid waste is burned to produce electricity which is sold to a local utility company.

The bonds are not an obligation of the County; however, the County is obligated to deliver a minimum annual tonnage of solid waste to the facility and to pay tipping fees for the disposal of such waste sufficient to cover the operating costs of the facility and the debt service on the bonds. As of June 30, 2002, $162,985,000 of the 1998 Series A Refunding Bonds are outstanding. Unspent bond proceeds in the amount of $32,827,798, which include investment earnings, are reported in the Resource Recovery Fund, an agency

fund; certain unspent proceeds are reserved for debt service and the remainder is available for solid waste disposal purposes.

6. Long-term Contracts

At June 30, 2002, the primary government had contractual commitments of $38,979,025, in the capital projects funds and $161,312,339 in the Sewer System for construction of various sewer projects. At June 30, 2002, the component units had contractual commitments of $111,878,672 and $2,855,941 in the capital projects funds of the Public Schools and the Park Authority, respectively, for construction of various projects.

7. Post-employment Benefits

The Board of Supervisors has established a program to subsidize the health benefit coverage of certain retirees and certain surviving spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. There is no minimum number of years of service required to participate in this program. The program allows for a $100 per month subsidy per participant and is funded on a pay-as-you-go basis. There are 1,691 participants currently eligible and receiving benefits in the program. For fiscal year 2002, the cost of this program to the County was $2,039,217.

K. CONTINGENT LIABILITIES

The County is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of County management, the resolution of these matters will not have a material adverse effect on the County's financial condition.

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

L. ACCOUNTING CHANGES AND RESTATEMENTS

1. Changes in Financial Statement Presentation and Reporting– Basic Financial Statements

During fiscal year 2002, the reporting entity adopted the provisions of Governmental Accounting Standards Board (GASB) Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Under this Interpretation, only that portion of certain long-term liabilities, including compensated absences, that has matured at year end should be reported in the governmental fund financial statements. The reporting entity previously reported the entire amount of the compensated absences liability that was liquidated within 45 days after year end in the governmental fund financial statements.

The reporting entity also adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement requires reporting in accordance with the new governmental financial reporting model, which includes the basic financial statements that supercede the previous general purpose financial statements. The basic financial statements consist of (1) the fund financial statements, which are similar to the previous versions in that they are prepared using the same measurement focuses and basis of accounting, however, they differ in that the emphasis is now on major funds rather than fund types, and (2) the new government-wide financial statements, which are comprised of a statement of net assets and a statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting, and which present both governmental and business-type activities in the aggregate.

For the primary government's business-type activities, it was determined that it is appropriate to report the Sewer System's share of UOSA long-term debt, previously disclosed in the notes to the financial statements, together with the related cost of the Sewer System's allocated share of UOSA's capacity expansions in the financial statements. Accordingly, certain assets and liabilities and the net assets of the Sewer System as of June 30, 2001, have been restated as follows:

	Balance June 30, 2001, as reported	Adjustments	Balance June 30, 2001, as restated
Assets:			
Purchased capacity	$ 203,923,808	290,396,234	494,320,042
Accumulated amortization	(20,214,615)	(13,846,333)	(34,060,948)
Purchased capacity, net	183,709,193	276,549,901	460,259,094
Long-term Liabilities:			
Revenue bonds payable	205,810,000	236,773,054	442,583,054
Net Assets	$ 847,436,247	39,776,847	887,213,094

It was also determined that certain funds are more appropriately reported in the County's General Fund. These funds include the Gift Fund, which was previously reported as an agency fund to record certain donations to the County, and the Consolidated Community Funding Pool Fund and Contributory Fund, which were previously reported as special revenue funds.

Accordingly, the fund balances of the County's General Fund and special revenue funds have been restated as follows:

	Primary Government	
	General Fund	Special Revenue Funds
Fund Balances, July 1, 2001, as reported	$ 105,636,152	195,110,641
Net assets of the Gift Fund, July 1, 2001, as reported	1,850,674	-
Fund Balances, July 1, 2001, as reported for:		
Consolidated Community Funding Pool Fund	318,192	(318,192)
Contributory Fund	270,446	(270,446)
Adjustment for compensated absences	5,606,573	946,014
Fund Balances, July 1, 2001, as restated	$ 113,682,037	195,468,017

These amounts are reconciled below to the amount shown as the net assets of the primary government's governmental activities as of July 1, 2001, in the Statement of Activities for the fiscal year 2002 (Exhibit A-1):

Fund balances, July 1, 2001 - Total governmental funds:		
General Fund, as restated	$ 113,682,037	
Special Revenue Funds, as restated	195,468,017	
Debt Service Funds, as reported	4,078,555	
Capital Projects Funds, as reported	104,193,290	$ 417,421,899
The following adjustments are required to determine net assets:		
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds:		
Non-depreciable assets:		
Land	$ 317,766,380	
Construction-in-progress	27,768,043	
Depreciable assets:		
Equipment	147,972,698	
Library collections	27,841,600	
Buildings and improvements	713,112,565	
Infrastructure	365,147,656	
Total capital assets, as restated per Note F	1,599,608,942	
Less accumulated depreciation	(317,636,370)	1,281,972,572
Some of the County's receivables will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds:		
Delinquent taxes (net of allowances):		
Property	$ 20,199,730	
Business license	3,530,418	
Sales and use taxes and other taxes	11,537,800	35,267,948
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 assets:		
Assets:		
Current assets	$ 74,268,861	
Capital assets	61,471,693	
Less accumulated depreciation	(34,667,969)	
Liabilities	(29,324,862)	71,747,723
Long-term liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	$ (1,441,689,927)	
Lease revenue bonds	(110,485,000)	
Special assessment bonds	(600,000)	
Capital leases and installment purchase agreements	(22,913,561)	
Accrued interest on long-term debt	(7,385,280)	
Landfill closure and postclosure costs	(52,110,880)	
Compensated absences	(63,994,148)	
Other	(8,637,820)	(1,707,816,616)
Net assets of governmental activities, July 1, 2001, as reported on Exhibit A-1		$ 98,593,526

During fiscal year 2002, the reporting entity also adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This Statement amends GASB Statement No. 34 to 1) clarify certain provisions and 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the reporting entity considered the effects of this Statement when adopting the provisions of GASB Statement No. 34.

During fiscal year 2002, the reporting entity also adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, note disclosures have been revised to conform to the provisions of this Statement.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
SAN FRANCISCO
WASHINGTON, D.C.

787 SEVENTH AVENUE
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
FACSIMILE 212 839 5599
www.sidley.com

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_____ __, 2003

Board of Supervisors
of Fairfax County, Virginia
Fairfax, Virginia

We have examined certified copies of the legal proceedings, including the election proceedings and other proofs submitted, relative to the issuance and sale of

$_____
Fairfax County, Virginia
Public Improvement Bonds, Series 2003B

The bonds are dated _____ __, 2003, mature in annual installments on June 1 in each of the years 2004 to 2023, inclusive, bear interest payable semiannually on the 1st days of June and December in each year, commencing December 1, 2003, as provided in the resolution authorizing the issuance of the bonds adopted by the Board of Supervisors of Fairfax County on April 28 , 2003.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds pursuant to the Constitution and laws of Virginia, and that the bonds constitute valid and binding general obligations of Fairfax County, Virginia, for the payment of which the full faith and credit of said County are pledged, and all taxable property in the County is subject to the levy of an ad valorem tax, without limitation as to rate or amount, for the payment of the bonds and the interest thereon, which tax shall be in addition to all other taxes authorized to be levied in said County to the extent other funds of said County are not lawfully available and appropriated for such purpose.

We are further of the opinion that, except as provided in the following sentence, interest on the bonds is not includable in the gross income of the owners of the bonds for purposes of Federal income taxation based on existing law. Interest on the bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the bonds in the event of a failure by the County or the school board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of the interest on the bonds for Federal income tax purposes on or after the date on which any action is taken affecting such covenants upon the approval of counsel other than ourselves. Interest on the bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum taxes. The Code contains other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Respectfully submitted,

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Fairfax County, Virginia (the "County") in connection with the issuance by the County of $206,400,000 aggregate principal amount of its Public Improvement Bonds, Series 2003 B (the "Bonds" or "2003 B Bonds") pursuant to the provisions of a resolution (the "Resolution") adopted on April 28, 2003, by the Board of Supervisors of the County. The proceeds of the 2003 B Bonds are being used by the County to finance and refinance various public improvements in the County. The County hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders of the 2003 B Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The County acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the County, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Filing Date" shall have the meaning given to such term in Section 3(a) hereof.

"Fiscal Year" shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the County's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

"Holder" or "holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a 2003 B Bond.

"Listed Events" shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

principal and interest payment delinquencies

non-payment related defaults

unscheduled draws on debt service reserves reflecting financial difficulties

unscheduled draws on credit enhancements reflecting financial difficulties

substitution of credit or liquidity providers, or their failure to perform

adverse tax opinions or events affecting the tax-exempt status of the 2003 B Bonds

modifications to rights of holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the 2003 B Bonds

rating changes

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the County's 2003 B Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

A. The County shall, or shall cause the Dissemination Agent to, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the "Filing Date") that is not later than March 31 after the end of any Fiscal Year (commencing with its Fiscal Year ending June 30, 2003). Not later than ten (10) days prior to the Filing Date, the County shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the County's audited financial statements or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of the County must be submitted, if and when available, together with or separately from the Annual Report.

B. The annual financial statements of the County shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repositories when they become publicly available.

C. If the County fails to provide an Annual Report to the Repositories by the date required in subsection (a) hereto or to file its audited annual financial statements with the Repositories when they become publicly available, the County shall send a notice to the Municipal Securities Rulemaking Board and any State Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the County, including operating data, updating such information relating to the County as described in Exhibit A, all with a view toward assisting Participating Underwriters in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the County is an "obligated person" (within the meaning of the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The County will provide in a timely manner to the Municipal Securities Rulemaking Board and to each State Repository, if any, notice of any of the Listed Events, if material.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of all the 2003 B Bonds.

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the County) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to file its Annual Report or to give notice of a Listed Event. The holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the County hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution or the 2003 B Bonds of the County, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Participating Underwriters, and holders from time to time of the County's Bonds, and shall create no rights in any other person or entity.

Date: _____ _, 2003

FAIRFAX COUNTY, VIRGINIA

By: _____

Edward L. Long, Jr.
Chief Financial Officer

EXHIBIT A

CONTENT OF ANNUAL REPORT

(a) **Financial Information.** Updated information concerning General Fund revenues, expenditures, categories of expenditures, fund balances, assessed value of taxable property, tax rates, major taxpayers, and tax levies and collections.

(b) **Debt Information.** Updated information concerning general obligation bonds indebtedness, including bonds authorized and unissued, bonds outstanding, the ratios of debt to the market value of taxable property, debt per capita, and debt service as a percentage of General Fund disbursements.

(c) **Demographic Information.** Updated demographic information respecting the County such as its population, public school enrollment and per pupil expenditure.

(d) **Economic Information.** Updated economic information respecting the County such as income, employment, unemployment, building permits and taxable sales data.

(e) **Retirement Plans.** Updated information respecting pension and retirement plans for County employees, including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

(f) **Contingent Liabilities.** A summary of material litigation and other material contingent liabilities pending against the County.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the County and the United States as a whole is contemporaneously available and, in the judgment of the County, informative, such information may be included. Where, in the judgment of the County, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

Re: FAIRFAX COUNTY VIRGINIA
PUBLIC IMPROVEMENT BONDS,
SERIES 2003 B

CUSIP NOS.: 303820

Dated: _____ __, 2003

NOTICE IS HEREBY GIVEN that Fairfax County, Virginia has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to that certain Resolution adopted on April 28, 2003 by the Board of Supervisors of the County, the proceeds of which were used to finance and refinance various public improvements in the County. [The County anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.]

Dated: _____

FAIRFAX COUNTY, VIRGINIA

By _____

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CERTIFICATE OF THE CHIEF FINANCIAL OFFICER AWARDING $195,170,000 PUBLIC IMPROVEMENT, SERIES 2003 B, OF FAIRFAX COUNTY, VIRGINIA AND MAKING CERTAIN OTHER DETERMINATIONS

I, Edward L. Long, Jr., Chief Financial Officer of Fairfax County, Virginia (the "County"), pursuant to the authority delegated to me in Sections 5 and 7(a) of the resolution adopted by the Board of Supervisors (the "Board") of Fairfax County, Virginia, on April 28, 2003 (the "Authorizing Resolution") to (i) accept the lowest bid for the Public Improvement Bonds, Series 2003 B (the "Bonds") being offered competitively and (ii) make certain determinations relating to the Bonds **DO HEREBY CERTIFY**:

Section 1. Bids received. (a) Advertisement was duly made calling for electronic bids to be received via the PARITY Competitive Bidding System by the Board of Supervisors until 11:00 a.m., Fairfax, Virginia Time, May 15, 2003 for the purchase of $206,400,000 Public Improvement Bonds, Series 2003 B, of Fairfax County, Virginia, dated May 15, 2003, maturing, subject to the right of prior redemption, June 1, in annual installments in each of the years 2004 to 2023, inclusive.

(b) The Initial Maturity Schedule (as referred to in the Notice of Sale) was not revised by 10:00 a.m., Fairfax, Virginia Time, May 15, 2003, and pursuant to the Notice of Sale became the Bid Maturity Schedule. The Bid Maturity Schedule (as referred to in the Notice of Sale) is set forth in the table below in this Section 1.

(c) At 11:00 a.m. Fairfax, Virginia Time on May 15, 2003 bidding was closed and the following bids for the bid aggregate principal amount of $206,400,000 were found to have been submitted and to accord in all respects with the terms of the advertisement, each bid offering to pay accrued interest and posting a Financial Surety Bond for $2,000,000 payable to the order of the Director of the Department of Finance of Fairfax County, Virginia:

A. Merrill Lynch & Co. and associates offering to pay $218,784,000.00 for the bonds bearing interest at the rates set forth below in Column I resulting in a true interest cost rate of 3.626261%.

B. J.P. Morgan Securities Inc. and associates offering to pay $216,193,989.60 for the bonds bearing interest at the rates set forth below in Column II resulting in a true interest cost rate of 3.649350%.

C. Bear Stearns & Co. Inc. and associates offering to pay $218,784,000.00 for the bonds bearing interest at the rates set forth below in Column III resulting in a true interest cost rate of 3.696025%.

D. Morgan Stanley & Co. Incorporated and associates offering to pay $218,774,196.00 for the bonds bearing interest at the rates set forth below in Column IV resulting in a true interest cost rate of 3.709337%.

Interest Rate Columns

Maturity Date	Principal Amount	I	II	III	IV
June 1, 2004	$10,320,000	2.000%	2.000%	2.000%	2.000%
June 1, 2005	10,320,000	2.000	3.000	3.000	3.000
June 1, 2006	10,320,000	3.000	5.000	3.500	3.000
June 1, 2007	10,320,000	3.000	5.000	4.000	3.000
June 1, 2008	10,320,000	4.000	5.000	4.000	4.000
June 1, 2009	10,320,000	5.000	5.000	4.000	4.000
June 1, 2010	10,320,000	5.000	5.000	4.000	4.000
June 1, 2011	10,320,000	5.000	5.000	4.000	4.000
June 1, 2012	10,320,000	4.000	5.000	4.000	4.000
June 1, 2013	10,320,000	5.000	5.000	4.250	5.000
June 1, 2014	10,320,000	4.000	4.000	4.750	4.000
June 1, 2015	10,320,000	4.000	4.750	4.750	4.000
June 1, 2016	10,320,000	5.000	4.750	4.750	5.000
June 1, 2017	10,320,000	5.000	4.750	5.000	5.000
June 1, 2018	10,320,000	4.000	4.750	5.000	5.000
June 1, 2019	10,320,000	4.000	4.750	4.500	5.000
June 1, 2020	10,320,000	4.000	4.000	4.500	5.000
June 1, 2021	10,320,000	4.125	4.000	4.500	4.000
June 1, 2022	10,320,000	4.750	4.750	4.500	5.000
June 1, 2023	10,320,000	4.750	0.050	4.250	4.250

Section 2. Lowest Bid. The bid offering to purchase the Bonds at the lowest "True or Canadian" interest cost, such cost to be determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount to the price bid the payments of the principal of and the interest on the Bonds from their payment dates to June 1, 2003, excluding the accrued interest from the date of the Bonds to the date of their delivery, is the bid of Merrill Lynch & Co. and associates offering to pay $218,784,000.00 and accrued interest for the Bonds bearing interest at the rates set forth in Column I of the foregoing tabulation.

Section 3. Award and delivery of Bonds. The bid of Merrill Lynch & Co. and associates is accepted, and the Bonds are awarded to Merrill Lynch & Co. and associates at the adjusted purchase price of $206,884,788.48, plus accrued interest, such Bonds to bear interest at the rates set forth in the table in Section 5 of this Certificate. In accordance with the terms of the Notice of Sale the Bid Maturity Schedule has been changed to produce the final annual principal amounts shown in Section 5 of this Certificate. Delivery of the Bonds is to be made on or about May 29, 2003 in New York City.

Section 4. Pro rata reduction of Bonds. Pursuant to the instructions in Section 5 of the Authorizing Resolution the principal amount of Bonds otherwise authorized by Section 1 of the Authorizing Resolution were reduced as follows:

Purpose	Original Authorization	Adjusted Amount
School Improvements	$136,400,000	$128,680,000
Parks and park facilities	24,450,000	23,070,000
Neighborhood Improvements	1,000,000	1,000,000
Public Safety facilities	37,600,000	35,470,000
Transportation improvements and facilities	800,000	800,000
Adult Detention Facilities	2,000,000	2,000,000
Juvenile Detention Facilities	150,000	150,000
Commercial and Redevelopment Area Improvements	3,300,000	3,300,000
Storm Drainage Improvements	700,000	700,000
Total	$206,400,000	$195,170,000

Section 5. Final Terms of the Bonds. The revisions to the Bid Maturity Schedule have been communicated to Merrill Lynch & Co. and associates within twenty-four hours of the County's receipt of the Initial Reoffering Terms (as defined in the Notice of Sale) for the Bonds. The final aggregate principal amount of the Bonds is $195,170,000. The Bonds shall be dated May 15, 2003 and consist of $195,170,000 serial bonds that will mature on June 1 in the years and in the final annual principal amounts, and will bear interest at the respective rates per annum, as follows:

Maturities	Maturity Amounts	Interest Rate
2004	$9,765,000	2.00%
2005	9,765,000	2.00
2006	9,765,000	3.00
2007	9,765,000	3.00
2008	9,765,000	4.00
2009	9,765,000	5.00
2010	9,765,000	5.00
2011	9,765,000	5.00
2012	9,765,000	4.00
2013	9,765,000	5.00
2014	9,760,000	4.00
2015	9,760,000	4.00
2016	9,760,000	5.00
2017	9,755,000	5.00
2018	9,755,000	4.00
2019	9,750,000	4.00
2020	9,745,000	4.00
2021	9,745,000	4.125
2022	9,745,000	4.75
2023	9,745,000	4.75

Section 6. Redemption Provisions, Record Date, Interest Payment Dates. The record date, interest payment dates and optional redemption provisions of the Bonds have not been adjusted pursuant to the delegation of authority contained in Sections 5 and 7(a) of the Authorizing Resolution.

Section 7. Certificate within meaning of Resolution. This certificate is a Certificate within the meaning of the Authorizing Resolution, and is executed pursuant to and in accordance with the delegation of power authorized by and contained therein.

Dated as of May 15, 2003.

By: Edward L Long
Chief Financial Officer
Fairfax County, Virginia

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Fairfax County, Virginia (the "County") in connection with the issuance by the County of $195,170,000 aggregate principal amount of its Public Improvement Bonds, Series 2003 B (the "Bonds" or "2003 B Bonds") pursuant to the provisions of a resolution (the "Resolution") adopted on April 28, 2003, by the Board of Supervisors of the County. The proceeds of the 2003 B Bonds are being used by the County to finance and refinance various public improvements in the County. The County hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders of the 2003 B Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The County acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the County, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Filing Date" shall have the meaning given to such term in Section 3(a) hereof.

"Fiscal Year" shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the County's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

"Holder" or "holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a 2003 B Bond.

"Listed Events" shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

principal and interest payment delinquencies

non-payment related defaults

unscheduled draws on debt service reserves reflecting financial difficulties

unscheduled draws on credit enhancements reflecting financial difficulties

substitution of credit or liquidity providers, or their failure to perform

adverse tax opinions or events affecting the tax-exempt status of the 2003 B Bonds

modifications to rights of holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the 2003 B Bonds

rating changes

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the County's 2003 B Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

A. The County shall, or shall cause the Dissemination Agent to, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the "Filing Date") that is not later than March 31 after the end of any Fiscal Year (commencing with its Fiscal Year ending June 30, 2003). Not later than ten (10) days prior to the Filing Date, the County shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the County's audited financial statements or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of the County must be submitted, if and when available, together with or separately from the Annual Report.

B. The annual financial statements of the County shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repositories when they become publicly available.

C. If the County fails to provide an Annual Report to the Repositories by the date required in subsection (a) hereto or to file its audited annual financial statements with the Repositories when they become publicly available, the County shall send a notice to the Municipal Securities Rulemaking Board and any State Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the County, including operating data, updating such information relating to the County as described in Exhibit A, all with a view toward assisting Participating Underwriters in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the County is an "obligated person" (within the meaning of the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The County will provide in a timely manner to the Municipal Securities Rulemaking Board and to each State Repository, if any, notice of any of the Listed Events, if material.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of all the 2003 B Bonds.

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall

have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the County) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to file its Annual Report or to give notice of a Listed Event. The holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the County hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution or the 2003 B Bonds of the County, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Participating Underwriters, and holders from time to time of the County's Bonds, and shall create no rights in any other person or entity.

Date: May 29, 2003

FAIRFAX COUNTY, VIRGINIA

By: Edward L. Long, Jr.
Chief Financial Officer

EXHIBIT A

CONTENT OF ANNUAL REPORT

(a) **Financial Information.** Updated information concerning General Fund revenues, expenditures, categories of expenditures, fund balances, assessed value of taxable property, tax rates, major taxpayers, and tax levies and collections.

(b) **Debt Information.** Updated information concerning general obligation bonds indebtedness, including bonds authorized and unissued, bonds outstanding, the ratios of debt to the market value of taxable property, debt per capita, and debt service as a percentage of General Fund disbursements.

(c) **Demographic Information**. Updated demographic information respecting the County such as its population, public school enrollment and per pupil expenditure.

(d) **Economic Information**. Updated economic information respecting the County such as income, employment, unemployment, building permits and taxable sales data.

(e) **Retirement Plans**. Updated information respecting pension and retirement plans for County employees, including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

(f) **Contingent Liabilities**. A summary of material litigation and other material contingent liabilities pending against the County.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the County and the United States as a whole is contemporaneously available and, in the judgment of the County, informative, such information may be included. Where, in the judgment of the County, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

Re: FAIRFAX COUNTY PUBLIC IMPROVEMENT BONDS
SERIES 2003B

CUSIP NOS.

Dated: _____ _, 200[ ]

NOTICE IS HEREBY GIVEN that Fairfax County, Virginia (the "County") has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds, the proceeds of which were used to for the purpose of financing various public improvements. [The County anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.]

Dated: _____

FAIRFAX COUNTY, VIRGINIA

By: _____

FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

May 21, 2003

Mr. Leonard P. Wales
Assitant Director, Ofc of Management & Bud
Fairfax County, VA
12000 Government Center Parkway
Suite 561
Fairfax, Virginia 22035-0074

Dear Mr. Wales:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Daniel C. Champeau
Managing Director
Public Finance

DCC/tv
Enc: Notice of Rating Action
(Doc ID: 159)

FitchRatings

Notice of Rating Action

Bond Description	Rating Type	Rating	Action	Eff Date	Notes
$206,400,000 Fairfax County, VA Public Improvement Bonds, Series 2003B	Fitch Long-Term Rating	AAA	New Rating	12-May-2003	
$1,512,000,000 Fairfax County, VA Outstanding General Obligation Bonds	Fitch Long-Term Rating	AAA	Affirmed	12-May-2003	

The Rating Outlook is Stable.

Moody's Investors Service

99 Church Street
New York, New York 10007

May 28, 2003

Mr. Edward Long
County of Fairfax
12000 Government Center Parkway, Suite 561
Fairfax, VA 22035-0074

Dear Mr. Long:

We wish to inform you that on May 13, 2003, Moody's Rating Committee assigned a **Aaa** rating to the County of Fairfax Public Improvement Bonds, Series 2003B.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating as well as any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact the analyst assigned to this transaction, Patrick Mispagel at (212) 553-7463.

Sincerely,

Bill Leech
Vice President/Senior Credit Officer

BL:sat

cc: Mr. Peter Shea
Senior Vice President
BB&T Capital Markets
2 South Ninth Street
Richmond, VA 23219

Ratings Services
55 Water Street, 38th Floor
New York, NY 10041-0003
Tel 212 438-2066
Reference No.: 606794

Steven J Murphy
Managing Director
Public Finance Ratings

Standard & Poor's
A Division of The McGraw-Hill Companies

May 13, 2003

Mr. Edward L. Long, Jr.
Chief Financial Officer
Fairfax County
12000 Government Center Parkway - Suite 561
Fairfax, VA 22035-0074

Re: ***$206,400,000 Fairfax County, Virginia, Public Improvement Bonds, Series 2003B, dated: May 15, 2003, due: June 1, 2023***

Dear Mr. Long:

Pursuant to your request for a Standard & Poor's rating on the above debt obligations, we have reviewed the information furnished to us and, subject to the terms and conditions of the *MEMORANDUM OF AGREEMENT* on the reverse side hereof, have assigned a rating of 'AAA' to the obligations. S&P views the outlook for this rating over the intermediate to longer term as stable.

Please note that the ongoing information required includes annual audits and budgets and, for revenue bond ratings in connection with construction financing, progress reports, not less often than quarterly, covering the project being financed and should be forwarded to:

Standard & Poor's Ratings Services
Public Finance
55 Water Street, Muni Drop Box No. 1, 38-3-10 - New York, NY 10041-0003

S&P relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. In addition, it should be understood that the rating is not a *"market"* rating nor a recommendation to buy, hold or sell these securities. Please note that the rating, as is the case with all of S&P's municipal ratings, does not address the likelihood that interest payable on the Bonds may be deemed or declared includable in the gross income of Bondholders by the relevant authorities at any time.

In the event that you decide to include this rating in an Official Statement, prospectus or other offering literature, we request that you include S&P's definition of the rating together with a statement that the rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information.

We are pleased to have been of service to you. Thank you for choosing Standard & Poor's Ratings Services. If you have any questions, please contact us.

Very truly yours,

amh
cc: Mr. Peter H. Shea, Senior Vice President/ Managing Director
BB&T Capital Markets

MEMORANDUM OF AGREEMENT

RE: PUBLIC FINANCE DEBT CONTRACT RATINGS

Standard & Poor's Ratings Services (S&P) rates the creditworthiness of specific bonds or debt obligations for a fee upon written request from an issuer, or from an underwriter, financial consultant, institution or other purchaser, provided that the issuer has knowledge of the request.

The fee is based on the time and effort to determine the rating and accrues upon completion or termination of the rating process and is not contingent upon the sale of the bonds or debt obligations. The fee is not a payment to circulate, disseminate or publicize the rating. However, S&P has the right to disseminate the rating to its own customers and subscribers or through its own or other media. Expenses incurred, such as those for meetings outside S&P's offices or for field trips , are also payable to S&P.

The Applicant agrees to provide or otherwise furnish to S&P all pertinent information in a timely manner together with all subsequent material changes in and additions to such information prior to, at the time of, and subsequent to the assignment of the rating. S&P should also be informed of any subsequent swap or derivative transactions. Failure to furnish information in a timely manner may result in no rating or withdrawal of the rating. S&P relies on the party submitting such information for its accuracy and completeness and substantiation thereof.

It is understood that the rating is an evaluation of the information submitted and does not involve an audit by S&P. S&P has the right to raise, lower, suspend or withdraw the rating at any time, in its sole discretion, depending on the information S&P then has, or the lack thereof, or other circumstances, including, but not limited to, issuance of new bonds or debt obligations by the issuer, all without notice.

Neither party may assign this agreement without the consent of the other party.

CORPORATE AND PUBLIC FINANCE DEBT RATINGS DEFINITIONS

Long-term debt

A Standard & Poor's corporate or public finance debt rating is a current opinion of the creditworthiness of an obligor with respect to a specific obligation. This opinion may take into consideration obligors such as guarantors, insurers, or lessees.

The debt rating is not a recommendation to purchase, sell, or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of, such information, or for other circumstances.

The ratings are based, in varying degrees, on the following considerations:

1. Likelihood of default—capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;
2. Nature of and provisions of the obligation:
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditor's rights.

AAA Debt rated 'AAA' has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA Debt rated 'AA' has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A Debt rated 'A' has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB Debt rated 'BBB' is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative grade rating definitions

Debt rate 'BB' 'B' 'CCC' 'CC' 'C' is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. 'BB' indicates the least degree of speculation and 'C' the higher. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

BB Debt rated 'BB' has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B Debt rate 'B' has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

The 'B' rating category.y is also used for debt subordinated to senior debt that is assigned an actual or implied 'BB' or 'BB—' rating.

CCC Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC The rating 'CC' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC—' debt rating.

C The rating 'C' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC—' debt rating.

CI The rating 'CI' is reserved for income bonds on which no interest is being paid.

D Debt rated 'D' is in payment default. The "D' rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus to show relative standings within the major ratings categories.

Provisional Ratings: The letter "p" indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise judgement with respect to such likelihood and risk.

*Continuance of the rating is contingent upon S&P receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flow.

r The 'r' is attached to highlight derivative, hybrid, and certain other obligations that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks.

The absence of an 'r' symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

Note Ratings

A Standard & Poor's note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in 3 years or less will likely receive a note rating. Notes maturing beyond 3 years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment:

—Amortization schedule (the larger the final maturity relative to other maturities the more likely it will be treated as a note).

—Source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.)

Note rating symbols are as follows:

SP-1 Very strong or strong capacity to pay principle and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest.

SP-3 Speculative capacity to pay principal and interest.

Dual Ratings

Standard & Poor's assign "dual" ratings to all debt issues that have as part of their structure a put option or demand feature.

The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the put option (for example, 'AAA/A-1+'). With short-term demand debt, the note rating symbol is used with the commercial paper rating (for example, 'SP-1+/A-1+').

CERTIFICATE CONCERNING OFFICIAL STATEMENT

I, Nancy Vehrs, Clerk to the Board of Supervisors of Fairfax County, Virginia, **DO HEREBY CERTIFY** that the attached Official Statement of Fairfax County, Virginia, dated May 15, 2003 relating to the issuance of **$195,170,000 Public Improvement Bonds, Series 2003 B**, is substantially in the form of the draft of the Preliminary Official Statement which was presented at the meeting of the Board of Supervisors of Fairfax County, Virginia, duly called and held on April 28, 2003 and which was approved by the Board of Supervisors by a resolution duly passed and adopted at the meeting.

WITNESS my hand and the official seal of the Board of Supervisors of Fairfax County, Virginia, this 29th day of May, 2003.

Nancy Vehrs

Clerk to the
Board of Supervisors
Fairfax County, Virginia

(SEAL)

In the opinion of Bond Counsel, under existing law and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for Federal income tax purposes. See "TAX MATTERS" herein for certain provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

NEW ISSUE
Full Book-Entry

RATINGS:

Fitch.....AAA
Standard & Poor's.....AAA
Moody's.....Aaa

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds, Series 2003 B

Dated: May 15, 2003 **Due: June 1, as shown below**

Interest on the Bonds will be payable semi-annually on each June 1 and December 1, commencing December 1, 2003.

The Bonds are subject to redemption prior to maturity in whole or in part at any time on or after June 1, 2013 at a redemption price of par plus accrued interest.

The Bonds are being issued for the purpose of financing various public improvements.

The Bonds will be general obligations of Fairfax County, Virginia, for the payment of which the Board of Supervisors of the County is unconditionally obligated to levy and collect an annual ad valorem tax, unlimited as to rate or amount, upon all property in the County subject to local taxation.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

Maturity Date	Principal Amount	Interest Rate	Yield*	Maturity Date	Principal Amount	Interest Rate	Yield*
2004	$9,765,000	2.00%	1.02%	2014	$9,760,000	4.00%	3.40%[c]
2005	9,765,000	2.00	1.15	2015	9,760,000	4.00	3.50[c]
2006	9,765,000	3.00	1.40	2016	9,760,000	5.00	3.53[c]
2007	9,765,000	3.00	1.82	2017	9,755,000	5.00	3.63[c]
2008	9,765,000	4.00	2.13	2018	9,755,000	4.00	3.89[c]
2009	9,765,000	5.00	2.41	2019	9,750,000	4.00	4.00
2010	9,765,000	5.00	2.71	2020	9,745,000	4.00	4.13
2011	9,765,000	5.00	2.94	2021	9,745,000	4.125	4.22
2012	9,765,000	4.00	3.06	2022	9,745,000	4.75	4.10[c]
2013	9,765,000	5.00	3.18	2023	9,745,000	4.75	4.18[c]

(Accrued interest to be added)

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel. The Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about May 29, 2003.

This and the inside cover page contain certain information for quick reference only. They are not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

May 15, 2003

---

* Initial reoffering yields were furnished by the successful bidder.
[c] Yield to first par call on June 1, 2013.

Fairfax County, Virginia

BOARD OF SUPERVISORS

Katherine K. Hanley, *Chairman*
Gerald W. Hyland, *Vice Chairman*
Sharon Bulova
Gerald E. Connolly
Catherine M. Hudgins
Michael R. Frey
Penelope A. Gross
T. Dana Kauffman
Elaine McConnell
Stuart Mendelsohn

COUNTY OFFICIALS

Anthony H. Griffin, *County Executive*
Verdia L. Haywood, *Deputy County Executive*
Robert A. Stalzer, *Deputy County Executive*
David P. Bobzien, *County Attorney*
Edward L. Long, Jr., *Chief Financial Officer*
David J. Molchany, *Chief Information Officer*
Robert L. Mears, Director, *Department of Finance*
Susan W. Datta, Director, *Department of Management and Budget*

BOND COUNSEL
Sidley Austin Brown & Wood LLP
787 Seventh Avenue
New York, New York 10019
(212) 839-5323

FINANCIAL ADVISOR
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.
2 South Ninth Street
Richmond, Virginia 23219
(804) 649-3946

For information relating to this Official Statement please contact:
Edward L. Long, Jr., Chief Financial Officer
Fairfax County, Virginia
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035-0074
(703) 324-2391

No person has been authorized by Fairfax County to give any information or to make any representations with respect to the County or the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds. Any electronic reproduction of this Official Statement may contain computer generated errors or other deviations from the printed Official Statement. In any such case, the printed version controls.

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OFFICIAL STATEMENT

FAIRFAX COUNTY, VIRGINIA

Regarding

$195,170,000

Public Improvement Bonds, Series 2003 B

INTRODUCTION

The purpose of this Official Statement, which includes the cover and inside cover pages and the appendices hereto, is to furnish information in connection with the sale by Fairfax County, Virginia (the "County"), of its $195,170,000 Public Improvement Bonds, Series 2003 B (the "Bonds").

THE BONDS

Authorization And Purpose

The Bonds will be issued under a resolution (the "Resolution") adopted by the Board of Supervisors of Fairfax County (the "Board of Supervisors") on April 28, 2003 pursuant to Article VII, Section 10(b) of the Constitution of Virginia and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia, 1950, as amended (the "Act").

The Bonds will be issued to provide funds in the following amounts for the following purposes:

School Improvements	$ 128,680,000
Transportation Improvements and Facilities	800,000
Parks and Park Facilities	23,070,000
Neighborhood Improvements	1,000,000
Adult Detention Facilities	2,000,000
Community and Redevelopment Area Improvements	3,300,000
Public Safety Facilities	35,470,000
Juvenile Detention Facilities	150,000
Storm Drainage Facilities	700,000
Total	$ 195,170,000

The sources and uses of the proceeds of the Bonds, excluding accrued interest on the Bonds, and other available funds are summarized as set forth below.

Sources	
Par amount of the Bonds	$195,170,000
Net offering premium	12,503,178
Total Sources	$207,673,178
Uses	
Public Improvements	$206,400,000
Underwriters' discount	788,389
Other issuance expenses	484,789
Total Uses	$207,673,178

The accrued interest received on delivery of the Bonds will be applied to pay a portion of the interest due on the Bonds on December 1, 2003.

Description

The Bonds will be dated May 15, 2003, will bear interest from their date, payable semi-annually on each June 1 and December 1, commencing December 1, 2003, at rates, and will mature, in amounts on June 1 in each of the years 2004 through 2023, inclusive, as set forth on the cover page of this Official Statement. The Bonds will be issued in denominations of $5,000 and integral multiples thereof under the book-entry system of the Depository Trust Company ("DTC"), and principal and interest on the bonds will be payable in the manner described in Appendix V, "BOOK-ENTRY ONLY SYSTEM".

Security

The Bonds are general obligations of the County for which its full faith and credit are irrevocably pledged. The Act requires that the Board of Supervisors shall, in each year while any of the Bonds shall be outstanding, levy and collect an ad valorem tax upon all property in the County subject to local taxation sufficient to pay the principal of and the interest on the Bonds as the same shall become due, which tax shall be in addition to all other taxes authorized to be levied in the County.

State Aid Intercept

The provisions of Section 15.2-2659 of the Act, in substance, direct the Governor of Virginia, upon satisfactory proof of default by the County in the payment of principal of or interest on the Bonds, immediately to order the Comptroller of Virginia to withhold all further payment to the County of all funds, or any part thereof, appropriated and payable by the Commonwealth to the County for any and all purposes until such default is remedied. For as long as the default continues, the law directs the Governor to require the Comptroller to pay to the holders of such Bonds or the paying agent therefor all of the withheld funds or as much as are necessary to cure, or to cure insofar as possible, the default on such Bonds. The Governor shall, as soon as practicable, give notice of such default and of the availability of funds with the paying agent or with the Comptroller by publication one time in a daily newspaper of general circulation in the City of Richmond and by mail to the registered owners of such Bonds. Although the provisions of Section 15.2-2659 have never been tested in a Virginia court, the Attorney General of Virginia has opined that appropriated funds can be withheld pursuant to its provisions.

Remedies

The Bonds do not specifically provide any remedies that would be available to a bondholder if the County defaults in the payment of principal of or interest on the Bonds, nor do they contain a provision for the appointment of a trustee to protect and enforce the interests of the bondholders upon the occurrence of such default. If a bondholder does not receive payment of principal or interest when due, the holder could seek to obtain a writ of

mandamus from a court of competent jurisdiction requiring the Board of Supervisors to levy and collect an ad valorem tax, unlimited as to rate or amount, upon all property in the County subject to local taxation sufficient to pay the principal of and the interest on the Bonds as the same shall become due. The mandamus remedy, however, may be impracticable and difficult to enforce. The enforceability of rights or remedies with respect to the Bonds (but not the validity of the Bonds) may be limited by bankruptcy, insolvency, or other State or Federal laws, heretofore or hereafter enacted, and equitable principles affecting the enforcement of creditors' rights.

The County has never defaulted in the payment of either principal or interest on any indebtedness.

No Litigation Respecting The Bonds

No litigation is pending or, to the best of the County's knowledge, threatened (a) to restrain or enjoin the issuance, sale or delivery of any of the Bonds, the application of the proceeds thereof or the pledge of tax revenues for payment of the Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Bonds, (c) in any way contesting the existence or powers of the County or (d) that, if determined adversely against the County, would have a material adverse effect on the County. See "FAIRFAX COUNTY -- CONTINGENT LIABILITIES AND CLAIMS" for a description of litigation affecting the County.

Sale By Competitive Bidding

The Bonds were awarded pursuant to electronic competitive bidding held via PARITY on Thursday, May 15, 2003 to a group of underwriters led by Merrill Lynch & Co. (the "Underwriters") at a price to the County that results in an Underwriters' discount of $788,389.22 from the initial public reoffering prices derived from the reoffering yields shown on the cover. Merrill Lynch & Co. has supplied the information as to initial public reoffering yields shown on the cover. The Underwriters may offer to sell the Bonds to certain dealers and others at prices lower than the initial public reoffering prices derived from the reoffering yields shown on the cover.

FAIRFAX COUNTY

GENERAL DESCRIPTION

Overview

The County is located in the northeastern corner of Virginia and encompasses an area of 407 square miles. Its current estimated population is approximately one million. The County is part of the Washington, D.C. metropolitan area, which includes jurisdictions in Maryland, the District of Columbia, and Northern Virginia.

The Fairfax County government is organized under the Urban County Executive form of government (as defined under Virginia law). The governing body of the County is the Board of Supervisors which makes policies for the administration of the County. The Board of Supervisors is comprised of ten members: the Chairman, elected at large for a four-year term, and one member from each of nine districts, elected for a four-year term by the voters of the district in which the member resides. The Board of Supervisors appoints a County Executive to act as the administrative head of the County. The County Executive serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board of Supervisors. (See Appendix I.)

In Virginia, cities and counties are discrete units of government and do not overlap. Fairfax County completely surrounds the City of Fairfax and is adjacent to the City of Falls Church and the City of Alexandria. (See Appendix II.) Property within these cities is not subject to taxation by Fairfax County, and the County generally is not required to provide governmental services to their residents. The County does, however, provide certain services to the residents of certain of these cities pursuant to agreements with such cities.

In Fairfax County there are located three incorporated towns, Clifton, Herndon and Vienna, which are underlying units of government within the County, and the ordinances and regulations of the County are, with certain limitations prescribed by State law, generally effective in them. (See Appendix III.) Property in these towns is subject to County taxation and the County provides certain services to their residents. These towns may incur general obligation bonded indebtedness without the prior approval of the County (more fully discussed in "FAIRFAX COUNTY--DEBT ADMINISTRATION").

Certain County Administrative and Financial Staff Members

Anthony H. Griffin, County Executive, joined Fairfax County Government in 1989 after serving as Falls Church, Virginia City Manager for six years. He was appointed County Executive effective January 17, 2000. He previously served as Deputy County Executive for the County. He had previously served as acting County Manager and Deputy County Manager of Arlington County, Virginia. He is a graduate of Hobart College in Geneva, New York, and holds Master's Degrees in Urban and Regional Planning and in Urban Affairs, with a concentration in Urban Management, from Virginia Polytechnic Institute and State University.

Verdia L. Haywood, Deputy County Executive, joined Fairfax County Government in 1978 as Executive Assistant to the County Executive. Prior to joining Fairfax County, Mr. Haywood served as Senior Budget Analyst for the City of Richmond, Virginia. Mr. Haywood holds a Bachelor's Degree with Honors from Alcorn State University, with a concentration in Political Science and Economics, and a Master's Degree in Public Administration from the University of Illinois. He also was the recipient of a Ford Foundation Grant and Illinois State Urban Fellowship.

Robert A. Stalzer, Deputy County Executive, joined Fairfax County Government on June 1, 2000. Mr. Stalzer previously served as Town Manager in the Town of Herndon, a position he assumed in 1988. He had previously served as Director of Planning and Zoning, Zoning Administrator and Planning Commission Secretary for Roanoke County, Virginia. Mr. Stalzer holds a Bachelor of Arts from Clark University and a Master of Regional and City Planning from the University of Oklahoma. He is currently a degree candidate at Syracuse University, New York for a Master of Business Administration.

David P. Bobzien was appointed County Attorney by the Board of Supervisors effective January 1993, after serving as a member of the Fairfax County Planning Commission and as Chairman of the Fairfax County Goals Advisory Commission. He is the past Chair of the Local Government Law Section of the Virginia State Bar, the past President of the Local Government Attorneys of Virginia, and an elected member of the Virginia State Bar Council. Prior to assuming his present position he served as Assistant Counsel in the Office of Professional Responsibility of the United States Department of Justice. From 1975 to 1979 Mr. Bobzien was an associate in the Fairfax law firm of Fitzgerald and Smith. He also served as a Captain in the Judge Advocate General's Corps in the United States Army from 1971 to 1975. Mr. Bobzien is a graduate of Holy Cross College and holds a J.D. from the University of Virginia and an L.L.M in Taxation from George Washington University.

Edward L. Long, Jr., Chief Financial Officer, joined the County in 1977 as a Budget Analyst. He served as a Senior Budget Analyst from 1980 to 1983 and as Assistant Director from 1983 to 1989. He was appointed Budget Director in October 1989. Mr. Long has a Bachelor's Degree in Political Science from Emory & Henry College and a Master's Degree in Urban Studies from the University of Maryland at College Park. He has served on the Fairfax-Falls Church Community Services Board and is active and has held offices in numerous professional organizations in the Northern Virginia region. In 1993 Mr. Long was recognized by the Washington Metropolitan Government Finance Officers Association with the Anna Lee Berman Award for Outstanding Leadership in Governmental Finance.

David J. Molchany, Chief Information Officer, joined the County in 1995. As Chief Information Officer (CIO) for the Fairfax County Government, Mr. Molchany is responsible for the management of all aspects of information and technology needed to support the County Government and its constituents. His area of responsibility includes the Department of Information Technology, the Fairfax County Public Library and the Department of Cable Communications and Consumer Protection. He is also responsible for HIPAA compliance Countywide. He and his departments have been recognized by numerous organizations for innovative use of technology. In 2002 the Bertelsmann Foundation of Germany recognized the County's E-Government program as one of the four top pace setters of the 12 top programs in the world. Mr. Molchany is also active in many professional organizations and has been appointed by the Governor of Virginia and the General Assembly to serve on statewide councils and commissions on technology. Previous employers have included Sallie Mae, American Management Systems and Electronic Data Systems. Mr. Molchany is a 1983 graduate of Juniata College and holds a Bachelor of Science degree in Marketing and Computer Science.

Robert L. Mears was appointed as Fairfax County Director of the Department of Finance effective September 7, 1999. From 1989 until then, he served as Finance Director of the Fairfax County Public Schools. He joined the Schools staff in 1986 as a coordinator of the logistics budget after service with the County government since 1981 as a Management Analyst. During his time with the County government, he served on the interdepartmental project team responsible for implementation of the government's new automated financial system. Mr. Mears received his Bachelor's Degree in Sociology from the College of William & Mary and his Master's Degree in Public Administration from the University of Northern Colorado. He is a Certified Governmental Financial Manager and is Treasurer and Chairman of the Investment Committee of the Board of Trustees of the Fairfax County Supplemental Retirement System, Treasurer of the Board of Trustees of the Police Officers Retirement System, and Treasurer of the Board of Trustees of the Uniformed Retirement System.

Susan W. Datta was appointed as Fairfax County Director of the Department of Management and Budget effective August 11, 2001. She had served as the assistant director of the Department of Management and Budget since 1993. Ms. Datta received her Bachelor's Degree in American Government from the University of Virginia and a Masters of Public Administration from the University of North Carolina at Chapel Hill. Ms. Datta worked as Assistant to the County Manager in Catawba County, North Carolina, from 1984 to 1987. She joined the Fairfax County Department of Management and Budget in May 1987 as a budget analyst.

County Employees

As of April 2003, there were 32,218 full and part time positions authorized for the County. Of this total, 20,712 were authorized by the County School Board; 10,666 were authorized in other activities funded directly or supported by the General Fund of the County; and 840 were authorized in activities not supported by the General Fund, principally the Integrated Sewer System. Fairfax County employees are not represented by unions. Fairfax

County public school employees have, however, organized the Fairfax Education Association and the Fairfax County Federation of Teachers to represent the interests of its members at public hearings and meetings before the County School Board and the Board of Supervisors. General County employees' interests are represented at these types of meetings by the Employees Advisory Council and other groups such as Police, Fire and Sheriff employee organizations. None of these organizations is empowered to serve as negotiating agent for its members for collective bargaining purposes. Collective bargaining by public employees in Virginia is prohibited by law, and such restriction has been upheld by the Supreme Court of Virginia.

GOVERNMENT SERVICES

Reflecting its urban character, Fairfax County provides a comprehensive range of public services characteristic of its form of government under Virginia law and its integral position within the Washington metropolitan area. The following subsections describe principal governmental services and services performed in conjunction with other governmental entities.

General Government Administration

The County government center complex is located in the Fairfax Center area and is accessible by U.S. Routes 50 and 29, near Interstate Highway 66. The 674,943 square foot government center houses core County services and agencies. Two adjacent County office buildings provide an additional 486,129 square feet of space and house primarily human services and community development agencies and departments of the County. Six remote governmental centers, in addition to the central government center complex, have been established. The centers provide office space for members of the Board of Supervisors, personnel, police, and building inspectors, and provide meeting rooms for community activities. In addition, during FY 2002, the County completed and occupied a new 135,000 square foot governmental center for delivery of County services in the southeast part of the County.

Fairfax County has received national recognition for many administrative and managerial innovations which have been implemented in order to increase the efficiency of County services and reduce costs. For example, decentralization in the administration of County programs has been emphasized in order to augment the efficient delivery of County services. In early 2002, Governing Magazine released the results of a comprehensive evaluation of management practices of 40 counties across the United States. This survey was conducted by the Government Performance Project and the Maxwell School of Public Affairs and Citizenship at Syracuse University. A total of five management categories were evaluated, including Financial Management, Managing for Results, Information Technology, Human Resource Management and Capital Management. Fairfax County was one of only two counties to earn the highest overall rating of A- and Fairfax County was the only county to receive no grade less than A- in any of the five management categories.

To support recent realignment of County functions, significant investments are being made in the County's information technology capabilities. In addition to the investments related to the projects outlined above, the County is also replacing and upgrading its Public Safety communications network; integrating existing databases into a single Corporate Land Development System; digitizing the integrated mapping system; implementing electronic imaging for the Circuit Court land records; and utilizing ongoing upgrades to provide online public access to the County's library collections.

In the area of revenue collection and financial management; the County has instituted many computer-assisted programs in order to increase County revenues and monitor costs. For its approximately 331,000 taxable land parcels, the County conducts annual assessments using computer-assisted appraisal programs similar to those used throughout the Commonwealth. The uniformity of the assessment program is indicated by the County's achievement in tax year 2003 (FY 2004) of a Russell Index of 5.9. The Russell Index indicates the amount of deviation from the mean assessed value and provides a measure of uniformity to the assessment process. The International Association of Assessing Officers considers an index of 15.0 or less to be good. In addition, the Department of Finance maintains a cash management program which generates long range cash flow projections for the County, permitting the efficient investment of funds. An internal audit staff monitors County activities and performs both financial and management audits.

Public Works

Essential management, professional engineering, design, and construction services in support of the construction of roads, sidewalks, trails, storm drainage, street lights, bus shelters, public facilities (except schools, housing and parks) and sewers are provided through the Department of Public Works and Environmental Services. The Department is also responsible for the acquisition of land for, and timely construction of, public facilities projects contained in bond referenda questions approved by the voters of Fairfax County. Referenda questions approved by County voters have included $492.57 million (excluding roads and transportation improvements) since April 1988 for major public facilities, including libraries, the County courthouse, police stations, fire stations, juvenile and adult detention facilities, mental health facilities, commercial revitalization projects, public safety, neighborhood improvement projects and storm drainage projects. In addition, the Department is responsible for the operation and maintenance of sanitary sewer and storm drainage systems, refuse collection and disposal, and wastewater treatment.

Wastewater generated in the County is treated at one County-owned treatment facility, four interjurisdictional treatment facilities and one private treatment facility. The County-owned treatment facility is the Noman M. Cole, Jr., Pollution Control Plant (formerly the Lower Potomac Pollution Control Plant). The four interjurisdictional treatment facilities are the District of Columbia's Blue Plains Facility, and plants operated by the Upper Occoquan Sewage Authority ("UOSA"), the Arlington County Department of Public Works and the Alexandria Sanitation Authority ("ASA") and the private treatment facility is the Harbor View Wastewater Treatment Plant. The County's treatment capacity in the six facilities totals 133.6 million gallons per day ("mgd"). In February 1991, UOSA issued $95,490,000 bonds of which approximately $79,300,000 were to finance the initial phase of an expansion of its capacity from 27 mgd capacity to 54 mgd and associated improvements. This expansion, which is projected to be completed in 2003, will result in an increase of approximately 17.7 mgd in Fairfax County's sewage treatment capacity. UOSA issued $330,860,000 of bonds in January 1996, of which $288,600,000 was allocated for the completion of the expansion project. Fairfax County is responsible for approximately 62.8% of the debt service on UOSA's bonds. In July 1996, the County issued $104,000,000 Sewer Revenue Bonds to fund a portion of the cost of the expansion and upgrade of the Noman M. Cole, Jr., Pollution Control Plant's capacity from 54 mgd to 67 mgd.

In 2000 the ASA undertook an upgrade of its facilities and the addition of biological nutrient removal capabilities. The County's share of construction costs for the ASA plant improvements is currently estimated at $180 million to be paid partly from system revenues and partly from debt financing. In 2001 Fairfax County requested and received approval for a loan of $40 million from the Virginia Water Facilities Revolving Fund for a period of 20 years. An additional loan of $50 million was requested and approved in FY 2002. The loans, administered through the Virginia Resources Authority (VRA), are subordinate to the current system Revenue Bonds.

The Department manages and operates the I-95 Sanitary Landfill located on approximately 500 acres in the southern portion of the County. This facility is operated on a "special fund" basis, which utilizes tipping fees to pay for the operation and capital expenditures of the landfill. Since December 31, 1995, the landfill has been dedicated to the disposal of ash which is generated by the incineration of municipal solid waste at the Arlington/Alexandria Energy/Resource Recovery Facility and the Fairfax County Energy/Resource Recovery Facility ("E/RRF"). The County has initiated closure activities which involve placing a synthetic cap over the closed section of the landfill along with landfill gas extraction wells and leachate collection systems. Capping activity has been completed on approximately 150 acres of the site. The closure project is a multi-phase construction project which will be on-going throughout the remaining life of the facility. Dedicated reserves are established for this purpose, and the County has met the financial assurance requirements set forth by the Virginia Department of Environmental Quality regarding closure and post-closure care. Additional landfill requirements, either debris or sanitary waste, are met through separate contracts.

The E/RRF burns solid waste delivered to the facility from the County, the District of Columbia, Prince William County, and portions of Loudoun County and has a dependable capacity rating of 63 megawatts ("MW") for sale to Dominion Virginia Power. Fairfax County and the Fairfax County Solid Waste Authority, which was created by the County, entered into a service contract (the "Covanta Contract") in August 1987 with Ogden Martin Systems of Fairfax (now, Covanta Fairfax, Inc.), under which Covanta Fairfax, Inc. was obligated to design,

construct, operate and maintain a 3,000 ton per day resource recovery facility at the I-95 Landfill Site. Covanta Energy Corporation, of which Covanta Fairfax, Inc. is an indirectly wholly-owned subsidiary, has guaranteed the obligations of Covanta Fairfax, Inc. under the Covanta Contract. In February and March 1988, the Fairfax County Economic Development Authority issued $252,080,000 in revenue bonds to finance the construction of the E/RRF. Full-scale operations at the E/RRF began in June of 1990. In 1995, the County sold an option to acquire refunding revenue bonds for the E/RRF. This option was sold to a financial institution for a one-time fee of approximately $10.25 million. On November 4, 1998, the option was exercised and the refunding revenue bonds in the amount of $195,505,000 were delivered. The refunding bonds have a lower interest rate, serving to decrease the net debt service for the facility. The bonds are not general obligations of Fairfax County, but they are secured solely by the revenues of the E/RRF. Net debt service is a crucial element in determining the annual waste disposal fee per ton which the County pays to Covanta Fairfax, Inc. As a result of the option exercise, the savings per ton is approximately four dollars ($4), a decrease of about 12% from Fall 1998 levels.

As a result of the provisions of the Clean Air Act Amendments of 1990, additional emissions control systems were required to be added to the E/RRF. The systems, which serve to further reduce emissions of mercury, nitrogen oxides, and sulfur dioxide, among others, were completed in December 2000. The cost of these improvements was funded through remaining bond proceeds from the original financing of the E/RRF.

Fairfax County is obligated under the Covanta Contract to deliver certain minimum annual tonnages of solid waste to the E/RRF and to pay Covanta Fairfax, Inc. tipping fees for the disposal of such waste to provide funds sufficient to pay the operating costs of the E/RRF and debt service on the bonds. The County's commitment to deliver minimum quantities of solid waste to the E/RRF was based on "flow control" powers granted to the County by the General Assembly of Virginia to direct private haulers of solid waste to the E/RRF. An adverse 1994 decision by the Supreme Court of the United States has created uncertainty with regard to the power of local governments to enforce flow control ordinances. The supply of municipal solid waste to the E/RRF may be subject to the competitive pricing of alternative disposal sites. In light of the competitive pressures, and in order to maintain its waste stream to the E/RRF, in August of 1998 the County began to enter into contracts with waste haulers, providing them a discount on waste disposal fees if they commit to keep their waste within the County. On September 14, 1998, the County Board of Supervisors passed a resolution clarifying its intent to enforce only intra-state flow control, which is not impacted by the 1994 Supreme Court decision. On November 23, 1998, the Board of Supervisors approved changes to the County Code, at a public hearing, which provide for intra-state flow control.

On April 1, 2002, Covanta Energy Corporation and Covanta Fairfax, Inc. (collectively, "Covanta"), along with a number of their affiliates, filed voluntary bankruptcy petitions pursuant to Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The cases have been assigned docket numbers 02-40826 through 02-40949. During Covanta's bankruptcy, the County is required to comply with the terms of the Covanta Contract unless and until the Covanta Contract is rejected by order of the Bankruptcy Court. Pursuant to Section 365 of the Bankruptcy Code, Covanta can either seek to assume or reject the Covanta Contract. If the Covanta Contract is assumed, Covanta would continue to operate the E/RRF in accordance with the Covanta Contract. If the Covanta Contract is rejected, the rejection would constitute a pre-petition breach of the Covanta Contract and Covanta would have no continuing obligation to perform under the Covanta Contract. As a party in interest, the County may review and object to any motion by Covanta to either assume or reject the Covanta Contract. The Bankruptcy Court has broad latitude, however, in reviewing and approving such motions and the County would be required to comply with any resulting Bankruptcy Court order. At this time it is not possible to predict whether Covanta will seek to assume or reject the Covanta Contract and how the Bankruptcy Court would rule on any such motion. If the Covanta Contract is rejected, another operator for the E/RRF or alternative disposal sites for the solid waste that the County has contracted to dispose of may be sought. Whether the Covanta Contract is assumed or rejected as a result of the bankruptcy proceeding, however, the County is confident that solid waste disposal in the County will not be materially interrupted.

During FY 2001, the E/RRF processed nearly 1,071,000 tons of material, and in FY 2002, nearly 1,028,000 tons, exceeding the guaranteed requirements by 140,250 tons and 97,250 tons, respectively. Based on the success of the contract waste program, the County is continuing to offer a discount rate to haulers for contractual waste quantities during FY 2003 and FY 2004. Covanta Fairfax, Inc. is expected to exceed 1 million tons processed for FY 2003.

To comply with local directives, the County has initiated a comprehensive waste reduction and recycling program. Recycling is mandatory for all residents and businesses. One goal of the recycling program, to reduce the municipal solid waste stream by 25 percent, was achieved by the close of FY 1992, 3 years ahead of State requirements. In calendar year 2001 the County recycled approximately 34 percent of the waste stream. In calendar year 2002 the County estimates that the amount recycled will be approximately 34 percent of the waste stream when all data are compiled. The County's waste reduction/recycling efforts include: recycling of glass, aluminum, newspaper, office paper, ferrous metals, corrugated cardboard, used motor oil, automobile batteries, grass, leaves and brush (with the distribution of ground wood mulch to County citizens).

Public Schools

The Fairfax County Public Schools (FCPS) is the largest educational system in the Commonwealth of Virginia and is the twelfth largest school system nationwide when ranked by enrollment. The system is directed by a twelve-person School Board elected by the citizens of Fairfax County to serve four-year terms. A student representative with a one-year term participates in the discussions but does not vote. Because the School Board is not empowered to levy taxes or to incur indebtedness, the operating costs of FCPS are provided by the Federal and State governments and by transfers from the General Fund of the County to the School Board. (See the subsection herein entitled "Expenditures and Transfers" in the section entitled "FINANCIAL INFORMATION.") Capital construction funding for public school facilities is provided primarily by the sale of general obligation bonds of the County.

FCPS is a high quality system offering a variety of programs. There is a strong academic program for college-bound students. Approximately 90% of FCPS graduates enroll in post-secondary educational programs. In addition to the traditional academic curriculum, the Thomas Jefferson High School for Science and Technology provides a four-year college preparatory program for students who have a strong interest and high aptitude in mathematics, science, computer science, engineering, or related professional fields. The school has been designated as one of the Governor's magnet schools for science and technology, and students from other Northern Virginia counties are admitted on a tuition paying basis.

An extensive program for students pursuing opportunities in technical careers has also been developed. Various courses are offered in business, health occupations, industrial technology, marketing, trade and industrial, and work and family studies program areas. In addition, there are special programs offered for gifted children and for handicapped children ages 2 through 21. A comprehensive summer school program for students in the general academic program as well as for special education students is offered. FCPS also provides an extensive adult education program offering basic education courses and general education, vocational and enrichment programs. Over 80,000 persons have enrolled in the adult education program.

In FY 2003, the School Board operates 21 special education centers and 181 schools including 132 elementary, 22 middle, 21 high and 3 secondary schools (grades 7-12) and 3 alternative high schools. Among the 202 schools and centers operated by FCPS are a variety of special programs designed to enhance student achievement. These include two elementary magnet schools with County-wide enrollment, eight elementary focus schools with specific curricular approaches, ten extended year schools, 26 foreign language partial-immersion schools, and 11 International Baccalaureate programs at the middle and high school level. Approximately 18,691 employees are assigned to work in schools and 1,626 positions are non-school based. These positions provide support in areas such as personnel, payroll, and maintenance of facilities. There are 460 grant funded positions.

In FY 2003, the average elementary class size is estimated to be 21.8 students per teacher. Kindergarten classes are staffed with a teacher and an instructional assistant at a maximum class size of 28 students. Elementary schools are staffed with pupil-teacher ratios of 25.0 to 1 in grades 1 through 3, with grade one classes capped at 25 students maximum. Grades 4 through 6 are staffed at a pupil-teacher ratio of 27.0 to 1. At the middle school level, the average number of students per classroom teacher is 24.7 students, with an average of 24.6 students per teacher at the high school level.

Certain schools are identified as having students with special needs; these schools have a high variability in test scores, a high mobility rate, a large percentage of free and reduced price lunch eligible students, and a high minority enrollment. Supplementary staffing is allotted to these schools.

Thirty-two elementary schools are designated as special needs. Of this total, 19 are designated as Excel schools. The remaining 13 schools have a reduced pupil-teacher ratio of 21.0 to 1 in grades 1 through 3 and 23.0 to 1 in grades 4 through 6; maximum kindergarten class size is set at 24 students. In addition, 22 elementary schools have a 15.5 to 1 pupil-teacher ratio and 24 have a 15 to 1 ratio in the first grade to provide additional support to students with special needs. These schools were selected based on their status as special needs schools, Title 1 schools, or schools with a high percentage of free and reduced price lunch eligible enrollment. Nine middle schools and eight high schools are classified as special needs schools. These schools have additional staff, including teachers, assigned to them. In addition, Project Excel provides students in 22 elementary schools with further reduced pupil-teacher ratios and additional staff time for learning and enhanced academic programs.

FCPS provides a number of student intervention programs for the increasing population of non-traditional learners. These alternative high schools and programs and four English for Speakers of Other Languages transition centers are operated throughout the County. The Intervention and Support Program is designed to help chronically disruptive students change their behaviors and attitudes. These programs are operated at 19 sites throughout the County.

As shown below, the number of students attending Fairfax County Public Schools increased between 1993 and 2002. Enrollment for FY 2002 was 161,385, an increase of 26,283 students over the FY 1993 enrollment. It is projected that enrollment will increase through 2007.

Fiscal Year	Number of Public School Students
1993	135,102
1994	137,495
1995	140,097
1996	143,040
1997	145,805
1998	148,036
1999	151,418
2000	154,523
2001	158,331
2002	161,385
	Enrollment Projections
2003	166,072
2004	168,822
2005	171,311
2006	173,527
2007	175,560

Source: Fairfax County Public Schools

Fairfax County has achieved its status as a superior quality educational school system while maintaining one of the lower per-pupil costs in the Washington metropolitan area. The average per-pupil expenditures based on FY 2003 approved budget operating costs for several Washington metropolitan area jurisdictions are as follows:

Jurisdiction	Per-Pupil Expenditures
City of Falls Church	$12,844
Arlington County	12,716
City of Alexandria	11,914
Montgomery County (Md.)	9,641
Fairfax County	9,388
Loudoun County	9,194
City of Manassas	8,627
Prince William County	7,551
Prince George's County (Md.)	6,554

Source: FY 2003 Metropolitan Area Boards of Education Guide, November 2002.

FCPS compares favorably with other area school systems. In the 2002 National Merit Scholarship program, 201 FCPS students were named semifinalists and FCPS students accounted for 52 percent of Virginia's National Merit Scholarship semifinalists.

In addition, FCPS students' SAT scores compare favorably with state and national averages on Scholastic Aptitude Tests administered by the College Board.

2002 Average Scholastic Aptitude Test Scores

	Verbal	Math	Total
United States	504	516	1020
Virginia	510	506	1016
Fairfax County	540	556	1096

Source: Educational Testing Service

FCPS was rated as a Gold Medal school district, the highest rating possible, by Expansion Management magazine in its 2000 rankings. In its tenth annual survey, the magazine's Educational Quotient ("EQ") ranked over 2,200 school districts. According to the magazine, the EQ assists in determining which school systems are likely to produce quality workers for today's complex global markets. The magazine emphasizes that school district desirability is a major factor for businesses in selecting the right community for expansions and locations. FCPS scored 148 points out of a possible 150 points, receiving the highest rating in the metropolitan Washington area. Of the 20 largest public school districts in the country, FCPS was one of only two to receive the Gold Medal award.

Since April 1988, more than $1.60 billion in general obligation bonds has been authorized by County voters for school capital projects. In November 2001, Fairfax County voters authorized the Board of Supervisors to issue bonds in the aggregate amount of $377.955 million for planning and construction of new schools, additions and renewals at existing schools, and other school improvements countywide. (See **"FAIRFAX COUNTY – CAPITAL IMPROVEMENT PROGRAM"**.)

Transportation

General

Fairfax County is served by various highway, rail and air transportation facilities. The Capital Beltway (Interstate Highway 495), Interstate Highways 95, 395, and 66 and the Dulles Toll Road provide access to all parts of the Washington metropolitan area and major surface transportation corridors along the eastern seaboard. The Washington Metropolitan Area Transit Authority ("WMATA") rail system provides area residents with one of the largest and most modern regional transit systems in the world.

Two major airports serve the County with daily national and international service. Washington Dulles International Airport, located along the County's western boundary, is also the site of a designated Foreign Trade Zone. Ronald Reagan Washington National Airport, located a few miles east of the County, is accessible by Interstate Highways 66 and 395. In 1987 control of these facilities was transferred by a 50-year lease from the Federal Government to the Metropolitan Washington Airports Authority ("MWAA"), a public authority created by interjurisdictional compact between the Commonwealth and the District of Columbia. MWAA issued revenue bonds to finance major improvements to its facilities to improve the level of service at both airports. These improvements should increase the number of passengers and flights at, as well as further stimulate economic development in the area of, Washington Dulles International Airport. A major expansion of the terminal facilities at Ronald Reagan Washington National Airport was opened in the summer of 1997 and a new concourse was opened at Washington Dulles International Airport in 1998. A new commuter concourse opened at Dulles Airport in 1999.

Ground transportation has received significant attention from the County in the past few years, primarily in an effort to relieve traffic congestion along the major arterials leading to Washington, D.C. and also to facilitate cross-County movement, connecting established and newly developing centers of commerce and industry. Efforts have included increased local funding for highway improvements, establishment of transportation improvement districts, creation of County transit systems, continued participation in WMATA, and other improvements which encourage increased use of Metrorail, bus services and carpooling. The County also participates in a regional commuter rail system to expand the family of transportation services available to County residents.

During the 1993 session of the Virginia General Assembly, a transportation bond authorization bill was approved for projects in Northern Virginia. This legislation authorized $181 million in bonds that would be serviced by recordation tax revenues that are collected by the Commonwealth on property transactions. Of this amount, $64 million was designated for the Fairfax County Parkway, $63 million for assisting Northern Virginia WMATA compact members to pay their share of Metrorail construction, and $54 million for the Route 234 Bypass which is located in Prince William County.

During the 1994 session of the Virginia General Assembly, a second transportation bond authorization bill was approved for Northern Virginia projects. This legislation authorized an additional $90 million in bonds, raising the total amount of authorized bonds to $271.0 million, to be serviced by recordation tax revenues. Of this amount $23.0 million was designated for the Fairfax County Parkway; $22.6 million assisted Northern Virginia's WMATA compact members in paying their share of Metrorail construction; $19.4 million financed a portion of the Route 234 Bypass in Prince William County; $15 million will be used for Route 7 and 15 improvements in Loudoun County; and $10 million will fund the Route 50/Courthouse Road interchange in Arlington County.

During its 1995 session, the Virginia General Assembly authorized an additional $45.2 million of revenue bonds for the construction of two additional lanes to the Dulles Toll Road between Interstate 495 in Fairfax County and Route 28 (Sully Road) in Loudoun County. This project is complete.

During its 1998 session, the Virginia General Assembly increased the total debt authorized from $271.0 million to $366.9 million. Additional bonds will be supported by public right-of-way user fees attributable to Fairfax, Loudoun and Prince William Counties and contributions from Arlington County and the Cities of Alexandria, Falls Church and Fairfax. These bonds include $50 million for the Fairfax County Parkway, $20.3 million for Route 234 in Prince William County and Fairfax, $17.7 million for Metrorail capital improvements, and $7.9 million for the Route 28 and Route 625 interchange in Loudoun County.

During its 1999 session, the Virginia General Assembly increased the total debt authorization from $366.9 million to $471.2 million. The additional bonds will be allocated to a variety of projects in Northern Virginia. These projects include: $16.0 million for Metro capital improvements; $10.4 million for Metrorail station improvements in Alexandria and Arlington County; $10.1 million for Route 15 in Loudoun County; $8.2 million for the Route 1/Route 123 interchange in Prince William County; $3.1 million for improvements to Lee Highway in Fairfax City; $27.0 million for Route 123 in Fairfax County; $6.0 million for transit enhancements in the Dulles Corridor; $13.0 million for Route 7 in Fairfax County; $5.0 million for the Telegraph Road in Fairfax County; $4.0 million for the Route 1/Route 234 interchange in Prince William County and $1.5 million for the Potomac and Rappahannock Transportation Commission. The General Assembly also directed the Governor to recommend a permanent funding source for payment of the debt service on these additional bonds.

During its 2000 session, the General Assembly approved the Virginia Transportation Act of 2000. The Act provides funding for $2.64 billion in transportation projects statewide over a six-year period. These projects are to be funded through a variety of sources, including Federal Highway Reimbursement Anticipation Notes, Commonwealth general funds, re-estimates with revenues in the Transportation Trust Fund and the Highway Maintenance Operating Fund, additional revenue from changes in fuel tax collection and several other sources. The legislation contained numerous projects in Fairfax County, including improvements to U.S. Route 1, U.S. Route 29, I-66, I-95, I-495, the Fairfax County Parkway, and State Routes 7 and 123. The Act also provides funding for a number of regional projects including the extension of rail in the Dulles Corridor, the replacement of the Wilson Bridge, Metrorail parking expansion, Metrorail rolling stock replacement and commuter rail service. In addition, the legislation included provisions for payment of the debt service for the additional bonds authorized during the 1999 session of the General Assembly.

During its 2002 session, the General Assembly approved an additional $29 million in transportation bonds to be supported by public right-of-way user fees. Of this amount, $20 million is designated for two Fairfax County projects consisting of $15 million for the Fairfax County Parkway and $5 million for Fairfax County's Metrorail capital improvements, including station parking expansions. The General Assembly also authorized a referendum on whether to implement an additional one-half of one per cent sales and use tax in the County and eight other northern Virginia localities, with the proceeds to be used solely for designated highway and mass transit projects in the County and elsewhere in northern Virginia. This referendum was defeated at the polls by a majority vote of those voters in the region voting at the November 5, 2002 general election.

Highway Improvements

Since April 1988, a total of $360.0 million of general obligation bonds has been authorized by County voters for road and other transportation improvements. In April 1988, the voters approved $150 million in bonds to focus on facilitating intra-County travel, alleviating highway congestion in the vicinity of economic development centers and improving access to Metrorail stations located within the County. In particular, various segments of the Fairfax County Parkway and Franconia-Springfield Parkway were constructed utilizing general obligation bond proceeds. These project segments, when linked with future segments of the Parkway, will eventually provide an intra-County connection from State Route 7 in the northwest corner of the County, south to the Dulles Toll Road, Interstate Highway 66 and U.S. Route 50 and continuing southeast through the County to connect with Interstate Highway 95 in Springfield, and with Route 1 in southeastern Fairfax County. In November 1990, $80 million of County general obligation bonds were authorized to provide for local matching funds to supplement Federal Transportation Administration grants for access improvements and an express bus system along the Dulles Toll Road; to provide for a bus maintenance facility and to provide funds for the construction of the Franconia/Springfield Metro station. In November 1992, County voters approved $130 million of new bonds for the purpose of completing additional segments of the Fairfax County Parkway and providing funds to satisfy the County's obligations to WMATA for the capital construction program to finish the 103-mile rail system.

In Virginia, the State is normally responsible for highway construction and maintenance. However, highway improvement needs in Fairfax County far exceed the highway revenues available from the State. Approximately $353 million in road improvements, authorized by the 1985, 1988 and 1992 referenda, were identified as critical. County bond financing has enabled these improvements to be undertaken at a much earlier point as compared to State improvement schedules which are constrained by current State gasoline tax rates and

State-wide allocation formulae. The County will have no liability for the operating costs for these roads as they are, or will become, part of the State primary and secondary road systems and will be maintained by the State.

Transportation Improvement Districts

Primary Highway Transportation Improvement Districts are another financing alternative for needed highway improvements. The County, in partnership with Loudoun County, a neighboring jurisdiction, formed the Route 28 Highway Transportation Improvement District on December 21, 1987 ("District"). The District was formed to accelerate planned highway improvements proposed by the State to State Route 28 which connects State Route 7 in eastern Loudoun County to U.S. Route 50 and Interstate Highway 66 in western Fairfax County, running approximately parallel to the County's western border. These improvements are now complete. State Route 28 provides access to Washington Dulles International Airport, along with the Dulles Access Road and the Dulles Toll Road which connect the Capital Beltway to the Airport.

The District is administered by a Commission appointed by the Boards of Supervisors of the two counties. The Commonwealth Transportation Board ("CTB") may request the counties to subject the owners of property within the District to a maximum additional tax assessment of 20 cents per $100 of assessed value in order to reimburse the State for its debt service payments on its bonds. CTB issued $138.5 million in revenue bonds for the Route 28 project in September 1988. The revenue bonds issued by the State are not an obligation of Fairfax County. In April 1992, CTB refunded all of the outstanding bonds. The revenue bonds had an annual debt service requirement of $8.8 million. The District currently imposes a tax of $.20 per $100 assessed value. Taxes collected on property within the District located in Fairfax County for FY 2001 and applied to debt service on the outstanding bonds of the CTB in respect of the Route 28 project were approximately $5.6 million. The difference between the debt service requirement and the amount of taxes collected is paid for out of the annual allocation of Virginia Department of Transportation Primary System Highway funds.

Representatives of Fairfax and Loudoun Counties and CTB have entered into an agreement concerning a plan to finance six urban (grade-separated) interchanges for Route 28. These representatives have agreed to financing plan to provide funding for these interchanges through the issuance of bonds by the Fairfax County Economic Development Authority ("EDA") in an amount sufficient to provide approximately $90 million and bonds by CTB to produce an additional $36 million towards the cost of these interchanges with debt service on all the bonds to be payable from the tax levied in the District. As a part of this plan the CTB has refunded all of the outstanding bonds it issued in 1992 to permit the pledge of the tax towards its refunding bonds, its new bonds and the EDA bonds. CTB has also committed an additional $67 million of VDOT allocations and $14 million of NVTD bonds towards the cost of construction. It is anticipated that all six interchanges will be completed by the end of 2006.

CTB anticipates that it will request the EDA to issue the additional bonds in two series, the first in the summer of 2003 and the second in 2004, in each case as construction proceeds on the interchanges. The Counties have each agreed to restore any amount drawn on the debt service reserve fund for the EDA bonds in the event District revenues are insufficient to pay annual debt service. The Counties' obligations are subject to appropriation of funds for the purpose of restoring the debt service reserve fund. Revenues collected in excess of CTB and EDA debt service requirements will be held in a Revenue Stabilization Fund equal to maximum annual debt service on the EDA bonds to pay debt service prior to any draw on the debt service reserve fund, in the event annual District revenues are temporarily insufficient to pay annual debt service.

Under the terms of the original petition, an additional 4 interchanges and widening of a portion of the highway from 6 to 8 lanes would be permitted to be funded from District taxes if sufficient funds are available, however the District is under no obligation to fund these additional improvements at this time. The term of the District expires in 2038, but may not be abolished so long as there are any District obligations remaining outstanding. All current CTB and planned EDA obligations will be retired by 2032.

During its 2001 session, the Virginia General Assembly approved legislation that allows for the creation of a special transportation taxing district located between the West Falls Church Metrorail stations and Dulles Airport to provide a means of financing an extension of rail service in the Dulles Corridor. The structure of this district is modeled after the existing Route 28 District. The Board of Supervisors may actually create the district after

considering a petition from the owners of at least 51 percent of either the land area or the assessed value of the commercial or industrial property that is within the boundaries of the proposed district. If the district is established, a special improvements tax of up to $0.40 per $100 of the assessed fair market value of any taxable commercial and industrial real estate in the district would be levied. The proceeds of this tax would be used to pay a portion of the County's share of costs associated with the Dulles rail project. A petition has not yet been received and the Board of Supervisors has taken no action toward the creation of the district.

County Transit Systems

In an effort to provide an alternative to escalating Metrobus costs, the FAIRFAX CONNECTOR feeder bus service to Metrorail Stations has operated since 1985 when 10 routes initially went into service. Since that time, service expansion and restructuring has occurred as demand has increased and additional Metrorail Stations have been opened. The FAIRFAX CONNECTOR currently operates 56 routes to 10 Metrorail Stations, including the Huntington, Pentagon, West Falls Church, Van Dorn, Vienna-Fairfax-GMU, Dunn Loring-Merrifield, Franconia-Springfield, Rosslyn, Pentagon City, Eisenhower Avenue and King Street Stations. Private contractors were hired to operate and maintain the service, and have the responsibility to employ and supervise all transit personnel, while the Board of Supervisors maintains control and approves all policies for bus service such as routes and service levels, fare structures, and funding assistance.

The FAIRFAX CONNECTOR System is supported from the General Fund and fare box revenues. Ridership has steadily increased since inception in 1985. The FAIRFAX CONNECTOR carried 6.8 million passengers in FY 2002. FAIRFAX CONNECTOR System expenditures totaled $26,849,540 in FY 2002 including capital expenditures. The County runs a permanent maintenance and garage facility for the FAIRFAX CONNECTOR in the southern portion of the County. The total cost of this facility was $4.0 million. In February 2001, the County purchased the Herndon Operations Center for $3.325 million. This facility was previously leased.

The County also sponsors FASTRAN, a paratransit system primarily transporting clients of four human service agencies: the Fairfax-Falls Church Community Services Board, the Department of Community and Recreation Services, the Department of Family Services and the Health Department. The clients of these agencies, including those with low incomes and people with physical and cognitive disabilities who cannot drive, find a ride, use Metro or Connector buses, or afford taxi fares can use FASTRAN to reach essential programs and services. FY 2002 funding of $9,554,000 was provided primarily by the client agencies from operating funds already designated for transportation service in their respective programs. This system, which began in FY 1986, was designed to provide a centralized, more effective service in lieu of programs individually administered by each agency. FASTRAN's private sector contractor provided 535,685 one-way rides in FY 2002 for clients needing trips to medical appointments, employment, therapy, senior centers, adult day health care, and other purposes as determined by client agencies.

Metro Transit System

Since 1970, Fairfax County and the other major political subdivisions in the Washington, D.C. metropolitan area have contracted with the Washington Metropolitan Area Transit Authority ("WMATA") to finance, construct and operate a 103-mile subway and surface rail transit system known as "Metrorail." Funding for the construction of the Metrorail system has come from direct Congressional appropriations matched by direct local contributions. Five Interim Capital Contributions Agreements between WMATA and the participating political jurisdictions have been executed to date. Currently, the Fifth Interim Capital Contributions Agreement ("ICCA-V") governs the schedule and costs for the Federal and local shares of construction of the final 13.5 miles of the 103-mile Adopted Regional System ("ARS").

ICCA-V, executed on January 29, 1992, reflects the Federal authorization of $1.3 billion to complete construction of the ARS by 2001. This accelerated construction schedule, called the "Fast Track" program, required stable Federal appropriations of $200 million per year through FY 1998. Fifty million dollars was paid in FY 1999, completing all federal payments. Of the four Metrorail segments, the Franconia-Springfield segment, which is the last segment in Fairfax County (and Virginia), opened in June 1997. In addition segments in Montgomery County Maryland and the District of Columbia have been completed. The remaining segment opened on January 13, 2001.

In November, 2002, the WMATA Board of Directors adopted a new 10-year Capital Improvement Plan. This is the first comprehensive, prioritized transit plan developed to maintain the integrity of the existing capital plant and rolling stock of the Metrobus and Metrorail systems. The plan also provides for adequate system access and capacity growth to maintain current transit market share in the future and an appropriate level of system expansion to reach new transit markets. The plan as revised in January 2003 established requirements for a $1.55 billion Infrastructure Renewal Program, and $625.1 million for 120 rail cars and $171 for 115 new buses and ancillary facilities and systems for expanded service to meet expanding demand. In conjunction with other partners in WMATA, Fairfax County will be considering options for funding its share of these requirements.

Through June 30, 2002 Fairfax County had contributed approximately $234.5 million toward Metrorail construction, consisting of $128.9 million of County general obligation bond proceeds, $102.8 million of State aid for transportation and $3.1 million in credits. Fairfax County's obligations under ICCA-V to provide local matching funds currently total $113.2 million. ICCA-V local requirements are reallocated every two years to reflect current conditions.

Funding sources for Fairfax County's Metrorail construction contributions are: general obligation bond proceeds, State bond proceeds and State aid. At its regular 1993 Session, the Virginia General Assembly enacted legislation authorizing the CTB to issue bonds to finance transportation projects in northern Virginia, including $63 million Metro Capital Improvements including the Franconia-Springfield Metrorail Station and $64 million for the Fairfax County Parkway. In September 1993 the Commonwealth issued $45.6 million of Metro Capital Improvement Bonds of which Fairfax County was allocated $25.523 million to apply to Metrorail construction. An additional $90 million in transportation bonds were authorized by the Commonwealth in 1994. The Commonwealth conducted another transportation bond sale in February 1995 which generated $19.7 million in Metro Capital Improvements Bond proceeds, $10.8 million of which was allocated to Fairfax County. In addition, in November 1996, the Commonwealth sold an additional $20.3 million transportation bonds to support Metrorail construction. Of this amount, $11.2 million was allocated to Fairfax County.

The General Assembly authorized an additional $95.9 million in 1998 which included $13.3 million for Metrorail construction. Fairfax County's share of these bonds is approximately $7.0 million. These bonds were sold in Fall 1999. In 1999, the General Assembly approved another $104.3 million in transportation bonds. This authorization included $16.0 million in Metro capital projects. Fairfax County's share of these funds is expected to be approximately $8.9 million. These bonds were sold during FY 2002.

In 2000, the General Assembly approved the Virginia Transportation Act of 2000 which includes another $45 million for Metrorail rolling stock replacement. These funds are expected to be available in five $9 million installments beginning in FY 2002. The first two installments totaling $18 million have been provided by the State. Fairfax County's share of each installment is expected to be approximately $5 million.

In 2002, the General Assembly approved an additional $5.0 million in transportation bonds to fund Fairfax County's share of Metrorail capital improvements, including station parking expansions. See also "GOVERNMENT SERVICES – Transportation – General".

Funding sources for WMATA operating assistance are: the General Fund, gasoline tax receipts, State aid and Federal Operating Assistance. Fairfax County's share of the bus and rail operating subsidies for FY 1992-2002, and the estimate for FY 2003 are shown in the following table:

Fairfax County WMATA Operating Subsidies
(Millions of Dollars)

Fiscal Year	Bus Operations[1,6]	Rail Operations[1]	Rail Const. Manag-ement[1]	ADA Para-transit[1]	Less Federal Operating Subsidies	Less State Aid[2]	Less Gas Tax Receipts[3]	Prior Year Credit	Net General Fund
1992.....	34.696	7.911	.295		2.315	20.087	4.279		16.174
1993[4].....	33.930	9.650	.283		2.315	20.044	4.920		16.588
1994[5].....	33.606	12.642	.320	.435	2.325	20.164	3.589		20.925
1995.....	29.921	13.261	.237	.626	2.316	22.204	3.451	.119	15.956
1996.....	29.424	13.793	.194	.844	1.509	21.956	2.757	.868	17.166
1997.....	27.197	14.067	.208	1.389	1.122	28.086	4.723	.399	8.531
1998.....	25.108	15.714	.270	.966	1.125	27.682	5.104	1.309	6.838
1999.....	24.199	14.974	.305	1.512	0.000	27.850	4.108	0.000	9.032
2000.....	24.541	19.815	.000	2.029	0.000	28.654	6.840	1.409	7.492
2001.....	25.001	17.644	.000	2.707	0.000	19.898	11.903	.758	12.793
2002.....	26.247	18.844	.000	2.552	0.000	26.720	10.240	1.100	9.583
2003 (est).	26.848	20.237	.000	3.498	0.000	26.473	10.550	2.087	11.473

Source: Fairfax County Department of Transportation and Department of Management and Budget.

1 The amounts shown for operating subsidies for FY 1992 through 2002 represent actual disbursements in those years. Adjustments based on final WMATA annual audited figures are incorporated in the fiscal year in which the credit for an overpayment was applied or a debited amount was paid rather than the fiscal year in which the credit or debit was earned, except as noted below.

2 In 1983, the Virginia General Assembly enacted legislation permitting the use of State aid for transportation to fund transit program operating costs in addition to transit program capital costs.

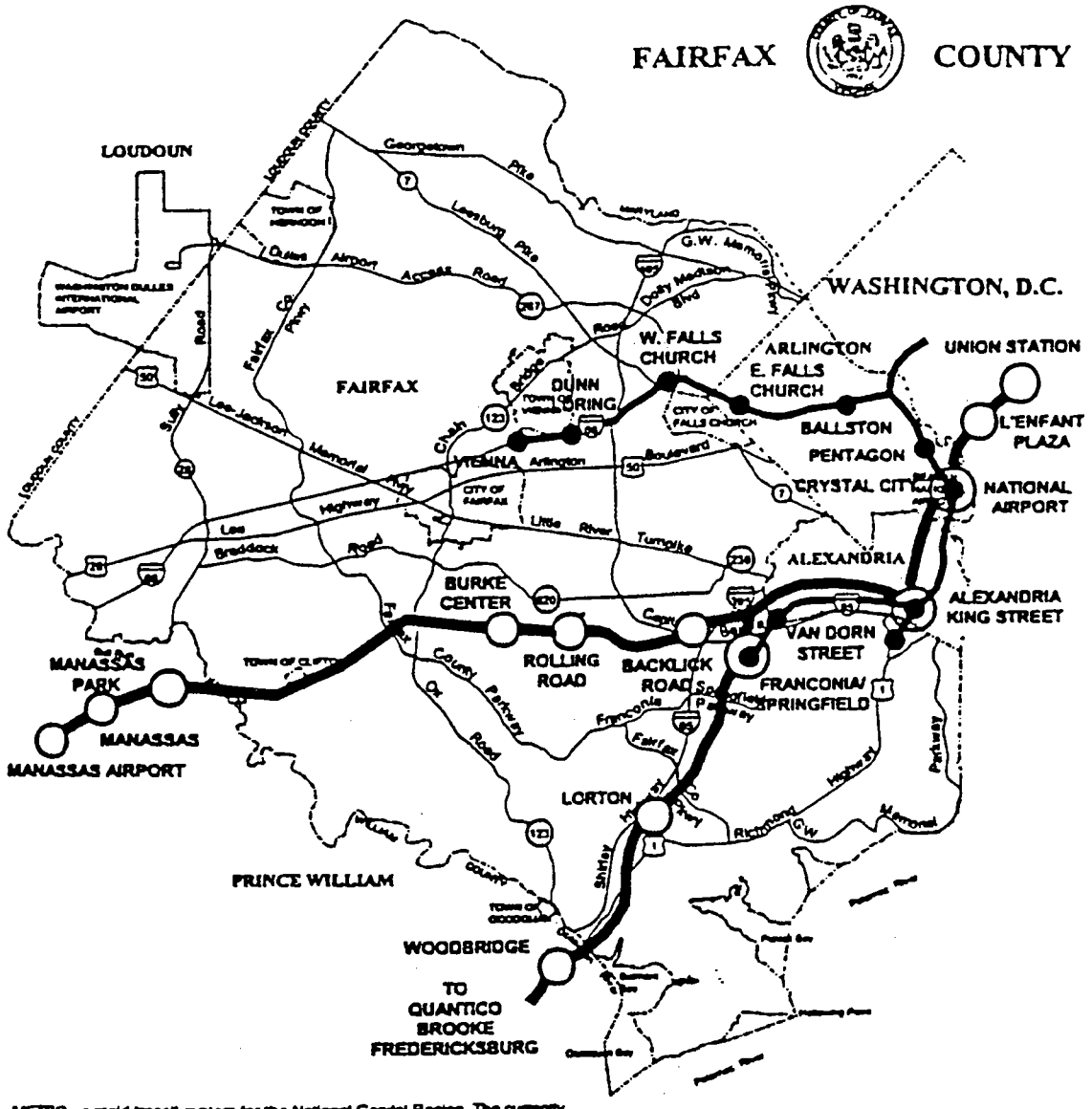
3 In January 1980, the Virginia General Assembly enacted legislation which established a 2 percent retail gasoline tax, to be dedicated to mass transit costs, in those Northern Virginia jurisdictions covered by the Northern Virginia Transportation Commission ("NVTC"). The receipts from this tax are paid to NVTC which then allocates these funds to participating jurisdictions for payment of transit operating, capital and debt service costs.

4 Figures do not include a prior year adjustment (cost) of $854,358 which was paid in FY 1993 with County General Funds.

5 Figures do not include a prior year adjustment (cost) of $219,772 which was paid in FY 1994 with County General Funds.

6 Includes other service enhancements.

The Americans with Disabilities Act requires that transit systems provide paratransit service for passengers with disabilities. To comply with the Act, WMATA began operation of MetroAccess on June 1, 1994, with limited hours of service. The hours of operation was expanded in November 1995, and full service began in January 1997. The local jurisdictions, including Fairfax County, will be responsible for funding the operating deficit associated with this service. In FY 2002, Fairfax County's share of the operating deficit was $2,552,079.



METRO - a rapid transit system for the National Capital Region. The currently adopted Metro system calls for a 103 mile regional transportation network connecting Washington with the Virginia and Maryland suburbs. It includes 40.1 miles rapid transit service in the District of Columbia, 33.3 miles in Maryland and 29.5 miles in Virginia.

The Virginia Railway Express is a transportation partnership that, beginning in June 1992, operates two commuter railroad lines on 90 miles of existing track. Approximately 35 miles of the system operates in Fairfax County serving five stations. One line originates near Manassas, Virginia and one near Fredericksburg, Virginia; both lines terminate at Union Station in the District of Columbia.

THE METRO - RAPID RAIL TRANSIT SYSTEM IN FAIRFAX COUNTY & VIRGINIA RAILWAY EXPRESS

- ADOPTED SYSTEM CURRENTLY IN OPERATION
- ADOPTED SYSTEM UNDER CONSTRUCTION OR DESIGN
- METRORAIL STATIONS
- VIRGINIA RAILWAY EXPRESS
- RAILWAY STATIONS

Other Transportation Improvements

In conjunction with direct highway improvements and participation in WMATA Metrobus and Metrorail operations, the County is examining other alternatives for commuting that will appeal to a wide variety of commuter tastes, needs and economies. Initiatives which have been, or are now being, implemented include expansion of parking facilities at Metrorail stations, establishment of commuter "Park and Ride" lots, implementation of a transportation systems management program in the Dulles corridor, and establishment of a regional, publicly operated commuter rail system.

Commuter Park-and-Ride Facilities

Fairfax County completed a comprehensive countywide analysis of its existing park-and-ride facilities and projected demand for future facilities in February 1988. From this study, two significant capital initiatives were undertaken.

Expansion of the parking capacity at Vienna and Huntington Metrorail Stations was the first initiative. In a cooperative venture with WMATA and the Fairfax County Economic Development Authority ("EDA"), the County constructed 1,300 additional structured parking spaces at the Vienna Station in 1990 and 750 additional structured parking spaces at the Huntington Station in 1991. The EDA issued $26.8 million of parking revenue bonds to fund construction of these two parking structures. In January 1999, the Board of Supervisors approved WMATA's design and construction of an additional parking structure at the Vienna Metrorail Station. In November 1999, the EDA issued $23.75 million to finance the construction of this structure which opened in January 2001. All the EDA bonds are payable primarily from a parking fee surcharge collected by WMATA on all Metrorail parking spaces in Virginia.

The second primary park-and-ride initiative was the County's Suburban Mobility Grant Application to the Federal Transportation Administration ("FTA"). This grant application included three new park-and-ride facilities located in Fairfax County at two sites in Reston (South and East) and one in Centreville and the expansion of the existing Rolling Valley facility.

An additional 1,086 parking spaces were provided at a total cost of $5.7 million and funded with an FTA grant of $4.2 million (75%) and $1.5 million of County local match (25%) funds. The County's share was funded from $3.0 million of general obligation bonds for park-and-ride facilities approved by Fairfax County voters on April 12, 1988. The Centreville, Rolling Valley and Reston South facilities are currently operational. The Reston East facility at Wiehle Avenue was completed as part of the Dulles Corridor program discussed below.

Another critical commuter parking need identified by the County park-and-ride study was in the Springfield Area. As a result, Fairfax County coordinated with WMATA and the Virginia Railway Express the design and construction of a multimodal transportation center on the site of the Franconia-Springfield Metrorail Station. During 1991, Fairfax County advanced $6.1 million to WMATA to fund the design and engineering work for the transportation center and the Metrorail station. An additional $5.8 million was advanced for land acquisition. These funds were available from the approved November 6, 1990, Transportation Bond referendum that included $25 million for this project. Approximately 220 parking spaces for the commuter rail service opened in July 1996 and the Metrorail extension opened June 1997. The total parking capacity of the center is 4,000 spaces.

In August 2001, the Board of Supervisors approved a project agreement with WMATA to expand parking at the Huntington Metrorail Station by 500 spaces. These spaces will be built in conjunction with the parking for a joint development project on the Huntington Metrorail Station site. These 500 spaces will be funded by approximately $5.1 million in Transit Infrastructure Investment Funds available at WMATA and $1.2 million from the Fairfax County Parking Revenue Surcharge Account at WMATA.

As part of the Virginia Transportation Act of 2000, the General Assembly also approved $26.0 million to expand parking at the Franconia-Springfield and West Falls Church Stations. These funds have been divided evenly between the two projects. WMATA and its consultants are proceeding with the design for the 1,000 parking space Franconia-Springfield expansion. The actual cost of this expansion is expected to be $15.8 million. In January

2002, the Board of Supervisors approved the use of $2.8 million in the Fairfax County Parking Revenue Surcharge Account to complete the funding for this project. In addition, WMATA and its consultant have begun the conceptual design work for expansion of the West Falls Church facility.

Dulles Corridor Transportation Systems Management ("TSM") Facilities

In 1989, Fairfax County Department of Transportation completed the Dulles Airport Access Road Corridor Transit Alternatives Study. The study recommended and the Board of Supervisors endorsed implementation of the Transportation System Management ("TSM") alternative in such a way as to preserve the option of future rail service in the Corridor. On November 6, 1990, County voters approved $36 million of general obligation bond funds for implementation of the Dulles TSM program. A grant application was forwarded to the FTA in December 1990 for $36.0 million. FTA has appropriated $34.2 million of Federal discretionary funds for this initiative thus far.

The project includes two Park and Ride facilities at Reston East and Herndon-Monroe as well as two transit centers. The transit centers located at Tysons-West*Park and Reston Town Center will serve primarily as passenger transfer points, as buses meet at these transit centers on a prescribed schedule to permit ease of transfer between buses serving various areas of the Dulles Corridor and Fairfax County. The park-and-ride facilities include 2,627 parking spaces in two facilities. These facilities will provide all day parking for persons wishing to travel on express buses to Tysons Corner or the West Falls Church Metrorail Station or an opportunity to form carpools and vanpools. The Reston East facility was completed in January 1997. The Tysons-West*Park Transit Center was completed in January 1999 and the Herndon-Monroe facility opened in July 1999. Design of the Reston Town Center transit is underway. During 2000, the County began a feasibility study to investigate the possibility of expanding the Reston East facility.

Commuter Rail

Fairfax County as a member of the Northern Virginia Transportation Commission ("NVTC") and in cooperation with the Potomac and Rappahanock Transportation Commission ("PRTC") is a participating jurisdiction in the operation of the Virginia Railway Express ("VRE") commuter rail service. As of June 30, 2001, the service consisted of six peak period trips on the CSX Transportation line from Fredericksburg to Union Station in the District of Columbia and six trips on the Norfolk Southern Railway line from Manassas to Union Station. In addition, midday service is provided on both lines. Five Fairfax County stations are currently operating. The Burke Centre Station parking lot expansion was completed in August 1996. This expansion added 158 parking spaces to the Station. Currently the County and VRE are conducting a feasibility study to expand the parking lot at this Station and at Rolling Road Station. The Franconia-Springfield Station opened in July 1996 with 220 parking spaces.

A total of $2.75 million of general obligation bonds was approved on April 12, 1988 for engineering and construction of the parking facilities at planned commuter rail stations within Fairfax County. (These funds were supplemented with $2.4 million in transportation bonds authorized in a 1990 referendum.) The Board of Supervisors approved the Commuter Rail Master Agreement and financial plans on October 23, 1989. Subsequently, NVTC and PRTC executed the Master Agreement, Insurance Agreement, and AMTRAK Operating Agreement on October 27, 1989. Agreements with the other participating railroads were also executed.

The Master Agreement calls for the County to contribute to capital, operating and debt service costs of the VRE on a pro rata basis according to its share of ridership and population. NVTC sold $79.4 million worth of bonds in February 1990 to finance passenger cars, locomotives, yard facilities and stations. Afterward, NVTC and PRTC purchased 38 new rail cars and 10 refurbished locomotives. In addition, 31 used cars and four additional locomotives have been purchased since 1992. Subsequently, VRE has purchased additional used passenger cars. A portion of the bond proceeds was made available to the County and other participating jurisdictions to assist with financing their local stations. In December 1996, NVTC and PRTC approved the sale of $23 million in commuter rail revenue bonds to purchase 13 new bi-level coaches. These rail cars began entering service in early 2000. They replaced some of the 31 used passenger cars purchased in 1992, and gave VRE flexibility to meet growth in ridership. The Fairfax County Board of Supervisors approved the sale of these bonds, which were issued in early 1997. The County expects that debt service on these bonds will be funded predominantly by State and Federal funds

and VRE revenues. In April 1998, the NVTC and PRTC refunded the remaining portion of the bonds sold by NVTC in 1990.

The VRE FY 2002 Budget identified its principal sources of revenue as: state and federal aid (66.0 percent), passenger revenues (19.0 percent), jurisdictional subsidies (9.6 percent) and miscellaneous income (5.4 percent). The County's share of the FY 2002 commuter rail operating and capital budget was $2.5 million.

Parks, Recreation and Cultural

Fairfax County provides a variety of recreational, educational, and cultural activities and services, including an extensive park system. The County provides library services for its citizens at 21 locations, which include 8 regional and 13 community library branches. In addition, outreach services are provided to the homebound and those with disabilities. The library collection consists of 3 million books and other materials. During FY 2001, the library recorded more than 5 million visits and more than 11 million loans of books and other items to more than 750,000 registered users. An estimated 82 percent of the County's one million residents use the Fairfax County Public Library.

In addition, a variety of recreational, community, and human services are provided by the Department of Community and Recreation Services for County residents of all ages and incomes. These services include senior adult programs and centers, therapeutic recreation services for individuals with disabilities; a variety of youth programs including recreational activities at youth centers; community-based recreational opportunities structured to meet the needs of the communities in which they are located; support for Fairfax County's various volunteer sports councils and leagues; and a variety of volunteer opportunities to support activities in any of these services.

Fairfax County has also been particularly active in developing and operating an extensive park system which provides a variety of recreational activities. The Fairfax County Park Authority ("FCPA"), whose members are appointed by the Board of Supervisors, operates 387 parks encompassing 21,326 acres. Since March 1, 2000, the FCPA has acquired, with County support, over 3,900 acres of lands for park purposes. The Northern Virginia Regional Park Authority ("NVRPA"), an independent entity in which the County participates, also operates 19 parks covering approximately 10,000 acres. NVRPA is continually in the process of completing, acquiring, developing or expanding its regional park facilities. On November 3, 1998, the County voters approved bond referenda that included $87 million of which $75 million is for FCPA projects including land acquisition, renovation of older parks and construction of a new recreation center and $12 million is for capital contributions to the NVRPA. On November 5, 2002, the voters approved a bond referendum of $20 million for park purposes including land acquisition and park improvements.

Community Development

In order to enhance the quality of life and the community environment, Fairfax County provides many direct and indirect services. The County addresses the housing, revitalization, employment and transportation needs of County residents, and strives to provide and maintain a well-balanced environment, by adhering to a comprehensive land use plan.

To meet low and moderate income family housing needs, the Fairfax County Redevelopment and Housing Authority ("FCRHA") was established in February 1966, having been approved by a voter referendum in 1965. Further, the County established the Department of Housing and Community Development to serve as the professional staff for the FCRHA and to carry out the County's housing and community development programs. In FY 1985, the FCRHA and the Board of Supervisors entered into a Memorandum of Agreement which set forth the working relationship between the two entities. The Memorandum of Agreement and resolutions adopted by the FCRHA reaffirmed the County Executive as the Executive Director of the FCRHA.

The FCRHA owns or administers housing developments in Fairfax County with staff and funding provided from County, Federal, State and private sources. At the beginning of FY 2003 the FCRHA was assisting 6,537 households in Fairfax County through Public Housing; the Fairfax County Rental Program; Section 8 Certificates, Vouchers and project based programs. The FCRHA has also provided financing for a number of privately owned,

assisted housing developments with a total of 711 assisted units as well as for privately owned developments without subsidies which reserve a total of 821 units for lower income tenants. Since FY 1993, a total of 965 Affordable Dwelling Units ("ADUs") have been developed and sold to moderate income homebuyers through the First-Time Homebuyer's Program, and more than 335 ADUs are in the development pipeline. In addition a total of 738 rental units for low and moderate income households have been developed under the Affordable Dwelling Unit Rental Program in private rental communities throughout the County, with another 303 rental ADU's in the development pipeline. Also, in FY 2002, an estimated $26 million in funding was available for the County's Community Development Program. These funds, derived from a variety of sources, provide a wide spectrum of activities designed to meet the needs of the County's low and moderate income population. Projects range from public services and home improvement programs to neighborhood drainage and road improvements.

Other services include efforts to increase local employment opportunities by encouraging and retaining business and industrial development through the County's Economic Development Authority. The Department of Transportation continually monitors the County's transportation system to maintain a public transportation network system that meets the needs of County citizens (more fully discussed in the subsection herein entitled "Transportation").

In addition to the provision of direct services, the County is responsible for all comprehensive land use functions including planning, zoning, economic development, environmental improvement, community conservation, and the preservation of historic landmarks. The Comprehensive Plan for the County provides for orderly development through its policies and recommendations that help to guide decisions regarding future development within the County. The Comprehensive Plan is reviewed periodically with extensive citizen involvement to assure that it reflects community goals as well as current conditions and future trends. Almost all zoning applications processed in the County are in accordance with the Plan. The County has received national recognition for the development of such a thorough and coordinated planning process.

Integrated with the County's land use plan are programs for historical and archaeological preservation which are designed to identify and protect pre-historic and historic County landmarks from inappropriate neighboring development. Staff in the Department of Planning and Zoning (DPZ) act as a liaison with the Architectural Review Board to monitor development within the thirteen historic overlay districts which have been established and are now recognized through the Commonwealth's Certified Local Government program. In addition, DPZ maintains the County Historic Site Inventory of over 300 sites, established through the Fairfax County History Commission.

The County Archaeological Services research program, managed through FCPA, identifies and registers pre-historic and historic sites, currently numbering over 2,500, with the Virginia Department of Historic Resources.

Health and Welfare

The County provides an extensive array of services which are designed to protect and promote the health and welfare of Fairfax County citizens through a decentralized human services program. The County operates human service centers in locations convenient to residents to provide financial, medical, vocational and social services. Based on individual needs, the centers attempt to define a comprehensive assistance plan that utilizes the services provided by all County departments.

The County provides medical, dental, maternal and child health services at three other locations in addition to the service centers and to the medically indigent at three primary health care centers. Preventive and health promotion services are provided by the County to school-aged children in all County public schools. Mental health, mental retardation, alcohol and drug abuse and early intervention services are provided to families and individuals by the Fairfax-Falls Church Community Services Board ("CSB"). The CSB operates six community mental health service centers which offer individual, group and community services focused on the mental health needs of the population, various group homes for consumers, and several specialized treatment facilities. Other programs that the County provides include subsidized day care programs for senior citizens and children of low-income families, 125 school-age child centers (located in the public schools) that serve more than 8500 children during the school year and more than 2500 children during the summer, two special needs centers that serve emotionally disturbed or physically challenged children, and group homes for youth with serious emotional disturbance. Residential

treatment services are also offered in the areas of substance abuse as well as substance abuse outpatient and specialized day treatment programs. In addition, vocational and residential programs are provided for citizens with mental retardation. In November 1988 and in November 1990, voters approved $16.8 million and $9.5 million, respectively, in general obligation bonds for human services facilities. Facilities built with the proceeds of these bond referenda include a 70-bed therapeutic residence for substance abusers, a 30-bed substance abuse treatment facility co-located with a 25-bed detoxification center, a specialized 16-bed treatment facility for clients who are both mentally ill and substance abusers, and an assisted living facility for 36 adults with mental illness.

Financial assistance and social services are available to eligible citizens under programs established by the State and Federal governments, as well as the County, and will be administered by the Department of Family Services. The Department will continue to implement welfare reform program activities while emphasizing prevention and early intervention initiatives. Programs serving senior citizens within the County are jointly funded by the Federal Older Americans Act, State, County and public/private funds. In FY 1986, the County began to provide a comprehensive County transportation service, FASTRAN, for qualified elderly, disabled, and low-income persons. Transportation is provided by bus, van, or cab on a door-to-door basis to County programs, medical care, and grocery and other personal shopping destinations (more fully discussed in the subsection herein entitled "Transportation").

Judicial Administration

Fairfax County's court system is one of the most sophisticated systems in Virginia in its use of advanced case management techniques and rehabilitation programs. The County utilizes automated systems to support case docketing and record retrieval, electronic filing and imaging in the land recordation process, juror selection, service of notices and subpoenas, and the processing of criminal and traffic warrants and delinquent tax retrieval.

The County has undertaken rehabilitation efforts through the Juvenile and Domestic Relations District Court and the Office of the Sheriff. These efforts include work training programs and counseling service for both adults and juvenile offenders. Additionally, residential treatment services are provided for juvenile offenders and a work release program is provided for offenders confined in the County's Adult Detention Center. In November 1988, voters approved $1.7 million in general obligation bonds to provide a new 12 bed, 8,000 square foot Less Secure Juvenile Shelter to provide live-in counseling and residential care for juveniles awaiting court action who do not require secure detention. This facility was completed in December 1990. On November 7, 1989, the County voters approved a bond referendum that included $12.57 million for Juvenile Detention facilities including expansion of the Juvenile Detention Center, renovation and expansion of the Boy's Probation Home, a Juvenile Halfway House and a Chronic Offenders Residence. Construction for the Juvenile Detention Center expansion from 55 to 121 beds was completed in June 1998. The Boy's Probation Home houses 22 juveniles and was completed in November 1995. The commencement of construction of the Juvenile Halfway House and the Chronic Offenders Residence is dependent upon funding availability. Construction for the expansion of the fourth floor of the Jennings Judicial Center was completed in March 1995. This expansion included the addition of four courtrooms, four jury rooms, two hearing rooms and associated judges chambers and administrative offices. This expansion provides a courtroom and associated other rooms for each of the 15 judges plus one additional courtroom to be used by visiting judges.

On November 7, 1989, the County voters approved a bond referendum that included $94.33 million for adult detention facilities including a 750-bed expansion to the Adult Detention Center. The expansion was completed in August 2000, with renovations to existing facilities to be completed by early Summer 2002.

As part of the 1998 Public Safety bond referendum voters approved the Judicial Center Expansion project at a cost of $92.5 million including $33 million from anticipated State reimbursement associated with the Adult Detention Center expansion. The project involves the addition of approximately 312,000 square feet to the existing Jennings Judicial Center and provides parking to accommodate 2,100 vehicles (a net increase of 900 spaces). Staff is currently completing the design development and construction plan phases of the Judicial Center portion of the project, with the fall of 2003 projected for the construction contract award. The parking structure was completed in January 2003.

Public Safety

The responsibility for public safety in Fairfax County is shared by a number of agencies. The Police Department, which is responsible for law enforcement, had an authorized strength of 1,319 sworn police officers and 583 civilian personnel as of March 31, 2003. The agency is accredited by the Virginia Law Enforcement Professional Standards Commission ("VLEPSC"). VLEPSC accreditation signifies the department's compliance with certain standards which are specific to Virginia law enforcement operations and administration. The commanders of the seven police district stations located throughout the County have considerable latitude to tailor their operations to provide police services in ways most responsive to the needs of their respective communities, to include community policing endeavors. The department operates a variety of specialized units, including a helicopter division which operates two helicopters to provide support to general police operations, traffic monitoring and emergency medical evacuation and rescue support. For the past 10 years, the County has maintained one of the lowest rates of serious crimes among jurisdictions in the Washington Metropolitan area and among comparable suburban jurisdictions throughout the country. At the same time, the Police Department has continually attained a clearance rate for violent crimes such as murder, rape and robbery far above the national averages for such offenses. Citizen participation in crime prevention is emphasized, with over 900 Neighborhood Watch groups involving approximately 30,000 volunteers throughout the County.

During FY 2002, the Police Department created a Criminal Intelligence Unit to provide an effective response to organized criminal activity including terrorist-related, gang and bias crimes. The Unit is responsible for data entry, review and classification of information, analysis, link development, prioritization, dissemination, follow-up investigations, interviews, maintaining contacts with outside intelligence groups and conducting surveillance operations. The Unit is staffed with nine positions that were redeployed from existing resources. In addition, an Auxiliary Police Unit, comprised of up to 100 trained, unpaid citizen volunteers, supplements the Police Department's paid personnel by performing a variety of operational and administrative functions. The Volunteers in Police Service (VIPS) Program has also been established to provide administrative augmentation to the Police Department by utilizing the skills of non-salaried, non-uniformed volunteers. The department utilizes many applications of the latest technology available, including serving as lead agency for the Northern Virginia Regional Identification System, a computerized fingerprint comparison system which greatly enhances and expedites the abilities of the 10 participating agencies to identify latent fingerprints recovered from crime scenes with those of known offenders in the database. The County's law enforcement training needs are met by its own Criminal Justice Academy which trains new officers and provides in-service training to members of the participating agencies. This facility includes a driver training track and firearms training range. Funding has been approved for an eighth police district station to be located in the western part of the County which will be fully operational on May 5, 2003. New facilities under design include replacement Public Safety Communications and Emergency Operations Centers, and a forensics facility. For the past ten years, Fairfax County has maintained one of the lowest per capita cost for police services of all the local jurisdictions in the Washington metropolitan area.

Fire and rescue services are provided by 1,199 paid fire fighters, 101 paid civilian support personnel and approximately 400 operational volunteers. Thirty-five fire and rescue stations are currently operated by the County. Future station locations have been identified to achieve a five-minute response time for fire and basic life support and a six-minute response time for advanced life support. The department operates various specialty units, including paramedic engine companies, a hazardous materials response unit, a technical rescue operations team, an arson canine unit and a water rescue team whose members are certified in swift water rescue. The department also supports regional, national and international emergency response operations through maintaining and supporting the urban Search and Rescue Team, Virginia Task Force 1. In addition to emergency response, the department provides various non-emergency services. Fire Prevention Division personnel test fire protection systems in public buildings, inspect businesses for fire code violations and determine the cause and origin of all fires, false alarms and bombings. The department receives direct technical support in the areas of logistics, procurement, apparatus, telecommunications and information technology from the Support Services Division. Administration and management of the Fire and Rescue Department is conducted by the Administration Division, including recruiting and testing firefighter applicants, personnel and payroll. The Fiscal Services Division is responsible for management of the department's finances and budget. Personnel in the Occupational Health and Safety program provide health and safety services to all County uniform public safety personnel, fire and rescue volunteers and applicants, in order to maintain a safe and healthy work environment. The Hazardous Materials Services Section investigates hazardous materials releases, enforces local and state hazardous materials laws, provides oversight for

long-term cleanup sites and supports other County agencies and committees. The Fire and Rescue Department provides more than 300,000 hours of firefighter and emergency medical training to career and volunteer firefighters throughout the year using indoor and outdoor facilities. Community fire safety and injury prevention programs are a major focus of the department. Education programs are delivered to audiences ranging from pre-school children to senior adults.

On November 7, 1989, the County voters approved a Public Safety Facilities bond referendum which included funding for seven new fire and rescue stations, expansion of one fire and rescue station, safety improvements to several existing fire and rescue stations, and improvements and expanded facilities at the Fire and Rescue Academy. On November 3, 1998, the County voters approved bond referenda that included $99.92 million for public safety projects including expansion of two existing Police Stations, reconstruction of a Fire Station, construction of one new Police Station and one new Fire Station and expansion of the County Judicial Center.

The County also operates a Computer Aided Dispatch System, which provides a computer link between call takers and dispatchers within the County's Public Safety Communications Center (PSCC). Through an additional computer link, information is transmitted from dispatchers to mobile data terminals within the County's police, fire and ambulance vehicles. The County also utilizes automated systems to process court ordered child support and restitution payments and to support juvenile case processing information functions. In addition, the County also has an automated dog licensing and inoculation monitoring system.

On November 5, 2002 the voters authorized an additional $60 million in general obligation bonds for Public Safety purposes. This referendum included approximately $29 million for a replacement PSCC/Emergency Operations Center, $25 million for renovations to the Jennings Judicial Center and $6 million for priority Fire Station renovations and improvements to include constructing an appropriately located hazardous materials handling facility.

Water Supply Service

Water service is provided to the residents of Fairfax County either by the Fairfax County Water Authority ("FCWA"), the City of Fairfax, the City of Falls Church, the Town of Herndon, the Town of Vienna or individual wells. FCWA, which operates the largest water system in the Commonwealth of Virginia, was established by the Board of Supervisors in 1957, under the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia, 1950, as amended), for the purpose of developing a comprehensive, countywide water supply system through the acquisition of existing systems and the construction of new facilities. It is an independent body administered by a ten-member board appointed by the Fairfax County Board of Supervisors. FCWA finances its capital improvements through the issuance of revenue bonds which are not backed by the full faith and credit of the County but principally by revenues derived from charges for services rendered. FCWA's basic retail water charge is $1.30 per 1,000 gallons, plus a quarterly service charge ($5.50 for most single family homes and townhouses). To pay for treatment and pumping capacity which is used only during periods of high demand, FCWA also levies a peak use charge of an additional $2.55 per 1,000 gallons on customers who exceed their winter quarter consumption by 6,000 gallons or 30 percent, whichever is greater. There also are fees for initial connection to the system and for opening, closing or transferring an account.

FCWA utilizes two sources of water supply (Occoquan River and Potomac River), operates associated treatment, transmission, storage and distribution facilities and currently provides service to approximately 220,000 metered accounts (representing about 283,000 residential, commercial, industrial, municipal and institutional units) in Fairfax County with an average daily consumption of about 75 million gallons per day ("mgd"). In addition, FCWA supplies about 50 mgd to other suppliers for resale principally in the City of Alexandria, Loudoun County and Prince William County. The average population served by FCWA in 2001 is estimated to have been 1,200,000 persons. The combined maximum daily capacity of the supply and treatment facilities is 262 mgd, which is sufficient to meet current demand.

Under an agreement with the Board of Supervisors, FCWA annually submits a ten-year capital improvement program which is reviewed and approved by the Board as part of the County's total capital

improvement program. FCWA's 2026 10-year Capital Improvement Program includes projects totaling $565,762,000.

ECONOMIC FACTORS

Economic Development

Economic development activities of the County are carried out through the Fairfax County Economic Development Authority (the "EDA") whose commissioners are appointed by the Board of Supervisors. The EDA promotes Fairfax County as a premier location for business start-up, relocation and expansion, capital investment, and business travel and events. It works with new and existing businesses to help identify their facility and site needs and assist in resolving County-related issues. Pursuant to its enabling legislation, the EDA encourages investment in the County with tax-exempt industrial revenue bond financing.

Through its Convention and Visitors Bureau, the EDA attracts meetings, conferences and business travel to the County and encourages local private sector support for this effort, and draws visitors to the County's historic, cultural and recreational attractions.

The total inventory of office space in the County was estimated at 100.9 million square feet at year end 2002. Nearly 7.7 million square feet of office space was leased in Fairfax County during the 2002. Industrial/hybrid space in the county was estimated at 36.5 million square feet. The direct vacancy rates for the office market and industrial/hybrid markets were 12.2 percent and 7.3 percent, respectively, as of year end 2002. Fairfax County is the fifteenth largest office market in the United States, according to Costar Group.

The base of technology-oriented companies, particularly in computer software development, computer systems integration, telecommunications and Internet-related services, has served as a strong magnet for the expansion and attraction of business and professional services. Diversified business and financial services have added to the demand for prime office space in a number of key employment centers throughout the County. Major corporations such as American Management Systems, Booz Allen Hamilton, Capital One, Federal Home Loan Mortgage Corporation (Freddie Mac), Gannett (USA Today), General Dynamics, Leica Microsystems, Logicon, Oracle and the SLM Corporation (Sallie Mae) have located their corporate headquarters in Fairfax County.

As of year end 2002, there were 80 hotels each with 75 or more rooms completed or under construction in the County, totaling more than 14,640 hotel rooms. Hotel development parallels commercial construction in terms of diversity of concept and design with a variety of product and service mixes (all-suites, business meeting facilities and leisure facilities) in the marketplace. National chains such as AmeriSuites, Best Western, Comfort Inn, Doubletree, Embassy Suites, Hampton Inn, Hilton, Holiday Inn, Hyatt, Marriott, Motel 6, Ritz-Carlton and Sheraton currently offer a wide range of hotel facilities in the County.

The 16-mile Dulles Toll Road provides access from Washington, D.C. through Tysons Corner and Reston-Herndon (the largest business centers in the County) to Washington Dulles International Airport ("Dulles"), on the County's western edge. Pursuant to legislation enacted by the Virginia General Assembly in its 1995 session, the Commonwealth sold $45.2 million in bonds for the construction of two additional lanes (for a total of eight lanes) to the Dulles Toll Road between Interstate 495 in Fairfax County and Road 28 (Sully Road) in Fairfax and Loudoun Counties. Additionally, a 14-mile extension of the Dulles Toll Road, the privately-financed Dulles Greenway, connects the airport with Leesburg, west of Fairfax County in Loudoun County.

Dulles has experienced a significant increase in service levels and demand in recent years, serving as a catalyst for corporate activities dependent on immediate access to air travel. One of the fastest-growing airport of the world's 50 largest airports, Dulles serves nearly 48,000 passengers daily with nonstop flights to 72 U.S. cities and direct service to 28 foreign markets. On the east coast, the airport is the fifth largest international gateway. Seventeen million passengers, including more than 4 million international travelers, flew in and out of Dulles in 2002. A multi billion construction program began in 2000, which will add two parking garages, a fourth runway, a new concourse, a pedestrian walkway and an airport train system.

In January 1990, the Smithsonian Board of Regents selected 176.5 acres of Washington Dulles International as the site for the Smithsonian National Air and Space Museum (NASM) Dulles Center. More than 335 rare and historic aircraft and spacecraft, including the Space Shuttle Enterprise will be displayed at the NASM's Steven F. Udvar-Hazy Center, a $318 million expansion at the airport. The internationally renowned design firm Hellmuth, Obata - Kassabaum designed the 761,000 square-foot museum which broke ground in spring 2001. The doors are slated to open in December 2003 to commemorate the 100th anniversary of the Wright Brothers' first powered flight on December 17, 1903.

The Board of Supervisors and the County have supported the revitalization and redevelopment of the County's more mature business areas. Residential and commercial enhancements to Annandale, Bailey Crossroads/Seven Corners, the Lake Anne section of Reston, the Springfield and McLean central business districts, Merrifield and the Richmond Highway corridor in the southeastern portion of the County are under way, and a number of capital improvement projects in process or already completed have improved the appearance and quality of life of these communities.

Employment

Approximately 28,800 payroll businesses, including corporate and regional headquarters, technology firms, sales and marketing offices, and business services are located in Fairfax County. Local businesses create employment in such diversified areas as computer software development and systems integration, government contracting, Internet-related services, wholesale and retail trade, and financial services. The following table presents data on the number of payroll establishments and employment by major industry classification in Fairfax County as of first quarter 2002.

Businesses and Employment by Industry
Fairfax County, Virginia[1]

Industrial Classification	Number of Establishments	Average Payroll Employment for Quarter
Manufacturing	466	11,936
Mining	4	95
Wholesale Trade	1,522	15,828
Construction	2,325	29,487
Transportation, Communications, Public Utilities	393	7,625
Retail Trade	2,846	53,630
Services[2]	17,342	267,041
Finance, Insurance, Real Estate	2,658	31,878
Information	1,011	38,523
Local/State/Federal Government	202	66,666
Non-Classified/Other	22	94
Total[3]	28,791	522,803

Source: Virginia Employment Commission (VEC), Covered Employment and Wages in Virginia, Fairfax County, first quarter 2002.

1 Excludes self-employed business owners and agricultural services. Totals for agricultural services are no longer disclosed by the VEC.

2 The Services category includes computer-related services, health care, legal and personal services, engineering and architectural services, and other activities, as well as membership organizations and trade associations.

3 In 2002 VEC converted from the SIC to the NAICS industry classification system, adopted by the federal government in 1997. The Information category is new under NAICS and some totals will not track to previous reporting periods.

The following is a list of the 25 largest private, base sector (non-retail) employers in Fairfax County as of December 2002.

	Company Name	Type of Business	County Employment Range*
1.	Inova Health System	Health Services	9,000-10,000
2.	Science Applications International Corp. (SAIC)	Engineering, Accounting & Research Management Services	5,000-6,000
3.	Booz Allen Hamilton, Inc.	Business Services	4,000-5,000
4.	Lockheed Martin Corporation	Business Services/ Transportation Equipment	3,000-4,000
5.	American Management Systems, Inc. (AMS)	Business Services	3,000-4,000
6.	Raytheon Company	Business Services/ Manufacturing	3,000-4,000
7.	Northrop Grumman (includes TRW)	Business Services/Engineering, Accounting & Research Services	3,000-4,000
8.	Federal Home Loan Mortgage Corporation (Freddie Mac)	Nondepository Credit Institutions	3,000-4,000
9.	Nextel Communications, Inc	Communications	3,000-4,000
10.	Navy Federal Credit Union	Depository Institutions	2,000-3,000
11.	Exxon Mobil Corporation	Petroleum Refining & Related Industries	2,000-3,000
12.	Sprint	Communications	2,000-3,000
13.	Verizon	Communications	2,000-3,000
14.	Accenture	Business Services	2,000-3,000
15.	MCI-WorldCom	Communications	2,000-3,000
16.	Electronic Data Systems Corporation (EDS)	Business Services	2,000-3,000
17.	PricewaterhouseCoopers	Business Services	2,000-3,000
18.	Mitre Corporation	Engineering, Accounting & Research Services	2,000-3,000
19.	Computer Sciences Corporation (CSC) (includes Dyncorp)	Business Services	1,000-2,000
20.	Oracle	Business Services	1,000-2,000
21.	Kaiser Foundation Health	Insurance Carriers	1,000-2,000
22.	BearingPoint	Business Services	1,000-2,000
23.	Quest Diagnostic	Health Services	1,000-2,000
24.	Verisign	Communications	1,000-2,000
25.	William A. Hazel	Construction Services	1,000-2,000

Source: Fairfax County Economic Development Authority and the Virginia Employment Commission.

*Note: Employment estimates for separate facilities of the same firm have been combined. Employment ranges are given to ensure confidentiality.

Unemployment in the County has historically been, and continues to be, well below national averages. The 2001 average unemployment rate was 2.3% in the County. State and national 2001 unemployment rates were 3.5% and 4.8%, respectively. The following table shows the average annual unemployment rate in Fairfax County as compared with the state and national average in the past decade:

Average Annual Unemployment Rates

Calendar Year	Fairfax County	State of Virginia	United States
1993	3.3%	5.1%	6.8%
1994	3.1	4.9	6.1
1995	2.8	4.5	5.6
1996	2.8	4.4	5.4
1997	2.3	4.0	4.9
1998	1.6	4.9	4.5
1999	1.6	2.8	4.2
2000	1.2	2.2	4.0
2001	2.3	3.5	4.8
2002[1]	3.0	4.3	6.2

Source: Virginia Employment Commission.

1 Unemployment rates for Fairfax County, Virginia and the United States represent data through the first quarter of 2002.

According to the Virginia Employment Commission, in the first quarter of 2002 employed County residents numbered 563,404 and the number of jobs in the County averaged 524,298 in March 2002. The number of jobs does not include self-employed persons, agricultural employment or non-classified/other employment. The following table presents total nonagricultural payroll employment in recent years:

Nonagricultural Employment

As of March	Nonagricultural Employment in Fairfax County	% Change	As of March	Nonagricultural Employment in Fairfax County	% Change
1993	373,998	2.6	1998	464,945	4.8
1994	392,048	4.8	1999	487,113	4.8
1995	410,146	4.6	2000	518,821	6.5
1996	420,929	2.6	2001	541,132	4.5
1997	443,734	5.4	2002	524,298	(3.1)

Source: Virginia Employment Commission.

Population

Fairfax County's population in 2003 is approximately one million. In 1980, Fairfax County was the third most populous jurisdiction in the Washington, D.C. primary metropolitan statistical area, as defined by the U.S. Bureau of the Census. By 1990, Fairfax County, with 818,584 residents, had become the most populous jurisdiction in the Washington, D.C. area, adding an average of 22,000 persons per year in the 1980s. Population growth during the 1990s slowed somewhat in Fairfax County; on average, about 14,200 persons per year were added to the population during the decade. Since 2000, the County has added an average of approximately 10,000 new residents per year.

Fairfax County Population

Calendar Year	Population
1940	40,929
1950	98,557
1960	248,897
1970	454,275
1980	596,901
1990	818,584
2000	969,749
2001	984,366
2002	1,000,000
2003	1,015,600

Source: U.S. Bureau of the Census (1940-1990, 2000) and the Fairfax County Department of Systems Management for Human Services.

The following table reflects the population age distribution of County residents:

Population Age Distribution, 2001
Fairfax County

	2001	
Age Group	Number	Percent (%)
Under 20 years	280,544	28.5
20-34	191,951	19.5
35-54	337,638	34.3
55-64	93,575	9.5
65 and Over	80,718	8.2
Total	984,366	100

Source: Demographic Reports 2001, Fairfax County Department of Systems Management for Human Services.

Based on results of the 1990 Census, Fairfax County had the highest annual median household income ($59,284) of all the 3,141 counties in the United States. As of 2000, nearly 16 percent of County households had annual family incomes of $150,000 or more. In 2001, Census estimated median household income in Fairfax County at $84,683. The following table illustrates the 2001 household and family income distribution in the County.

Annual Household and Family Income Distribution (by Percentage)
Fairfax County, 2001

Income Level	Household	Family
Under $25,000	8.7%	6.0%
$25,000-49,999	15.7	12.7
$50,000-74,999	18.2	16.5
$75,000-99,999	15.6	15.2
$100,000-149,999	21.8	25.7
$150,000 or more	20.0	23.8
Median Income	$84,683	$99,085

Note: In 2001, there were 358,149 households in the County. "Families" are defined as those households containing two or more persons related by blood, marriage or adoption.
Sources: Fairfax County Department of Systems Management for Human Services, 2001
Fairfax-Falls Church Community Assessment.

The following table shows that total taxable retail sales in the County rose in the period 1993-2002, reflecting increased income levels and the County's increasing importance as a regional commercial and retail center. Declining taxable retail sales in 2001 and 2002 reflect the general economic downturn.

Per Capita Taxable Sales

Calendar Year	Taxable Sales (in Billions)	Population	Per Capita Taxable Sales
1993	7.47	851,858	8,771
1994	7.96	863,134	9,221
1995	8.31	879,401	9,453
1996	8.50	899,650	9,448
1997	9.04	912,126	9,910
1998	9.65	931,452	10,357
1999	10.62	946,371	11,219
2000	11.32	969,749	11,676
2001	11.01	986,366	11,175
2002	11.13	1,000,000	11,130

Sources: Virginia Department of Taxation, Taxable Sales Based on Retail Sales Tax Revenues.
Fairfax County Department of Systems Management for Human Services, and U.S. Bureau of the Census.

Construction Activity

The following table illustrates trends in residential and commercial construction activity in the County:

Fiscal Year	Construction Activity Building Permits[1]				Estimated Housing Units Started[2]
	Residential Properties		Industrial and Commercial Properties		
	Number	Estimated Value (000's)	Number	Estimated Value (000's)	Number
1993	22,865	689,190	3,596	355,989	5,188
1994	23,254	781,283	3,803	288,274	6,528
1995	23,577	706,680	4,272	236,737	4,482
1996	23,086	737,971	3,961	230,300	4,361
1997	21,059	676,400	4,091	247,646	3,942
1998	21,700	702,179	4,172	699,012	2,263
1999	23,446	794,121	4,345	572,489	4,687
2000	30,178	995,247	4,735	719,885	4,067
2001	23,154	806,139	4,455	671,805	3,802
2002	20,863	771,174	3,624	459,000	3,735

Sources: [1] Fairfax County Department of Public Works and Environmental Services.
[2] Fairfax County Department of Systems Management for Human Services.

The following is a short list of major new or expanded office projects within the County in 2002:

New or Expanded Commercial Projects

Name of Company	Nature of Operations	Square Footage Leased	Projected New/Additional Employment
BAE Systems North America	Aerospace	145,000	1,000
Daston Corporation	Financial, Law and Consulting	7,800	130
RBC Centura	Financial, Law and Consulting	15,000	110
ACS-Government Services	Information Technology	25,000	190
Argon Engineering Associates	Information Technology	25,000	100
IBM	Information Technology	99,000	400
PEC Solutions	Information Technology	(expansion)	533
STG	Information Technology	(expansion)	200
SI International	Services	56,700	354
Arrowhead Global Solutions	Telecommunications	16,000	250

Note: For those companies where "(expansion)" appears under the square footage leased column, any additional employment created used already existing leased office space.
Source: Fairfax County Economic Development Authority.

Housing

Single-family detached housing units (excluding mobile homes) continue to account for a majority of the housing units within Fairfax County, representing 50.6% of the total in 2000. Townhouses accounted for 24.3%; garden units, high- and mid-rise units, multiplex units and mobile homes together made up the remaining 25.1%. As of January 2000, the median market value of all owned housing units, including condominiums, in Fairfax County was estimated by the Department of Systems Management for Human Services to be $226,825, an increase of 18.1% over 1999.

Housing Units by Type of Structure

	1970		1980		1990		2000	
	No.	%	No.	%	No.	%	No.	%
Single-Family: Detached	91,134	69.7	125,580	59.3	163,029	53.9	181,591	50.6
Attached	6,427	4.9	30,833	14.6	67,306	22.3	87,171	24.3
Multi-Family	33,207	25.4	55,333	26.1	72,129	23.8	90,198	25.1
Total	130,768	100.0	211,746	100.0	302,464	100.0	358,960	100.0

Source: U.S. Bureau of the Census, U.S. Census of Housing. Single-family detached includes all single-family homes and mobile homes, single-family attached includes duplexes, townhouses and multiplex units. Multi-family includes garden, mid-rise and elevator apartments.

Colleges and Universities

Seven institutions of higher education are located in Fairfax County: Averett University, George Mason University, the Keller Graduate School of Management, National-Louis University, Northern Virginia Community College (NVCC), the Virginia Polytechnic Institute and State University and the University of Virginia – the latter two located in the Northern Virginia Graduate Center. For 2001-02 George Mason had an enrollment of more than 23,400 students in more than 100 disciplines, including doctoral programs. The Northern Virginia Community College has more than 60,000 students in 30 credit-earning programs and 300,000 students in non-credit courses and public service activities in five campuses in Northern Virginia. NVCC also has broken ground on a biomedical training campus in the County's Springfield community. American University, George Washington University, Catholic University and Virginia Commonwealth University also operate programs in the County's secondary schools and on military installations within the County.

Cultural Amenities

Wolf Trap Farm Park for the Performing Arts, a cultural facility internationally renowned for the number and quality of its ballet, symphony, concert, and opera offerings, and the only national park for the performing arts in the U.S., is located in the northern part of Fairfax County. The County also assists in supporting the Fairfax Symphony, an internationally recognized 94-member orchestra that provides a variety of musical programs and outreach services to County residents. Other well-known attractions in the County include Mount Vernon, the home of George Washington; Woodlawn Plantation, George Washington's wedding gift to his nephew; and Gunston Hall, home of George Mason, author of the U.S. Bill of Rights and the first Constitution of Virginia.

DEBT ADMINISTRATION

Statement of Bonded Indebtedness

Pursuant to the Constitution of Virginia and the Act, a county in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the Board of

Supervisors of the County is required to levy, if necessary, an annual ad valorem tax on all property in the County subject to local taxation.

The County had outstanding the following amounts of general obligation bonds as of June 30, 2002:

Purpose	Total General Obligation Bonds
School	$ 896,028,585
General Government	623,935,015
Total General Obligation Bonded Indebtedness	$1,519,963,600

On March 5, 2003, the County issued its $171,165,000 Public Improvement Refunding Bonds, Series 2003 A to refund for debt service savings its $178,955,000 of its outstanding general obligation bonds.

The County does not rely upon short-term borrowings to fund operating or capital requirements.

Authorized but Unissued Bonds

The following chart presents by purpose Fairfax County's general obligation authorized but unissued bond indebtedness as of the issuance of the Bonds:

Authorized Purpose	Amount Authorized but Unissued
School Improvements	$381,750,000
Transportation Improvements and Facilities	56,660,000
Parks and Park Facilities	44,830,000
Commercial and Redevelopment Area Improvements	17,280,000
Neighborhood Improvements	1,820,000
Human Services Facilities	1,185,000
Storm Drainage Improvements	3,960,000
Adult Detention Facilities	6,520,000
Public Safety Facilities	100,450,000
Juvenile Detention Facilities	900,000
Total Authorized but Unissued Bonds	$615,355,000

Limits on Indebtedness

There is no legal limit on the amount of general obligation bonded indebtedness which Fairfax County can at any time incur or have outstanding. However, all such indebtedness must be approved by voter referendum prior to issuance. Since 1975, the Board of Supervisors has established as a financial guideline a self-imposed limit on the average annual amount of bond sales. As part of the FY 2003 Adopted Budget Plan, the Board of Supervisors increased the bond sale target to $1.0 billion over a 5-year period or an average of $200 million annually, with the flexibility to expand to a maximum of $225 million based on market conditions and/or priority needs in any given year. The actual amount of bond sales will be determined by construction funding requirements and municipal bond market conditions.

The Board of Supervisors also has imposed limits which provide that the County's long term debt should not exceed 3% of the total market value of taxable real and personal property in the County. The limits also provide that annual debt service should not exceed 10% of annual General Fund disbursements. These limits may be changed by the Board of Supervisors, and they are not binding on future Boards of Supervisors of the County.

There are several authorities in existence which have been created at various times by the Board of Supervisors to provide specialized governmental services within the County. Certain of these authorities are empowered to issue revenue bonds that are not general obligations of the County, and the full faith and credit of the County is not pledged to secure such bonds.

Other Tax Supported Debt Obligations

The Board of Supervisors of the County directly or indirectly appoints all or a portion of the governing body of several legally independent local and regional authorities that provide services to the County and its constituents. Such authorities include those that issue debt supported directly or contingently by appropriations of tax revenues by the County.

In 1989 and 1990, the Fairfax County Economic Development Authority (the "EDA") issued $26,765,000 of parking revenue bonds to finance construction of parking structures near the Vienna Metrorail Station and the Huntington Metrorail Station in Fairfax County. The EDA refunded $21.46 million of these bonds in March 1998 with the proceeds of $12.93 million parking revenue refunding bonds and other available funds. The remainder of the bonds issued in 1989 and 1990 have matured. The EDA issued $25.735 million in bonds on November 10, 1999 to finance a second parking structure at the Vienna Metrorail Station. The parking revenue bonds are payable under leases with the Washington Metropolitan Area Transit Authority ("WMATA") from revenues to be derived by WMATA from parking surcharges at these and other parking facilities. In the event such revenues are not sufficient to pay debt service on the parking revenue bonds and under certain other conditions, the County is, in effect, obligated, subject to annual appropriation by its Board of Supervisors, to make payments to the EDA sufficient to pay such debt service.

In March 1994, the EDA issued $116,965,000 of lease revenue bonds to finance the acquisition for the County of two office buildings occupied by County agencies and departments. The County is absolutely and unconditionally obligated by the terms of a lease agreement with the EDA to pay amounts equal to debt service on the EDA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of sufficient funds for such purpose. The coincidental terms of the bonds and the lease agreement extend to November 15, 2018.

In October 1996, the Fairfax County Redevelopment and Housing Authority ("FCRHA") issued $6,390,000 of lease revenue bonds to finance the construction/renovation of two Community Center buildings. The County is absolutely and unconditionally obligated by the terms of lease agreements with the FCRHA to pay amounts equal to debt service on the FCRHA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of funds for such purpose. The coincidental terms of the bonds and the lease agreements extend to June 1, 2017. In December 1998, the FCRHA issued $5,500,000 of lease revenue bonds to finance the renovation and expansion of Bailey's Community Center. The County is absolutely and unconditionally obligated by the terms of lease agreements with the FCRHA to pay amounts equal to debt service on the FCRHA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of funds for such purpose. The coincidental terms of the bonds and the lease agreements extend to June 1, 2018. In May 1999, the FCRHA issued $1,000,000 of lease revenue bonds to finance the renovation and expansion of the Herndon Harbor House II adult day health care center. The County is absolutely and unconditionally obligated by the terms of lease agreements with the FCRHA to pay amounts equal to debt service on the FCRHA's bonds. The County's obligation to make such payments is subject to the annual appropriation by the Board of Supervisors of funds for such purpose. The coincidental terms of the bonds and the lease agreements extend to May 1, 2029. On November 18, 2002 the Board of Supervisors approved a plan of finance for the renovation and expansion of the James Lee Community Center in which the FCRHA will issue approximately $11.4 million of its lease revenue bonds payable by a lease obligation with the County under terms similar to previously mentioned undertakings. The FCRHA expects to issue these bonds later in 2003.

In July 2000, the Fairfax County Board of Supervisors entered into a Master Development Agreement with a private developer to finance and construct a 135,000 square foot government center in the southeastern region of the County. In November 2000, $29,000,000 of Certificates of Participation ("Certificates" or "COPs") were issued, secured by a triple net lease on the property between the County and the developer. The County is absolutely and unconditionally obligated by the terms of the lease agreement to pay an amount equal to the debt service on the Certificates. The County accepted the government center as substantially complete in February 2002. The County's obligation to make such payments is subject to annual appropriations by the Board of Supervisors of funds for such purpose. The coincidental terms of the lease and the Certificates extend to April 2032.

In March 2000, the Fairfax County Park Authority issued a Note in the amount of $12,750,000, stated to mature on July 31, 2001, to raise funds sufficient to purchase approximately 800 acres of open space in the western region of the County for use as parks or park facilities. On July 31, 2002, the Note was exchanged for the second and final time to mature on July 31, 2003 in the aggregate principal amount of $14,442,740. The County is obligated by the terms of a payment agreement with the FCPA to pay the FCPA amounts equal to the debt service on the renewal Note at its maturity. The County's obligation to make such payments is subject to the appropriation by the Board of Supervisors of funds for such purpose. The County intends to pay the FCPA from the proceeds of the sale of other parcels of County land or other available funds.

On May 5, 2003, the Board of Supervisors approved a plan of finance and the associated documents for a new public high school and a new 18-hole public golf course in the southern part of the County. The plan of finance contemplates that EDA will issue approximately $76,000,000 of revenue bonds and the County will contribute $18,200,000 to provide funds for the construction by the School Board and the FCPA of these projects. The County is absolutely and unconditionally obligated by the terms of its contract with the EDA to pay amounts equal to debt service on the EDA's bonds. The County's obligation to make such payments is subject to the annual appropriation of sufficient funds for such purpose. The projects are part of a master plan for the southern part of the County also approved by the County which includes a graduated care facility within which there will be both dwelling units for single family living for active adults, and independent senior living units. In connection with this plan, the FCPA has agreed to issue its subordinated revenue bond to the County to provide for the repayment of a portion of the debt attributable to the construction of the golf course. The FCPA's debt to the County will be payable from park system revenues.

Lease Commitments and Contractual Obligations

The County leases certain real estate, equipment and sewer facilities under various long-term lease agreements. In addition, pursuant to contracts with Arlington County, the Alexandria Sanitation Authority, the District of Columbia and the Upper Occoquan Sewage Authority, the County is obligated to share the capital costs and associated debt service of certain facilities. Further information concerning these obligations is included in Notes I and J to the Basic Financial Statements shown in Appendix IV.

In February and March 1988, the Fairfax County Economic Development Authority issued $237,180,000 of Series A revenue bonds and $14,900,000 of Series B revenue bonds, respectively, to finance, on behalf of the Fairfax County Solid Waste Authority ("SWA"), the construction of a 3,000 ton per day Energy/Resource Recovery Facility to dispose of solid waste originating from Fairfax County and the District of Columbia. In March 1995, the County sold an option to purchase refunding bonds to refund and redeem the Series A bonds. The option was sold to a financial institution for $10.25 million. On November 4, 1998, the option was exercised and the refunding bonds were delivered to the institution at certain agreed-upon interest rates. The proceeds of the bonds have been used to refund the Series A bonds. The refunding bonds are secured solely by the revenues of the E/RRF, and neither the County, the EDA nor the SWA is obligated to pay principal and interest thereon. Fairfax County is obligated under a service contract to deliver certain minimum annual tonnages of solid waste to the E/RRF and to pay fees for the disposal of such waste to provide funds sufficient to pay the E/RRF operation and maintenance costs and debt service on the bonds. The Series B bonds have been retired. See "GOVERNMENT SERVICES – Public Works".

In February 1990, the Northern Virginia Transportation Commission issued $79.4 million of bonds to finance certain costs associated with the establishment of commuter rail services (the Virginia Railway Express) in the northern area of Virginia surrounding Washington, D.C. Fairfax County has joined with other jurisdictions through a Master Agreement to bear certain costs associated with operating and insuring the rail service as well as servicing the debt issued by NVTC. The Master Agreement requires that the County's governmental officers charged with preparing its annual budget include an amount equal to its share of the costs of the Virginia Railway Express. Each jurisdiction's share is determined by a formula set out in the Master Agreement. Fairfax County's share of this cost was $2.4 million in FY 2001. An additional $23 million in NVTC commuter rail revenue bonds were issued in early 1997 to purchase 13 new bi-level rail coaches. Debt service on these bonds is being funded predominantly by State and Federal funds and VRE revenues.

Debt Service on General Obligation Bonds, COPs and Lease Revenue Bonds

Total principal and interest payments on the County's outstanding general obligation bonds, including debt service on the Bonds, on the South County Government Center Certificates of Participation, on the EDA and FCRHA lease revenue bonds and on Literary Fund loans, are presented in the following table:

Debt Service Schedule - General Obligation Bonds, COPs and Lease Revenue Bonds

Fiscal Year	General Obligation Bonds[1]		COPs and Lease Revenue Bonds[2]		
Ending June 30	Principal	Interest	Principal	Interest	Total[3]
2003	$129,958,925	$70,285,687	$4,405,000	$7,457,030	$212,106,642
2004	132,691,425	73,028,511	4,635,000	7,229,190	217,584,126
2005	128,491,425	67,391,704	4,875,000	6,985,210	207,743,339
2006	124,001,425	61,889,729	5,135,000	6,724,087	197,750,241
2007	124,132,700	56,583,203	5,415,000	6,448,368	192,579,271
2008	118,932,700	50,554,509	5,710,000	6,152,918	181,350,127
2009	113,970,000	45,048,429	6,025,000	5,840,789	170,884,218
2010	103,975,000	39,665,120	6,350,000	5,511,423	155,501,543
2011	98,125,000	34,652,175	6,690,000	5,163,841	144,631,016
2012	90,255,000	30,013,833	7,065,000	4,797,324	132,131,157
2013	82,490,000	25,831,523	7,455,000	4,409,961	120,186,484
2014	77,140,000	21,911,166	7,855,000	4,000,622	110,906,788
2015	69,255,000	18,301,617	8,295,000	3,565,821	99,417,438
2016	64,385,000	14,994,779	8,750,000	3,106,771	91,236,550
2017	58,675,000	11,781,179	9,240,000	2,622,385	82,318,564
2018	51,475,000	8,869,229	9,210,000	2,112,636	71,666,865
2019	44,670,000	6,487,804	9,530,000	1,385,400	62,073,204
2020	36,955,000	4,345,524	1,030,000	1,108,379	43,438,903
2021	28,375,000	2,682,987	1,090,000	1,053,097	33,201,084
2022	19,645,000	1,420,775	1,105,000	970,848	23,141,623
2023-2032	9,746,500	462,888	15,786,500	5,480,635	31,473,523
Total[3]	$1,707,345,100	$646,202,371	$135,651,500	$92,126,735	$2,581,325,706

1 As of the issuance of the Bonds.

2 See "Other Tax Supported Debt Obligations".

3 Numbers may not add to totals due to rounding.

Sewer Revenue Bonds

In 1986, the County issued $75 million of an authorized $179 million sewer revenue bonds pursuant to a General Bond Resolution adopted by the Board of Supervisors (the "General Bond Resolution"). The proceeds were expended to finance the expansion of the wastewater treatment facilities at the Noman M. Cole, Jr., Pollution Control Plant (formerly the Lower Potomac Pollution Control Plant) from 36 million gallons per day ("mgd") to 54 mgd and the County's share of the cost of expanding facilities at the District of Columbia's Blue Plains Wastewater Treatment Plant. The treatment capacity of the Blue Plains Plant expanded from 309 mgd to 370 mgd and the County's share increased from 16.02 mgd to 31.0 mgd. In 1993, the County issued $72.1 million sewer revenue refunding bonds to advance refund a portion of its outstanding sewer revenue bonds. In July 1996, the County issued the remaining authorized but unissued $104 million sewer revenue bonds to finance additional expansion and improvements to its Noman M. Cole, Jr., Pollution Control Plant. For indebtedness incurred after adoption of the General Bond Resolution, the County has not exercised its option under the General Bond Resolution to treat such indebtedness as parity indebtedness, payable on par with the debt service on the County's outstanding Sewer Revenue Bonds, and, therefore, such indebtedness has been classified under the General Bond Resolution as "subordinate indebtedness". Debt obligations to the Upper Occoquan Sewage Authority ("UOSA") and the 2001 and 2002 State Revolving Fund loans through the Virginia Resources Authority, used to partially finance the plant improvements for the Alexandria Sanitation Authority (the "ASA"), are treated as subordinate debt.

Wastewater treatment capacity and services are also provided to the Integrated Sewer System pursuant to contracts with Arlington County, the ASA, the District of Columbia and the UOSA, whereby the County is obligated to share the capital costs and associated debt service of certain facilities. The County's obligations to such entities are payable solely from the revenues of the Integrated Sewer System and are not general obligations of the County. Further information concerning these obligations is included in Notes I and J to the Basic Financial Statements shown in Appendix IV.

In January 1996, UOSA issued $330.86 million bonds: $288.60 million bonds to finance the cost of expanding its advanced wastewater treatment plant from 32 mgd to 54 mgd and $42.26 million to refinance certain of its outstanding bonds.

The debt service on the County's outstanding sewer revenue bonds and the subordinate obligations payable for capacity under its contracts with UOSA as of June 30, 2002 are reflected in the following table.

	Sewer Revenue Bonds		Other Sewer Debt Service Obligations		
Fiscal Year Ending June 30	Principal	Interest	SRF/VRA	Subordinate Obligations[1]	Total
2003	$4,535,000	$8,983,282	$5,026,512	$15,227,577	$33,772,373
2004	4,935,000	8,739,066	6,637,073	15,228,504	35,539,642
2005	5,035,000	8,477,807	6,637,073	15,230,086	35,379,964
2006	5,440,000	8,199,653	6,637,073	15,230,224	35,506,949
2007	5,855,000	7,896,081	6,637,073	15,669,314	36,057,467
2008	6,270,000	7,566,205	6,637,073	15,669,695	36,142,973
2009	6,690,000	7,210,413	6,637,073	15,671,327	36,208,812
2010	7,125,000	6,828,830	6,637,073	15,669,762	36,260,667
2011	7,555,000	6,422,155	6,637,073	16,247,107	36,861,335
2012	7,995,000	5,991,371	6,637,073	16,245,794	36,869,238
2013	8,435,000	5,536,186	6,637,073	16,244,520	36,852,779
2014	9,175,000	5,048,343	6,637,073	16,245,595	37,106,011
2015	9,630,000	4,521,364	6,637,073	16,245,004	37,033,441
2016	5,300,000	4,097,980	6,637,073	16,244,995	32,280,049
2017	3,530,000	3,846,820	6,637,073	16,245,410	30,259,303
2018	3,750,000	3,639,340	6,637,073	16,246,605	30,273,017
2019	3,980,000	3,417,045	6,637,073	16,244,721	30,278,839
2020	4,230,000	3,178,955	6,637,073	16,245,033	30,291,061
2021-2029	52,205,000	15,019,169	10,274,861	146,746,721	224,245,753
Total	$161,670,000	$124,620,065	$128,131,614	$432,797,994	$847,219,673

[1]Based on the County's share of scheduled UOSA debt service.

The County has entered into a service agreement with ASA that obligates the County initially for 60% of the cost of capacity of the ASA wastewater treatment plant and a joint use system, including debt service on ASA bonds issued for ASA system improvements where the County does not otherwise provide for its share of the capital cost of such improvements. ASA has undertaken a major improvement project for 60% of the capital costs of which the County, in accordance with the ASA service agreement, will be responsible. The most recent estimate of the cost of the improvement project provided by ASA to the County was approximately $300 million. While applications for both state and federal grants have been made, there can be no assurance that such grants will be received. The County obtained permanent funding in FY 2001 and again in FY 2002 for a portion of its share of these costs from the proceeds of two loans aggregating $90 million from the Virginia Water Facilities Revolving Fund. The County issued to the Fund the County's $40 million subordinated sewer revenue bonds bearing interest at the rate of 4.10% per annum and $50 million subordinated sewer revenue bonds bearing interest at the rate of 3.75% per annum, in evidence of its obligation to repay the loans. The County expects to provide the balance of its share of the costs of ASA's improvement project from other borrowings and available Integrated Sewer System funds.

Debt Ratios

The following data are presented to show trends in the relationship of the general obligation bond indebtedness of the County as a percentage of the estimated market value of taxable property in the County and to its estimated population and the trend of general obligation debt service requirements as a percentage of General Fund disbursements.

Trend of Net Debt as a Percentage of Estimated Market Value of Taxable Property

Fiscal Year Ended June 30	Net Bonded Indebtedness[1]	Estimated Market Value[2]	Percentage
1994	1,110,177,500	74,395,400,000	1.49
1995	1,136,368,575	75,702,700,000	1.50
1996	1,167,504,650	78,155,100,000	1.49
1997	1,219,735,725	80,853,900,000	1.51
1998	1,258,171,800	83,471,400,000	1.51
1999	1,314,377,875	87,086,700,000	1.51
2000	1,380,266,450	92,692,600,000	1.49
2001	1,442,682,525	101,048,500,000	1.43
2002	1,655,613,600	113,801,300,000	1.45
2003(est.)	1,842,996,600	128,543,800,000	1.43

Source: Fairfax County Department of Tax Administration and Department of Management and Budget.

1 Beginning in FY 2002, the total includes outstanding Lease Revenue Bonds for the Pennino and Herrity County Government Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Fund loans and FCRHA Lease Revenue Bonds for Community Centers.

2 Estimated market value is based on recorded values as of January 1 of the prior fiscal year.

Debt Per Capita

Fiscal Year Ended June 30	Net Bonded Indebtedness[1,2]	Estimated Population[3]	Net Bonded Indebtedness Per Capita	Fairfax County Per Capita Income[4]	Debt Per Capita as Percentage of Per Capita Income[5]
1994	1,110,177,500	863,134	1,286	36,689	3.51
1995	1,136,368,575	879,401	1,292	38,055	3.40
1996	1,167,504,650	899,650	1,298	39,531	3.28
1997	1,219,735,725	912,126	1,337	41,591	3.22
1998	1,258,171,800	931,452	1,351	44,679	3.02
1999	1,314,377,875	946,371	1,389	47,241	2.94
2000	1,380,266,450	969,749	1,423	49,988	2.85
2001	1,442,682,525	981,290	1,470	52,224	2.82
2002	1,655,613,600	999,600	1,656	54,670	3.03
2003	1,842,996,600	1,015,600	1,815	57,231	3.17

1 Beginning in FY 2002, the total includes outstanding Lease Revenue bonds for the Pennino and Herrity County Government Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Fund loans and FCRHA Lease Revenue Bonds for Community Centers.

2 Source: Fairfax County Department of Management and Budget.

3 Source: Fairfax County Department of Systems Management for Human Services.

4 Source: Bureau of Economic Analysis, U.S. Department of Commerce, 1993-1999; Fairfax County Department of Management and Budget 2000-2002. Includes Fairfax City and City of Falls Church.

5 The Bureau of Economic Analysis re-benchmarked data back to 1992. Debt Per Capita as Percentage of Per Capita Income for fiscal years 1994 through 1999 was 3.65, 3.52, 3.39, 3.35, 3.23 and 3.16 respectively.

Debt Service Requirements as a Percentage of General Fund Disbursements

Fiscal Year Ended June 30	Debt Service Requirements	General Fund Disbursements	Percentage
1994	129,675,197	1,394,808,186	9.3
1995	132,902,278	1,487,080,719	8.9
1996	142,754,018	1,602,457,378	8.9
1997	152,571,474	1,682,606,121	9.1
1998	162,970,744	1,756,990,140	9.3
1999	162,622,554	1,849,587,185	8.8
2000	176,004,197	1,982,577,128	8.9
2001	183,740,487	2,148,334,971	8.6
2002	190,097,946	2,292,016,724	8.3
2003	212,106,642	2,491,113,818	8.5

Source: Fairfax County Department of Management and Budget. Beginning in FY 2003, the total includes outstanding Lease Revenue bonds for the Pennino and Herrity County Government Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Fund loans and FCRHA Lease Revenue Bonds for Community Centers.

Underlying Bonded Indebtedness

As of June 30, 2002, there was outstanding the following underlying bonded indebtedness of towns or districts within the boundaries of Fairfax County:

Town of Vienna	Storm Drainage/Street Improvement/Water and Sewer/Public Buildings	$18,355,000
Town of Herndon	Recreational Complex/Water and Sewer/Recreational Facilities	15,850,000
Small District #1 of Dranesville District	McLean Community Center	525,000
Total Underlying Indebtedness		$34,730,000

These underlying general obligation bonds are obligations of the respective town or district only and are not obligations of Fairfax County and the full faith and credit of the County are not pledged to the payment of such bonds or notes.

The bonds and notes of the Fairfax County Water Authority, the Fairfax County Park Authority, the Fairfax County Industrial Development Authority, the Fairfax County Economic Development Authority, the Fairfax County Redevelopment and Housing Authority, the Route 28 Highway Transportation Improvement District, the Northern Virginia Health Center Commission, and the Northern Virginia Transportation Commission are not obligations of the County.

TAX BASE DATA

Fairfax County reassesses more than 331,000 parcels of real property annually employing a computer assisted mass reassessment program for both residential and non-residential properties. The performance of the annual assessment program as measured by assessment to sale ratios and coefficient of equity, referred to as the Russell Index, is excellent. For the reassessment effective January 1, 2003, the countywide assessment to sale price

ratio was 0.92 and the Russell Index was 5.9. See "GOVERNMENT SERVICES – General Government Administration" for an explanation of the Russell Index.

The assessed value of the real estate tax base, as reported for 2003 in the main tax book for Fairfax County, increased 12.48% in value from the prior year.

The data in the following five tables are presented to illustrate trends and characteristics of the assessed value of real and personal property which are major sources of County-derived revenue:

Assessed Value of All Taxable Property
(000's)

Fiscal Year	Real Property	Personal Property	Public Service Corporation[1]	Total Assessed Value
1994	66,381,500	6,070,300	1,943,600	74,395,400
1995	66,912,100	6,775,400	2,015,200	75,702,700
1996	68,647,300	7,539,300	1,968,500	78,155,100
1997	70,510,800	8,257,400	2,085,700	80,853,900
1998	72,507,700	8,620,700	2,343,000	83,471,400
1999	75,500,700	9,070,800	2,515,200	87,086,700
2000	80,225,000	9,885,000	2,582,600	92,692,600
2001	87,334,092	10,820,524	2,893,923	101,048,540
2002	99,172,800	11,586,200	3,042,300	113,801,300
2003	113,716,500	11,613,400	3,145,900	128,475,800
2004 (est.)	127,742,500	11,852,900	3,065,800	142,661,200

Source: Actual values are from the Fairfax County Department of Tax Administration as reported in the FY 2002 CAFR and the FY 2004 Adopted Budget Plan. Figures are net of exonerated assessments and tax relief for the elderly and disabled.

1 Pursuant to State statute all Public Service Corporation real property assessments are required to be made at 100% of estimated market value annually by the State Corporation Commission.

Tax Rates per $100 Assessed Value
(Fiscal Year)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Real Estate-Regular and Public Service	$1.16	$1.16	$1.16	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.21
Personal Property-Regular	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Personal Property-Public Service	1.16	1.16	1.16	1.16	1.23	1.23	1.23	1.23	1.23	1.21
Personal Property-Mining and Manufacturing, Machinery and Tools	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Personal Property-Research and Development	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Personal Property-Mobile Homes	1.16	1.16	1.16	1.23	1.23	1.23	1.23	1.23	1.23	1.21
Personal Property-Antique Cars	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01
Personal Property-Special[1]	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01

Source: Approved Fiscal Plans, FY 1994-2003.

1 Includes vehicles specially equipped for the handicapped; privately owned vans used for van pools; vehicles belonging to volunteer fire and rescue squad members; vehicles owned by auxiliary police; certain property of homeowners associations; aircraft to include flight simulators; and motor vehicles owned by qualified elderly or disabled individuals and, effective in FY 2000, boats.

Commercial-Industrial Percentage of the Total Assessed Value of Real Property

Fiscal Year[1]	Percent[2]
1994	20.94
1995	19.58
1996	19.04
1997	19.56
1998	20.47
1999	21.84
2000	24.32
2001	25.37
2002	24.84
2003	21.97

Source: Fairfax County Department of Tax Administration. Assessed values are reported by State of Virginia Land Use Codes. Vacant land is defined according to zoning classification.

1 Fiscal year property taxes are levied on prior year assessments.

2 Includes the Towns of Vienna, Herndon and Clifton.

The following data shows the assessed value of real property of the 25 largest holders of real property in the County (as of January 1, 2003).

Rank	Property Owner	Property Type	Total Assessment
1	West Group Properties, LLC	Various Offices, Retail, Ind. & Land	$ 487,950,525
2	Lehndorff Tysons Property	Tysons Corner Regional Shop Center	470,204,250
3	Prentiss Properties	Office & Land	352,895,465
4	Dominion Virginia Power	Public Utility	337,069,744
5	Franconia Two LP	Springfield Mall	241,960,480
6	Fairfax Company	Fair Oaks Mall	240,363,390
7	Washington Gas Light Co	Public Utility	193,854,713
8	EOP Reston Town Center	Office, Shopping Center & Land	187,062,585
9	Mobil Oil Corporation	HQ Office & Various Commercial	174,142,430
10	Springfield Campus LLC	Continuing Care Retirement Community	171,051,950
11	Gannet Company Inc.	Office	170,335,030
12	Plaza America Office	Offices & Land	163,345,175
13	West Mac Associates	Various Offices & Land	158,712,945
14	Smith Property Holdings	Various Commercial	157,974,035
15	PS Business Parks LP	Office Parks	156,224,370
16	Avalon Properties Inc.	Apartments	154,089,750
17	Summit Properties	Apartments and land	151,787,250
18	WRIT LP	Offices, Apartments, Industrial and shopping centers	146,748,150
19	Navy Federal Credit Union	Various Offices & Land	125,452,360
20	Mitre Corporation	Office	124,387,280
21	Colshire LLC	Offices and land	120,286,655
22	Capital One Bank	Offices and land	115,571,165
23	Verizon Virginia Inc.	Public utility	106,404,670
24	California State Teachers	Office, Apartments	101,274,080
25	Boston Properties LP	Office, Industrial and land	99,747,660
			$4,908,896,107

Source: Fairfax County Department of Tax Administration. Derived from January 1, 2003 tax rolls.

As of January 1, 2003 the assessed value of the real property of the 25 largest holders of real property in the County represented 3.84% of the total assessed value of all real property in Fairfax County, excluding tax exempt properties. January 1, 2003 assessments generate tax revenue in FY 2004.

Real and Personal Property
Tax Levies and Tax Collection
(000's)

Fiscal Year	Total Levy[1]	Current Collections[2]	% of Levy[3]	Collection of Back Taxes	Total Collection of Current & Back Taxes	% of Current & Back Taxes Collected to Tax Levy
1994	1,025,807	1,013,350	98.79	18,224	1,031,574	100.56
1995	1,058,500	1,048,276	99.03	13,000	1,061,276	100.26
1996	1,103,903	1,095,762	99.26	11,490	1,107,252	100.30
1997	1,203,645	1,195,312	99.31	6,479	1,201,791	99.85
1998	1,250,521	1,241,128	99.25	1,267	1,242,395	99.35
1999	1,308,122	1,299,201	99.32	12,088	1,311,289	100.24
2000	1,394,627	1,385,239	99.33	13,795	1,399,033	100.32
2001	1,524,861	1,512,551	99.13	10,761	1,523,312	99.90
2002	1,705,787	1,690,398	99.10	14,269	1,704,667	99.93
2003	1,860,389	1,838,970	98.80	17,529	1,856,499	99.79

Source: Comprehensive Annual Financial Reports for the Fiscal Years ended June 30, 1993-2002.
Section 58.1-3916 of the Code of Virginia authorizes Fairfax County, pursuant to Section 4-10-1 of the County Code, to impose a penalty of 10% for failure to pay taxes when due, with interest to be due on such taxes and penalty following the day such taxes are due at the rate of 10% per annum the first year and at the rate established pursuant to paragraph 6621 of the Internal Revenue Code for the second and subsequent years of delinquency.

1 The total levy is the levy for General Fund real and personal property taxes and does not include the property tax levy for Special Revenue Funds, e.g. for Refuse Collection and Community Centers.

2 Current collections do not include tax collections for the Special Revenue Funds or payments in lieu of taxes. As a result of revised accounting procedures, the collection of penalty and interest payments for late payments of current taxes is included in the collection of current taxes rather than under the collection of back taxes.

3 The percentage of levy is not the collection rate since current collections also include penalty and interest payments for late payments of current taxes.

FINANCIAL INFORMATION

Five-Year Summary of Revenues, Expenditures and Fund Balances for General, Special Revenue and Debt Service Funds

The financial data shown in the following table represent a summary for the five fiscal years ended June 30, 2002 of the revenues, expenditures and fund balances accounted for in the primary government's General Fund, Special Revenue Funds and Debt Service Funds, and in the comparable, primary government-appropriated funds of the discretely reported component units. In prior years these government-appropriated funds were included in the primary government's General Fund and Special Revenue Funds, but as of fiscal year 1994 have been reflected within the discretely reported component units for financial reporting purposes in accordance with Statement No. 14 of the Governmental Accounting Standards Board. The summaries for the five fiscal years ended June 30, 2002 have been compiled from the financial statements of the County for the respective years and should be read in conjunction with the related financial statements and notes thereto.

	Fiscal Years Ended June 30,				
	1998	1999	2000	2001	2002
Revenues:					
Taxes[1]	$1,548,908,361	$1,640,594,459	$1,690,371,422	$1,785,431,379	$1,898,192,584
Permits, privilege fees and Regulatory licenses	37,128,657	43,044,787	43,835,560	42,277,578	39,825,603
Fines and forfeitures	7,413,004	7,140,533	7,579,871	9,116,533	10,318,703
Revenue from the use of Money and property	57,948,818	60,432,180	62,048,333	75,741,720	36,704,979
Charges for services and Recovered Costs	178,215,159	182,229,862	190,093,040	194,358,243	210,553,650
Intergovernmental	412,512,882	467,462,273	577,583,347	690,134,884	780,447,913
Miscellaneous	12,262,095	23,696,684	20,696,042	18,685,530	18,559,320
Total revenues	$2,254,388,976	$2,424,600,778	$2,592,207,615	$2,815,745,867	$2,994,602,752
Expenditures and transfers:					
General governmental administration	$ 77,592,551	$ 80,031,244	$ 87,400,231	$ 84,251,292	$ 94,519,250
Judicial administration	18,652,509	19,502,814	21,408,526	24,162,805	26,290,973
Public safety	211,191,952	231,108,675	256,155,919	289,032,001	314,600,416
Public works	122,113,299	113,140,139	124,495,828	137,550,684	139,140,768
Health and welfare	253,136,820	268,726,844	297,996,485	311,979,273	340,971,694
Parks, recreation & cultural	56,856,867	62,777,866	66,582,759	71,666,912	72,627,431
Community development	59,776,412	79,776,026	80,384,226	91,499,058	92,050,005
Education[2,3]	1,143,993,182	1,192,010,103	1,331,052,353	1,446,628,160	1,518,055,781
Debt service	171,570,513	176,262,542	184,970,872	193,211,342	200,941,861
Nondepartmental[2]	97,667,906	96,500,551	106,035,082	120,577,637	117,687,712
Net transfers to other funds[7]	34,355,831	40,172,221	42,638,858	47,767,640	30,704,757
Total expenditures and transfers	$2,246,907,842	$2,360,009,025	$2,599,121,139	$2,818,326,804	$2,947,590,648
Excess (deficiency) of revenues over expenditures and transfers	$ 7,481,134	$ 64,591,753	$ (6,913,524)	$ (2,580,937)	$ 47,012,104
Fund balance, beginning of year[6]	306,254,760	321,061,166	383,115,957	377,374,210	371,028,733
Adjustment of fund balance, Beginning of year	6,890,257[4]	0	(1,333,746)[5]	0	10,972,297[8]
Increase (Decrease) in Fund Balance Reserves	142,795	(2,536,962)	2,505,523	(3,764,540)	2,570,086
Residual Equity Transfer	292,220	0	0	0	0
Fund balance, end of year	$ 321,061,166	$ 383,115,957	$ 377,374,210	$ 371,028,733	$ 431,583,220

Source: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 1998-2002.

1 Taxes include real estate, personal property, sales, recordation, business, professional and other licenses and miscellaneous other taxes.

2 Pension contributions to employee retirement funds, which are included in the Education and Nondepartmental expenditures shown above, for each of the five fiscal years ended June 30, 1998 through 2002, were as follows: 1998, $95,773,603; 1999, $88,898,079; 2000, $91,228,972; 2001, $95,074,645 and 2002, $95,789,400.

3 Teachers' salaries accounted for in the School Operating Fund are paid by contract over a twelve-month period ending in August. Consequently, in order to reflect the total teachers' salaries in the year the services are rendered, an accrual is made at the end of each fiscal year for the payroll liability arising from those teachers' salaries to be paid in the first two months of the succeeding fiscal year. In FY 1984 the County began a program to fund this liability to the Fairfax County Public Schools over a 10-year period. In FY 1990, the payment to offset the unfunded liability was deferred. Beginning in FY 1997 payments were resumed over a ten year period at a rate of $1.62 million per year. As of June 30, 2002, the unfunded liability was approximately $6.5 million.

4 The FY 1998 beginning fund balance was restated to comply with the provisions of Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

5 Beginning with FY 2000, Housing Funds are now reported as Enterprise Funds. The beginning fund balance for FY 2000 was restated to reflect this change.

6 Fund balance includes amounts reserved for inventories of supplies.

7 The interfund transfers among the funds presented have been eliminated.

8 For FY 2002, beginning balance was restated to comply with the provisions of Governmental Accounting Standards Board Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". Beginning fund balance was also adjusted for the following fund which is now included in the General Fund: Gift Fund.

Certain Financial Procedures

Description of Funds

The County's annual audited financial statements include the funds administered by the Board of Supervisors and the School Board. The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The transactions in each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures.

Annual Financial Statements

The County's financial statements have been examined and reported on by independent certified public accountants since FY 1969. The FY 2002 audit was performed by KPMG, LLP, Certified Public Accountants, Washington, D.C. For further information regarding the County's audit see the Independent Auditor's Report-Appendix IV.

The County maintains its accounting system in accordance with the specifications of the Auditor of Public Accounts of the Commonwealth of Virginia. Certain adjustments have been made to present the accompanying financial statements in accordance with generally accepted accounting principles applicable to governmental units. The County has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its annual financial statements each year since the fiscal year ended June 30, 1977.

The County's annual financial statements are available for inspection at the Office of the Director of the Department of Finance, 12000 Government Center Parkway, Suite 214, Fairfax, Virginia, 22035. See "FUTURE FINANCIAL INFORMATION" and "Appendix VII—CONTINUING DISCLOSURE AGREEMENT."

Budgetary Procedure

The County has no legal authority to borrow in anticipation of future years' revenues, except by the issuance of bonds or bond anticipation notes.

Prior to the beginning of each fiscal year, the Board of Supervisors adopts a budget plan consisting of contemplated expenditures and estimated revenues for such fiscal year. On the basis of the adopted budget plan, the Board of Supervisors appropriates funds for the expenditures and establishes tax rates sufficient to produce the revenues contemplated in the budget plan.

The annual budgeting process for a fiscal year begins in the first quarter of the previous fiscal year with the submission by agency directors of budget requests to the County Department of Management and Budget. During the second quarter, budget requests are reviewed and meetings between the County Executive, Deputy County Executives and agency directors are held to discuss agency requests. Upon receipt of the preliminary budget of the County School Board in the third quarter, the County Executive prepares an initial budget for submission to the Board of Supervisors and proposes tax rates sufficient to produce revenues needed to meet expenditures contemplated in the initial budget. After work sessions with the Board of Supervisors and public hearings on the proposed budget, changes are made and the final budget is adopted. Tax rates are established prior to the beginning of the fiscal year for which the budget is prepared.

During the fiscal year, quarterly reviews of revenue and expenditures are undertaken by the County Department of Management and Budget. On the basis of these reviews, the Board of Supervisors revises appropriations as needed or desired.

On January 25, 1982, the Board of Supervisors adopted a financial policy requiring maintenance of a "managed reserve" in the General Fund beginning on July 1, 1982 at a level not less than two percent of General Fund disbursements. This reserve has been incorporated in the budget each fiscal year. This reserve was

implemented to provide for temporary financing of unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. In 1985, the Board also adopted a policy on appropriations during quarterly budget reviews which provides that nonrecurring revenues should be used for either capital expenditures or other nonrecurring expenditures and that quarterly review adjustments are not to exceed two percent of the General Fund disbursements. In addition, on September 13, 1999, the Board of Supervisors established a Revenue Stabilization Fund with a goal of reaching three percent of General Fund disbursements. As of September 9, 2002, the Revenue Stabilization Fund was funded at a level of approximately 1.1 percent of General Fund disbursements. This reserve is designed to address ongoing requirements in years of significant economic downturn.

The Government Finance Officers Association of the United States and Canada ("GFOA") has presented the Award for Distinguished Budget Presentation to Fairfax County for its annual budget for each year since the fiscal year beginning July 1, 1985. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

Investment Management Policy

The County's Investment and Cash Management Program operates under the direction of the Investment Committee comprised of the Chief Financial Officer, the Director of the Department of Finance, the Director of the Department of Management and Budget, the Director of the Department of Tax Administration and the Deputy Director of the Department of Finance. Guided by a formal investment policy, the Committee continually reviews the County's investment policies and strategies bi-weekly, and monitors daily investment activity.

During FY 2002, the County's average portfolio size (which includes investments in the General Fund, Special Revenue Funds and Enterprise Funds) was approximately $1.5 billion. The funds are invested in U.S. Treasury obligations, obligations of the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank and Federal National Mortgage Association, bankers acceptances, commercial paper (rated A1/P1 or higher), certificates of deposit and repurchase agreements collateralized by U.S. Treasury securities.

The County's investment policies which govern the pooled cash and general obligation bond proceeds portfolio prohibit investment in instruments generally referred to as derivatives, and the County does not employ leverage in its investments.

General Fund Revenues, Expenditures, Transfers and Beginning Fund Balance

The General Fund is maintained by the County to account for revenue derived from County-wide ad valorem taxes, other local taxes, licenses, fees, permits, charges for services, certain revenue from Federal and State governments, and interest earned on invested cash balances of the General Fund and Capital Project Funds. General Funds expenditures and transfers include the costs of general County government, transfers to the School Operating Fund to pay the local share of operating Fairfax County public schools, and transfers to the Debt Service and Capital Project Funds to pay debt service on County general obligation bonds and for certain capital improvement projects.

General Fund Summary

Shown below are the County's revenues, expenditures, transfers and beginning fund balance of the General Fund for FY 1998 through FY 2002.

General Fund Revenues, Transfers and Beginning Fund Balance
(in thousands)

	Fiscal Year Ended June 30				
	1998	1999	2000	2001	2002
General Property Taxes	$1,242,395	$1,311,289	$1,336,728	$1,403,483	$1,516,094
Other Local Taxes	295,705	317,893	343,197	360,365	360,263
Permits, Privilege Fees and Regulatory Licenses	30,091	32,874	33,654	31,908	28,609
Fines and Forfeitures	7,412	7,140	7,580	9,117	10,319
Revenue from the Use of Money and Property	46,202	45,970	51,480	57,367	28,212
Charges for Services & Recovered Costs	32,573	35,445	34,293	37,783	40,693
Intergovernmental	96,279	103,449	180,966	239,375	315,653
Miscellaneous	722	17	6,361	403	623
Transfers In and Beginning Fund Balance[1]	90,012	94,842	100,795	114,170	110,289
Adjustment to Beginning Fund Balance	5,932[2]	--	--	--	8,046[3]
Residual Equity Transfer	232	--	--	--	--
Total	$1,847,555	$1,948,919	$2,095,054	$2,253,971	$2,418,801

Source: Comprehensive Annual Financial Reports for FY 1998-FY 2002.

1 Beginning fund balance adjusted to reflect reserve for inventory.

2 Adjustment made to comply with the provisions of Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

3 For FY 2002, beginning balance was restated to comply with the provisions of Governmental Accounting Standards Board Intrepretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". Beginning fund balance was also adjusted for the following funds which are now included in the General Fund: Gift Fund, Consolidated Community Funding Pool Fund, and Contributory Fund.

General Fund Expenditures and Transfers
(in thousands)

	Fiscal Year Ended June 30				
	1998	1999	2000	2001	2002
Transfer to School Operating Fund	$ 819,669	$ 852,128	$ 897,413	$ 988,001	$1,079,912
Costs of General County Government	707,473	746,337	820,403	877,488	929,535
Transfer to Debt Service Funds	171,504	177,649	184,072	189,918	203,538
Transfer to Capital Project Funds	12,841	14,607	23,360	21,996	7,507
Transfer to Metro Construction and Operations Fund	1,959	11,151	7,046	12,673	11,451
Other Transfers	43,577	47,715	50,283	58,259	60,063
Total	$1,757,023	$1,849,587	$1,982,577	$2,148,335	$2,292,006

Source: Comprehensive Annual Financial Reports for FY 1998-FY 2002.

Revenues

The following is a discussion of the General Fund revenue structure.

General Property Taxes -- An annual ad valorem tax is levied by the County on the assessed value of real and tangible personal property located within the County as of January 1 preceding the fiscal year in which the said tax is due. The personal property tax on motor vehicles which acquire situs within the County or have title transferred on or after January 2 is prorated on a monthly basis. Real property is assessed at 100% of its fair market value. Personal property is also assessed at 100% of its fair market value. Real property taxes are due July 28 and December 5 of the fiscal year in which they are levied. The payment date for personal property taxes is October 5. The penalty for late payment is 10% of the amount due, and interest on delinquent taxes and penalties accrues at a rate of 1% per annum for real estate and 5% per annum for personal property. In cases of property on which delinquent taxes are not paid within three years, the County may sell the property at public auction to pay the amounts due. There is no legal limit at the present time on the property tax rates which may be established by the County. Property taxes (including delinquent payments, penalties, and interest) accounted for 65.9% of total General Fund revenues in FY 2002. However, this percentage does not include the reimbursement from the Commonwealth of Virginia for a portion of the personal property tax. Including the reimbursement which is reflected in Intergovernmental revenue, the percentage of revenue from property taxes is 69.2%. A discussion concerning the Commonwealth's plan to reduce personal property taxes paid by citizens follows.

During its 1998 Special Session, the General Assembly of Virginia enacted legislation that will reduce personal property taxes applicable to individually owned motor vehicles. The reduction, which will apply to the first $20,000 in assessed value, is scheduled to be phased in over a five year period. The legislation states that the Commonwealth will reimburse local governments for the revenue lost from the reduction in personal property tax collections. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. In FY 2000, 2001, and 2002 the Commonwealth's plan reduced Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent respectively, with offsetting reimbursements paid to the County by the Commonwealth of Virginia. In order to balance the State's FY 2003 budget, car tax relief was frozen at 70% of the tax. The original plan was to increase the reimbursement to 100% in FY 2003. Depending on State revenue growth, the percentage will remain at 70% or increase to 100% as long as funds are appropriated by the General Assembly. The County's total personal property tax collections for FY 2002 were $402.7 million comprised of $282.9 million paid by taxpayers and $188.6 million reimbursed by the Commonwealth of Virginia.

Other Local Taxes -- The County levies various other local taxes, including a 1% local sales tax (collected by the State and remitted to the County), a tax on consumer utility bills based on consumption for gas and electric services and 22.2% for telephone on bills up to $50 per month for residential classes and 22.2% for bills up to $1,600 per month for commercial classes. Also included in this category is a cigarette tax of 5¢ per pack, property recordation taxes, an automobile license tax, and various business, professional and occupational licenses taxes. These taxes accounted for 15.7% of total General Fund revenues in FY 2002.

Permits, Privilege Fees and Regulatory Licenses -- The County requires that licenses or permits be obtained in order to perform certain activities in the County and that fees be paid for services provided by certain County departments. These revenues represented 1.2% of total General Fund revenues for FY 2002.

Fines and Forfeitures -- The sources of revenue in this category include court fines and penalties from the Circuit Court and the General District Court and court fines and costs from the Juvenile and Domestic Relations District Court. The fines are for traffic violations, misdemeanors and felonies. In addition, the County receives revenues from parking violations as authorized under the County Code. Revenues in this category represented 0.4% of General Fund revenues in FY 2002.

Revenue from the Use of Money and Property -- The principal sources of revenue from the use of money and property to the General Fund are interest on General Fund and Capital Project Fund investments and minor amounts of revenue from the sale and lease of County equipment and property. These revenues represented 1.2% of General Fund revenues in FY 2002.

Charges for Services and Recovered Costs -- The principal sources of revenue to the General Fund from charges for services are County Clerk fees, school age child care fees, recreation fees, publication sales and various other services for which the County charges a fee. Revenues in this category represented 1.8% of General Fund revenues in FY 2002.

Intergovernmental Revenue -- Intergovernmental revenue is comprised of revenue from the State and revenue from the Federal government. Revenues in this category represented 13.7% of General Fund revenues in FY 2002. This percentage includes the revenue that the County receives from the Commonwealth as reimbursement for the County's personal property tax. Each revenue source within intergovernmental revenue is discussed below:

- Revenue from the State -- The County is reimbursed by the Commonwealth of Virginia for a portion of shared expenses including certain expenditures for social services, the sheriff's office, courts, the Office of the Commonwealth Attorney and other constitutional offices. Additionally, the County receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales and State contributions to assist in meeting law enforcement expenditures. As mentioned in the section concerning General Property Taxes, the Commonwealth also reimburses the County for a portion of its personal property tax on vehicles. Including the reimbursement for the County's personal property tax, revenues from this category represent 12.1% of total General Fund revenues in the fiscal year ended June 30, 2002. Excluding this reimbursement, revenue from this category represents 3.9% of General Fund revenue in FY 2002. The County receives a significant amount of additional State aid in support of public school operations. These revenues are credited directly to the School Operating and School Lunch Funds, however, and are not reflected in the General Fund.

- Revenue from the Federal Government -- The principal sources of categorical Federal aid to the General Fund are Federal grant moneys for air pollution control and Federal Title XX funds primarily used to purchase foster care, day care and protective services for clients of the Department of Family Services. This revenue category represented 1.6% of General Fund revenues in FY 2002.

Miscellaneous Revenues -- The sources of revenue in this category include the sale of land and buildings, contract rebates, and other miscellaneous sources. These revenue sources accounted for less than 0.1% of General Fund revenue in FY 2002.

Expenditures and Transfers

The following is a discussion of the major classifications of General Fund expenditures and transfers.

Transfer to School Operating Fund -- The County transfers monies from the General Fund to the School Operating Fund to pay the County's share of the costs of operating public schools in Fairfax County. This transfer represented approximately 47.1% of total disbursements from the General Fund in the fiscal year ended June 30, 2002. The transfer to the School Operating Fund was approximately 73.6% of total receipts of the School Operating Fund. Other revenues credited directly to the School Operating and School Lunch Funds include revenue from the Federal Government, the Commonwealth of Virginia, the City of Fairfax (representing tuition of students residing in the City of Fairfax who attend Fairfax County schools), and other revenue derived locally from sale of textbooks, school lunches, etc.

Costs of General County Government -- The County pays from the General Fund the costs of general County government. These costs include expenditures for general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, and community development. This classification was approximately 40.6% of total General Fund disbursements in FY 2002.

Transfer to Debt Service Funds -- The County transfers from the General Fund to the Debt Service Funds amounts sufficient to pay principal and interest on outstanding County and School debt including general obligation bonds, South County Government Center Certificates of Participation, EDA and FCRHA lease revenue bonds and Literary Fund loans. Transfers to the Debt Service Fund represented 8.9% of total General Fund disbursements in FY 2002.

Transfer to Capital Project Funds -- The County transfers monies from the General Fund to the Capital Project Funds to pay the cost of certain capital improvements. The General Fund transfer to the Capital Project Funds (except for the General Fund transfer for Fairfax County's obligations to the Washington Metropolitan Area Transit Authority ("WMATA"), which is discussed below) represented 0.3% of total General Fund disbursements in FY 2002. Other revenues of the Capital Project Funds consist primarily of bond proceeds.

Transfer to Metro Construction and Operations Fund -- The County is a member jurisdiction of WMATA and as such has agreed to make certain capital contributions in support of the construction by WMATA of a rail transit system to serve the Washington metropolitan area (which includes the County) and to pay a portion of the deficit incurred by WMATA in the operation of its bus system and rail system. The County generally has used bond proceeds to fund its capital contributions to WMATA and has transferred monies from the General Fund to pay its share of the bus and rail operating subsidies. The General Fund transfer to the Metro Construction and Operations Fund to pay the County's share of the system's operating subsidies represented 0.5% of total General Fund disbursements in FY 2002. See the subsection herein entitled "Transportation" for a more complete discussion of the County's obligations with respect to WMATA.

Transfers to Other Funds -- The County transfers monies from the General Fund to other funds for a variety of purposes. The General Fund transfer to other funds includes transfers to the County Transit Systems, Information Technology, Aging Grants and Programs, Community-Based Funding Pool, Housing Programs for the Elderly, Health Benefits Trust and Equipment Management and Transportation Agency. Transfers to other funds were 2.6% of total General Fund disbursements in FY 2002.

Transfer to Revenue Stabilization Fund – Beginning in FY 2000 the County began transferring monies from the General Fund to a Revenue Stabilization Fund to address significant revenue reductions during severe, prolonged economic downturns.

FY 2004 Budget

On April 28, 2003, the Board of Supervisors adopted the FY 2004 Budget. The FY 2004 Adopted Budget totals $4.5 billion including General Fund disbursements of $2.56 billion. General Fund revenues and disbursements reflect increases of 4.7 percent and 2.77 percent, respectively, over the FY 2003 Revised Budget

Plan. Included in the General Fund disbursement amount is a transfer of $1.24 billion to the School Operating Fund, reflecting an increase of 5.95 percent. General Fund direct expenditures reflect a decrease of $8.05 million or .8 percent from the FY 2003 Revised Budget Plan.

Growth in County revenues is driven by 12.48 percent growth in the real estate assessments that produces 58.4 percent of projected total revenue in the FY 2004 budget. FY 2004 General Fund revenues are projected to increase 4.7 percent primarily due to the net increase in real estate taxes and reflects a decrease of 5 cents in the real property tax rate. For FY 2003 the real estate tax rate was lowered to $1.16 from $1.21 per $100 of assessed value.

The FY 2004 budget reflects a combination of strategies to identify additional resources and continue to balance community needs with increasing real estate assessments. In addition to the real estate tax rate decrease of 5 cents, other revenues were increased by $8.2 million including a new cellular phone tax, and an increase of 75 cents per line to the E-911 fee. Commensurate reductions of $51.3 million to recurring operating expenses were also made including a net decrease of 83 positions and adjustments to the County's compensation programs resulting in a net decrease of $4.2 million. However, including all adjustments, the General Fund budget increased by approximately $69 million, all of which has been allocated to the school system. Funding for the schools represents 53.1 percent of the total budget.

On April 21, 2003, the Board of Supervisors reaffirmed and approved Budget Guidelines for FY 2005. The Board directed the County Executive to develop a budget for FY 2005 that limits growth in expenditures and the School Transfer to projected increases in revenue. In addition the Board directed that all information on the FY 2005 revenue and economic outlook should be forwarded to the Board for discussion in Fall 2003 so that guidance to the County Executive regarding the tax rate as well as the transfer to the Schools can be provided. Balances identified throughout the fiscal year, and not required to support expenditures of a critical nature, should be held in reserve. In order to eliminate structural imbalances between County resources and requirements, the Board directed that both County and School resources should be allocated with consideration for the continued availability of funds. All non-recurring funds should be directed toward non-recurring uses and recurring resources should be targeted toward recurring expenses.

In addition, on September 13, 1999, the Board of Supervisors established a Revenue Stabilization Fund, with a goal of reaching a level equal to 3% of General Fund disbursements. This level will be accomplished over a multi-year period allocating a minimum of 40% of non-recurring balances identified at quarterly reviews to the Fund. Withdrawal from the Revenue Stabilization Fund will not be made unless the projected revenues reflect a decrease greater than 1.5 percent of the current year estimate. In addition, any withdrawal from the Revenue Stabilization Fund should not exceed one half of the fund balance in any fiscal year.

CAPITAL IMPROVEMENT PROGRAM

In connection with the County's adopted comprehensive land use plan, the Fairfax County Planning Commission annually prepares and submits to the Board of Supervisors, a capital improvement program (the "CIP") for the ensuing five-year period. The CIP is designed to balance the need for public facilities as expressed by the County land use plan with the fiscal capability of the County to provide for those needs.

The CIP is an integral element of the County's budgeting process. The five-year document serves as a general planning guide for the construction of general purpose, school and public utility projects in the County. The CIP is updated and approved by the Board of Supervisors each year. This annual review process prompts careful attention to the development of reliable capital expenditure and revenue estimates and the timely scheduling of bond referenda.

In connection with the CIP process, the Board of Supervisors has adopted certain policy guidelines for the development and financing of the CIP. These guidelines include self-imposed restrictions on the issuance of general obligation bonds designed to keep General Fund supported debt service expenditures less than 10% of total Combined General Fund disbursements, and to maintain the ratio of net bonded indebtedness to the market value of taxable property in the County at a level less than 3.0%.

The Board of Supervisors continues to thoroughly review the County's debt program in light of current fiscal conditions and capital needs. Currently, new bond sales are limited to an average of $200 million per year with a maximum limit of $225 million in a single year. On November 5, 2002, County voters approved $80 million of bonds for capital improvements for public safety/courthouse and park purposes. Additional referenda of approximately $350 million in each of 2003 and 2005 to finance school facilities are anticipated. Future referenda for parks, libraries, transportation, and human services are anticipated in 2004. The CIP for Fiscal Years 2004-2008 (with Future Fiscal Years to 2013) was approved by the Board of Supervisors on April 28, 2003.

RETIREMENT SYSTEMS

The County administers four separate public employee retirement systems that provide pension benefits for various classes of County employees (Educational Employees Supplemental Retirement System, Police Officers Retirement System, Employees' Retirement System and Uniformed Retirement System). In addition, professional employees of the Fairfax County School Board participate in a plan sponsored and administered by the Virginia Retirement System.

The Fairfax County retirement systems investments are managed by independent professional investment managers. Investments in derivatives are not made for speculative purposes but may be used by investment managers to gain access to markets, to reduce risk, or to reduce transaction costs. Investment Managers are prohibited from using leverage and options.

For further information regarding the County's retirement systems, see "Basic Financial Statements -- Notes to Financial Statements – Note G " in Appendix IV.

CONTINGENT LIABILITIES AND CLAIMS

The County is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. See Note K in the County's Financial Statements Appendix IV to this Official Statement for details as of the end of fiscal year 2002.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel, the proposed form of whose opinion is included herein as Appendix VI.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, except as provided in the following sentence, interest on the Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the County or the school board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and their respective covenants regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the United States Treasury; and no opinion is rendered by Bond Counsel as to the exclusion from gross income of the interest on the Bonds for Federal income tax purposes on or after the date on which any action affecting such covenants is taken upon the approval of counsel other than such firm.

In the opinion of Bond Counsel, interest on the Bonds will not be a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Bond Counsel renders no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum

tax) of interest that is excluded from gross income. Interest on the Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for Federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral Federal income tax consequences discussed below. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral Federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisors with respect to the determination for Federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Original Issue Premium

The excess, if any, of the tax basis of Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Bonds for Federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for Federal income tax purposes; however, bond premium on such Bonds is treated as an offset to qualified stated interest received on such Bonds. Owners of such Bonds should consult their tax advisors with respect to the determination for Federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Collateral Tax Consequences

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the status of the Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Bonds.

FINANCIAL ADVISOR

BB&T Capital Markets, a division of Scott & Stringfellow, Inc., Richmond, Virginia, is serving as financial advisor to the County with respect to the sale of the Bonds. The financial advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds and provided other advice. The financial advisor did not participate as an underwriter in any offer to purchase the Bonds from the County.

RATINGS

The Bonds have been rated "AAA" by Fitch Ratings ("Fitch"), "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"). The County requested that the Bonds be rated and furnished certain information to Fitch, Moody's and Standard & Poor's, including certain information that is not included in this Official Statement.

These ratings are not a recommendation to buy, sell or hold the Bonds. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies, if, in the judgment of any or all, circumstances so warrant. Such circumstances may include, without limitation, change in or unavailability of information relating to the County. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Chairman of the Board of Supervisors and the County Executive of the County will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that the Chairman of the Board of Supervisors and the County Executive of the County did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the County and its officers but that they have no reason to believe that such information is not accurate.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the estimates will be realized.

FUTURE FINANCIAL INFORMATION

SEC Rule 15c2-12. On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments (the "Amendments") to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. In general, the Amendments prohibit an underwriter from purchasing or selling municipal securities sold on or after July 3, 1995, such as the Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material "obligated persons" have committed to provide (i) on an annual basis, certain financial information and operating data ("Annual Reports"), and, if available, audited financial statements, to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") and the relevant state

information depository (if any) and (ii) notice of various events described in the Amendments, if material ("Event Notices"), to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and to any such state information depository.

The County will covenant in the Continuing Disclosure Agreement (the form of which appears in Appendix VII) to be dated the date of delivery of the Bonds for the benefit of the holders of the Bonds to provide to each NRMSIR and to any Virginia information depository that has been formed, annually, not later than March 31 of each year commencing March 31, 2004, Annual Reports with respect to itself, as issuer. Similarly, the County will provide Event Notices with respect to the Bonds to each such NRMSIR, the MSRB and to any Virginia information depository. The County has not failed to comply as to its general obligation bonds with previous undertakings with regard to the Amendments. The County's filing of its annual report and financial statements for its Integrated Sewer System's Enterprise Fund for the fiscal year ended June 30, 1999, pursuant to an undertaking made in connection with its Sewer Revenue Bonds, Series 1996, was made approximately 30 days late, and timely notice of such late filing was given to each of the NRMSIRs. The County's sewer filings for fiscal years 2000, 2001 and 2002 were timely made with each of the NRMSIRs.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of the Official Statement have been duly authorized by the Board of Supervisors of the County.

BOARD OF SUPERVISORS OF
FAIRFAX COUNTY, VIRGINIA

Katherine K. Hanley

By: /s/ Katherine K. Hanley, Chairman

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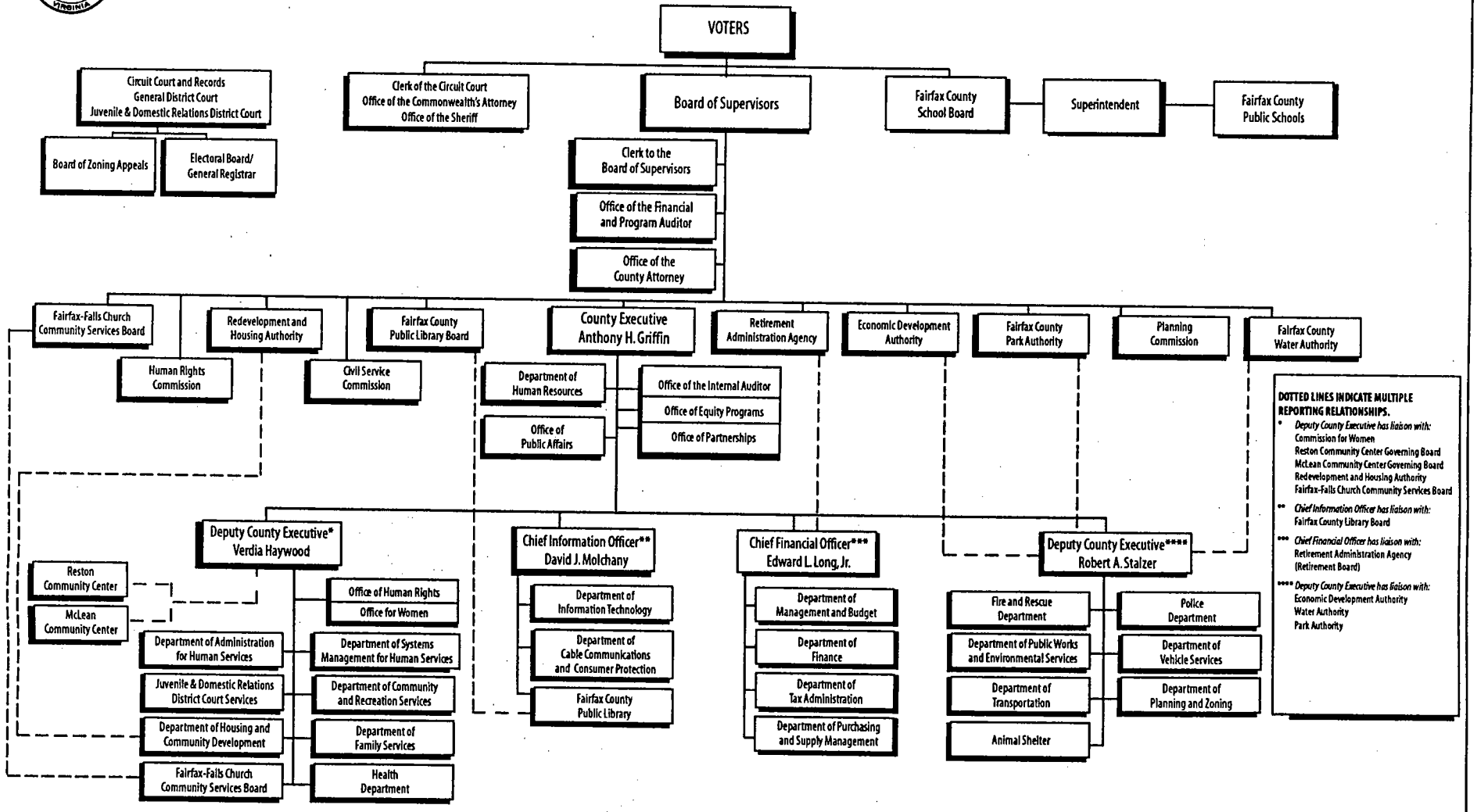
ORGANIZATION OF FAIRFAX COUNTY GOVERNMENT



October 2000

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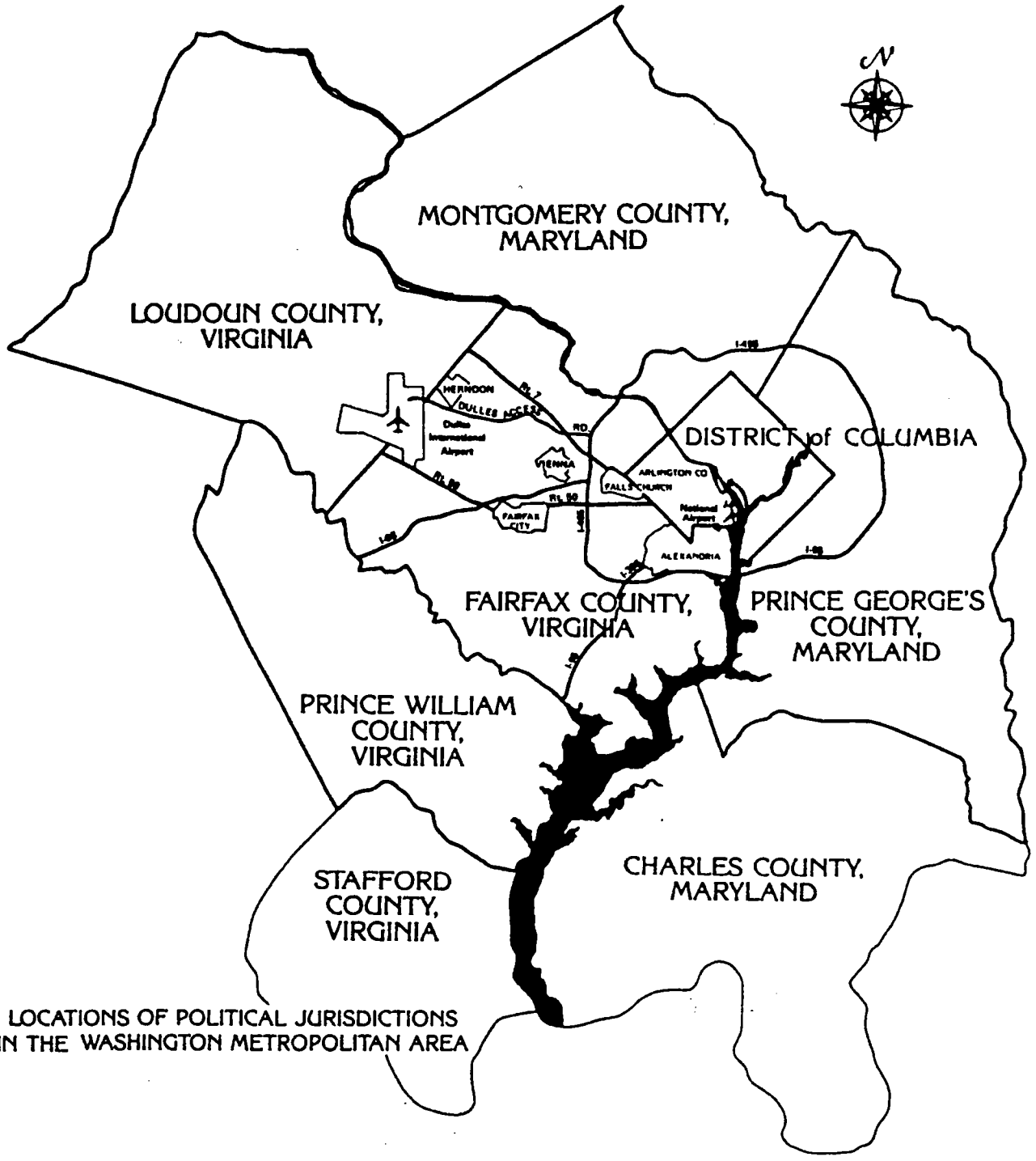

LOCATIONS OF POLITICAL JURISDICTIONS IN THE WASHINGTON METROPOLITAN AREA

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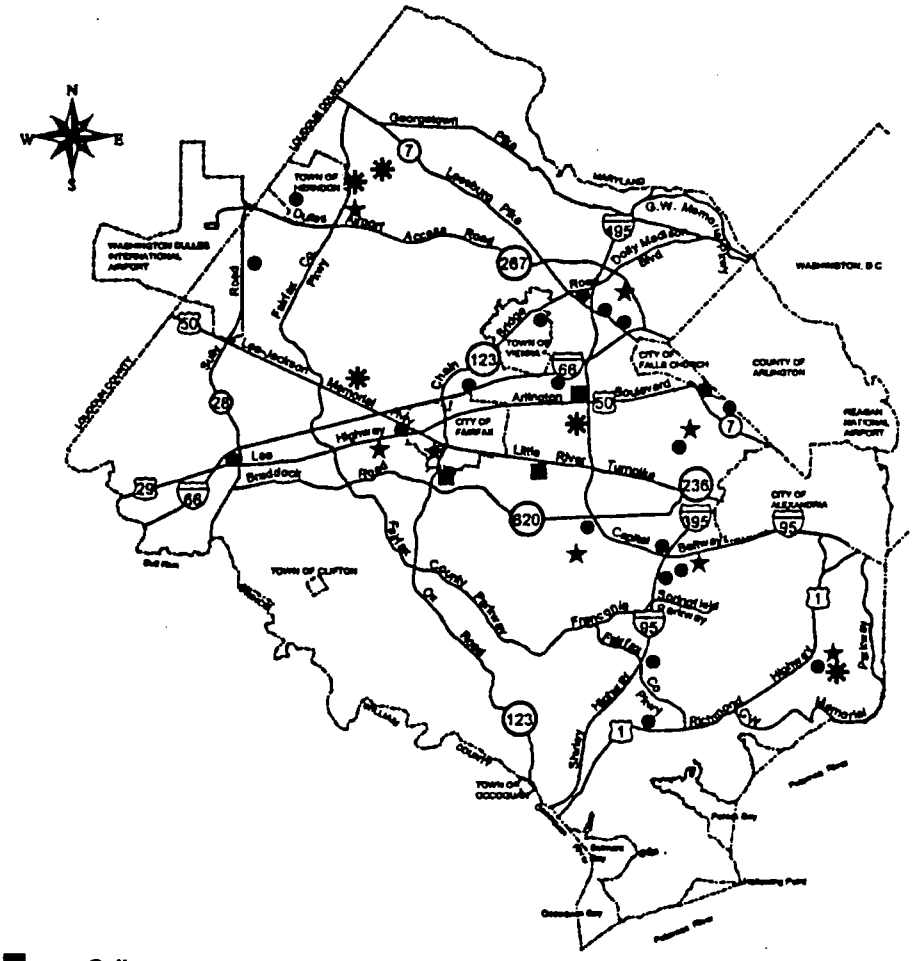

■ **Colleges**

George Mason University
Northern Virginia Community College
University of Virginia
Northern Virginia Graduate Center
Virginia Polytechnic Institute and State University
Northern Virginia Graduate Center

★ **Governmental Centers**

Fairfax County Governmental Center
Franconia Governmental Center
Mason Governmental Center
McLean Governmental Center
Mount Vernon Governmental Center
North County Governmental Center
Public Safety Center
West Springfield Governmental Center

✱ **Hospitals**

Access (Ambulatory-Emergency)
Fair Oaks Hospital
Fairfax Hospital
Mount Vernon Hospital
Reston Hospital

● **Commercial Areas**

Annandale
Bailey's Crossroads
Centreville
Dulles / Chantilly
Fairfax Center
Fort Belvior
Franconia
Herndon
McLean
Merrifield
Newington
Oakton
Ravensworth
Reston
Richmond Highway
Seven Corners
Shirley Highway
Springfield
Tysons Corner
Vienna

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Appendix IV

FAIRFAX COUNTY, VIRGINIA

BASIC FINANCIAL STATEMENTS
(Fiscal Year Ended June 30, 2002)

2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia (the County), as of and for the year ended June 30, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County of Fairfax's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the discretely presented component units of the Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County representing 2.5% and 0.3%, respectively, of total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's aggregate discretely presented component units financial statements, insofar as it relates to the amounts included for the discretely presented component units of FCRHA, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (specifications). Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. All financial statements of the discretely presented component units of FCRHA were audited in accordance with auditing standards generally accepted in the United States of America, and certain financial statements of these discretely presented component units were also audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

KPMG

As discussed in Note L to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001.

The Management's Discussion and Analysis on pages 3 through 15 and the pension trend data on pages 97 and 98 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2002 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as introductory section, other supplementary information, and statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

November 15, 2002

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2002

	Primary Government		Total
	Governmental Activities	Business-Type Activities	Primary Government
ASSETS			
Equity in pooled cash and temporary investments	$ 623,009,189	105,230,797	728,239,986
Cash in banks	-	-	-
Investments	-	21,418,061	21,418,061
Receivables (net of allowances):			
Accounts	27,450,176	-	27,450,176
Accrued interest	596,741	111,100	707,841
Property taxes:			
Delinquent	20,072,737	-	20,072,737
Not yet due	1,608,938,014	-	1,608,938,014
Business license taxes - delinquent	2,418,904	-	2,418,904
Notes	5,667,848	-	5,667,848
Mortgages	-	-	-
Other	45,041	-	45,041
Due from intergovernmental units (net of allowances):			
Property taxes:			
Delinquent	5,206,094	-	5,206,094
Not yet due	171,700,200	-	171,700,200
Other	48,853,597	18,632,456	67,486,053
Due from primary government	-	-	-
Due from component units	1,591,703	-	1,591,703
Interfund receivables	126,958	(126,958)	-
Inventories of supplies	3,643,899	502,908	4,146,807
Prepaid items and other assets	266,920	-	266,920
Restricted assets:			
Equity in pooled cash and temporary investments	31,307,771	151,693,025	183,000,796
Cash with fiscal agents	925,270	-	925,270
Certificates of deposit - performance bonds	481,699	-	481,699
Investments	-	24,326,147	24,326,147
Land held for sale	-	-	-
Capital assets:			
Non-depreciable:			
Land	325,445,841	17,346,080	342,791,921
Construction in progress	52,122,448	117,678,608	169,801,056
Depreciable:			
Equipment	213,749,719	9,353,179	223,102,898
Library collections	33,458,568	-	33,458,568
Purchased capacity	-	537,865,741	537,865,741
Buildings and improvements	749,709,510	740,820,345	1,490,529,855
Infrastructure	376,552,368	-	376,552,368
Accumulated depreciation	(407,125,357)	(298,859,052)	(705,984,409)
Accumulated amortization	-	(39,679,490)	(39,679,490)
Total capital assets, net	1,343,913,097	1,084,525,411	2,428,438,508
Deferred bond issuance costs (net of amortization)	829,993	1,123,946	1,953,939
Total assets	$ 3,897,045,851	1,407,436,893	5,304,482,744

See accompanying notes to the financial statements.

Exhibit A

Total Component Units	Reclassifications (See Note A-13)	Total Reporting Entity
238,482,679	-	966,722,665
6,856,581	-	6,856,581
-	-	21,418,061
9,056,828	-	36,507,004
113,312	-	821,153
-	-	20,072,737
-	-	1,608,938,014
-	-	2,418,904
6,814,090	-	12,481,938
56,202	-	56,202
1,653,470	-	1,698,511
-	-	5,206,094
-	-	171,700,200
33,983,535	-	101,469,588
7,924,635	-	7,924,635
-	-	1,591,703
-	-	-
4,392,981	-	8,539,788
602,453	-	869,373
16,060,893	-	199,061,689
7,444,059	-	8,369,329
723,988	-	1,205,687
4,815,074	-	29,141,221
4,599,973	-	4,599,973
320,381,706	-	663,173,627
320,096,458	-	489,897,514
143,203,688	-	366,306,586
20,678,288	-	54,136,856
-	-	537,865,741
1,762,265,742	-	3,252,795,597
-	-	376,552,368
(713,922,276)	-	(1,419,906,685)
-	-	(39,679,490)
1,852,703,606	-	4,281,142,114
506,433	-	2,460,372
2,196,790,792	-	7,501,273,536

continued

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2002

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
LIABILITIES			
Accounts payable and accrued liabilities	$ 67,266,042	6,214,321	73,480,363
Contracts payable	1,646,653	7,267,141	8,913,794
Contract retainages	2,823,499	-	2,823,499
Due to primary government	-	-	-
Due to component units	1,439,179	-	1,439,179
Matured bond principal and interest payable	240,455	-	240,455
Accrued interest payable	8,087,079	-	8,087,079
Deferred revenue:			
Property taxes not yet due	1,794,277,000	-	1,794,277,000
Other	35,057,454	-	35,057,454
Performance and other deposits	67,851,390	-	67,851,390
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds payable, net	130,177,807	-	130,177,807
Revenue bonds payable, net	4,030,000	10,185,026	14,215,026
Notes payable	-	-	-
Compensated absences	44,228,365	1,053,811	45,282,176
Landfill closure and postclosure costs	16,392,797	-	16,392,797
Capital leases	9,133,389	-	9,133,389
Insurance and benefit claims payable	13,262,895	-	13,262,895
Other	1,986,364	-	1,986,364
Portion due or payable after one year:			
General obligation bonds payable, net	1,392,267,010	-	1,392,267,010
Revenue bonds payable, net	102,620,000	473,411,022	576,031,022
Notes payable	-	-	-
Compensated absences	28,329,497	618,905	28,948,402
Landfill closure and postclosure costs	49,376,935	-	49,376,935
Capital leases	41,824,262	-	41,824,262
Insurance and benefit claims payable	12,434,221	-	12,434,221
Other	5,544,092	-	5,544,092
Total liabilities	3,830,296,385	498,750,226	4,329,046,611
NET ASSETS			
Invested in capital assets, net of related debt	905,544,976	621,870,392	1,527,415,368
Restricted for:			
Grant programs	6,184,342	-	6,184,342
Sewer improvements and nitrification facilities	-	150,674,322	150,674,322
Community centers	4,907,876	-	4,907,876
Housing	-	-	-
Capital projects	-	-	-
Debt service	-	3,891,412	3,891,412
Unrestricted (deficit)	(849,887,728)	132,250,541	(717,637,187)
Total net assets	$ 66,749,466	908,686,667	975,436,133

See accompanying notes to the financial statements.

Exhibit A
continued

Total Component Units	Reclassifications (See Note A-13)	Total Reporting Entity
124,497,692	-	197,978,055
-	-	8,913,794
10,980,537	-	13,804,036
1,591,703	-	1,591,703
-	-	1,439,179
-	-	240,455
774,947	-	8,862,026
-	-	1,794,277,000
14,099,184	-	49,156,638
1,204,960	-	69,056,350
-	-	130,177,807
747,193	-	14,962,219
22,556,282	-	22,556,282
16,329,863	-	61,612,039
-	-	16,392,797
7,536,543	-	16,669,932
17,012,925	-	30,275,820
124,057	-	2,110,421
-	-	1,392,267,010
23,970,901	-	600,001,923
61,206,028	-	61,206,028
10,809,257	-	39,757,660
-	-	49,376,935
20,144,259	-	61,968,521
12,074,500	-	24,508,721
1,678,785	-	7,222,877
347,339,616	-	4,676,386,227
1,747,908,785	(968,739,537)	2,306,584,616
-	-	6,184,342
-	-	150,674,322
-	-	4,907,876
10,586,137	-	10,586,137
16,060,893	(16,060,893)	-
1,080,897	-	4,972,309
73,814,464	984,800,430	340,977,707
1,849,451,176	-	2,824,887,309

COUNTY OF FAIRFAX, VIRGINIA
Statement of Activities
For the fiscal year ended June 30, 2002

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government administration	$ 132,867,365	3,085,153	286,457	-
Judicial administration	32,652,640	13,477,787	1,320,689	-
Public safety	391,465,390	30,698,240	53,044,156	50,186,542
Public works	141,536,370	61,306,429	7,691,965	16,474,683
Health and welfare	370,118,888	38,309,902	110,030,299	-
Community development	142,055,156	20,869,899	1,256,528	11,122,261
Parks, recreation and cultural	105,852,089	6,095,365	1,228,929	-
Education - payments to Public Schools	1,209,931,327	-	-	-
Interest on long-term debt	77,719,236	-	-	-
Total governmental activities	2,604,198,461	173,842,775	174,859,023	77,783,486
Business-type activities:				
Public works - Sewer	105,766,365	110,093,926	-	9,862,455
Total business-type activities	105,766,365	110,093,926	-	9,862,455
Total primary government	2,709,964,826	283,936,701	174,859,023	87,645,941
Component units:				
Public Schools	1,574,535,598	78,281,595	100,156,368	7,985,121
FCRHA	55,349,525	17,821,086	31,049,548	3,253,183
Park Authority	62,851,329	28,885,584	-	438,332
EDA	7,292,427	-	-	-
Total component units	$ 1,700,028,879	124,988,265	131,205,916	11,676,636

General revenues:
- Taxes:
  - Real property
  - Personal property
  - Business licenses
  - Local sales and use
  - Consumers utility
  - Motor vehicle decals
  - Recordation
  - Occupancy, tobacco and other
- Grants and contributions not restricted to specific programs
- Revenue from the use of money and property
- Share of Commonwealth's lottery proceeds
- Payment from primary government
- Other

Total general revenues
Change in net assets
Net assets, July 1, 2001, as restated
Net assets, June 30, 2002

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Total
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
(129,495,755)	-	(129,495,755)	-
(17,854,164)	-	(17,854,164)	-
(257,536,452)	-	(257,536,452)	-
(56,063,293)	-	(56,063,293)	-
(221,778,687)	-	(221,778,687)	-
(108,806,468)	-	(108,806,468)	-
(98,527,795)	-	(98,527,795)	-
(1,209,931,327)	-	(1,209,931,327)	-
(77,719,236)	-	(77,719,236)	-
(2,177,713,177)	-	(2,177,713,177)	-
-	14,190,016	14,190,016	-
-	14,190,016	14,190,016	-
(2,177,713,177)	14,190,016	(2,163,523,161)	-
-	-	-	(1,388,112,514)
-	-	-	(3,225,708)
-	-	-	(33,527,413)
-	-	-	(7,292,427)
-	-	-	(1,432,158,062)
1,241,257,331	-	1,241,257,331	-
284,981,993	-	284,981,993	-
90,973,176	-	90,973,176	-
139,345,413	-	139,345,413	-
86,368,876	-	86,368,876	-
18,694,344	-	18,694,344	-
19,843,886	-	19,843,886	-
16,486,754	-	16,486,754	-
207,655,319	-	207,655,319	365,968,070
31,667,551	7,031,710	38,699,261	1,963,189
-	-	-	7,682,332
-	-	-	1,251,764,326
8,594,474	251,847	8,846,321	11,173,909
2,145,869,117	7,283,557	2,153,152,674	1,638,551,826
(31,844,060)	21,473,573	(10,370,487)	206,393,764
98,593,526	887,213,094	985,806,620	1,643,057,412
$ 66,749,466	908,686,667	975,436,133	1,849,451,176

COUNTY OF FAIRFAX, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2002

Exhibit A-2

		General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and temporary investments	$	199,588,246	353,449,349	553,037,595
Receivables (net of allowances):				
Accounts		10,339,068	16,799,658	27,138,726
Accrued interest		249,495	331,347	580,842
Property taxes:				
Delinquent		20,072,737	-	20,072,737
Not yet due		1,601,400,014	7,538,000	1,608,938,014
Business license taxes - delinquent		2,418,904	-	2,418,904
Notes		-	5,667,848	5,667,848
Due from intergovernmental units:				
Property taxes (net of allowances):				
Delinquent		5,206,094	-	5,206,094
Not yet due		171,700,200	-	171,700,200
Other		33,779,249	15,074,348	48,853,597
Due from component units		-	1,591,703	1,591,703
Interfund receivables		4,367,200	-	4,367,200
Inventories of supplies		1,208,662	-	1,208,662
Prepaid items and other assets		58,757	20,938	79,695
Restricted assets:				
Equity in pooled cash and temporary investments		-	31,307,771	31,307,771
Cash with fiscal agents		576,526	348,744	925,270
Certificates of deposit - performance bonds		481,699	-	481,699
Total assets	$	2,051,446,851	432,129,706	2,483,576,557
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$	36,879,822	26,180,922	63,060,744
Contracts payable		-	1,646,653	1,646,653
Contract retainages		-	2,823,499	2,823,499
Due to component units		1,191,003	248,176	1,439,179
Interfund payables		-	3,608,213	3,608,213
Matured bond principal and interest payable		-	240,455	240,455
Deferred revenue:				
Property taxes not yet due		1,786,739,000	7,538,000	1,794,277,000
Other		37,969,779	33,783,812	71,753,591
Performance and other deposits		61,873,805	5,977,585	67,851,390
Total liabilities		1,924,653,409	82,047,315	2,006,700,724
Fund balances:				
Reserved for:				
Encumbrances		12,852,653	59,174,568	72,027,221
Inventories of supplies		1,208,662	-	1,208,662
Long-term receivables		-	7,259,551	7,259,551
Prepaid items		58,757	20,938	79,695
Certain capital projects		-	31,307,771	31,307,771
Unreserved, reported in:				
General fund		112,673,370	-	112,673,370
Special revenue funds		-	174,045,654	174,045,654
Debt service funds		-	10,222,617	10,222,617
Capital projects funds		-	68,051,292	68,051,292
Total fund balances		126,793,442	350,082,391	476,875,833
Total liabilities and fund balances	$	2,051,446,851	432,129,706	2,483,576,557

See accompanying notes to the financial statements.

continued

COUNTY OF FAIRFAX, VIRGINIA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2002

Exhibit A-2
continued

Fund balances - Total governmental funds		$	476,875,833
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:			
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds:			
Non-depreciable assets:			
Land	$ 323,507,153		
Construction-in-progress	52,122,448		
Depreciable assets:			
Equipment	156,722,476		
Library collections	33,458,568		
Buildings and improvements	734,107,360		
Infrastructure	376,552,368		
Total capital assets	1,676,470,373		
Less accumulated depreciation	(365,789,868)		1,310,680,505
Some of the County's receivables will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds:			
Delinquent taxes (net of allowances):			
Property	$ 22,312,323		
Business license	2,418,904		
Sales and use taxes	9,964,910		
Recovery from contractor	2,000,000		36,696,137
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.			829,993
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 assets.			
Assets:			
Current assets	$ 73,109,042		
Capital assets	74,568,081		
Less accumulated depreciation	(41,335,489)		
Liabilities	(33,085,995)		73,255,639
Long-term liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation bonds	$ (1,522,444,817)		
Lease revenue bonds	(106,650,000)		
Special assessment bonds	(525,000)		
Accrued interest on long-term debt	(8,087,079)		
Capital leases and installment purchase agreements	(50,957,651)		
Landfill closure and postclosure costs	(65,769,732)		
Compensated absences	(70,148,906)		
Other	(7,005,456)		(1,831,588,641)
Net assets of governmental activities		$	66,749,466

Exhibit A-3

COUNTY OF FAIRFAX, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2002

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 1,876,356,504	21,836,080	1,898,192,584
Permits, privilege fees and regulatory licenses	28,609,183	8,330,001	36,939,184
Intergovernmental	315,653,061	136,026,346	451,679,407
Charges for services	35,241,909	97,993,651	133,235,560
Fines and forfeitures	10,318,703	-	10,318,703
Developers' contributions	-	6,187,626	6,187,626
Revenue from the use of money and property	28,211,926	5,904,026	34,115,952
Recovered costs	5,450,839	3,558,644	9,009,483
Local matching grants	-	5,690,108	5,690,108
Gifts, donations and contributions	788,324	246,997	1,035,321
Other	448,980	6,348,936	6,797,916
Total revenues	2,301,079,429	292,122,415	2,593,201,844
EXPENDITURES			
Current:			
General government administration	89,830,205	9,396,556	99,226,761
Judicial administration	30,258,588	594,125	30,852,713
Public safety	340,998,807	38,380,749	379,379,556
Public works	49,409,626	95,240,082	144,649,708
Health and welfare	232,586,804	132,955,982	365,542,786
Community development	48,163,157	81,890,902	130,054,059
Parks, recreation and cultural	72,728,671	25,546,317	98,274,988
Education - payments to Public Schools	1,079,911,756	131,640,935	1,211,552,691
Capital outlay:			
General government administration	914,815	8,658,344	9,573,159
Judicial administration	38,522	639,228	677,750
Public safety	2,788,431	33,186,445	35,974,876
Public works	541,779	3,284,942	3,826,721
Health and welfare	435,057	30,747,140	31,182,197
Community development	366,617	8,111,158	8,477,775
Parks, recreation and cultural	5,736,190	6,410,436	12,146,626
Debt service:			
Principal retirement	887,208	129,163,380	130,050,588
Interest and other charges	240,521	77,387,145	77,627,666
Total expenditures	1,955,836,754	813,233,866	2,769,070,620
Excess (deficiency) of revenues over (under) expenditures	345,242,675	(521,111,451)	(175,868,776)
OTHER FINANCING SOURCES (USES)			
Transfers in	4,614,594	343,909,898	348,524,492
Transfers out	(341,424,523)	(6,854,969)	(348,279,492)
Proceeds from sale of County general obligation bonds	-	201,345,513	201,345,513
Capital leases and installment purchases	4,640,753	29,000,000	33,640,753
Proceeds from sale of refunding bonds	-	62,614,916	62,614,916
Payments to refunded bond escrow agent	-	(62,561,378)	(62,561,378)
Total other financing sources (uses)	(332,169,176)	567,453,980	235,284,804
Net change in fund balances	13,073,499	46,342,529	59,416,028
Fund balances, July 1, 2001, as restated	113,682,037	303,739,862	417,421,899
Increase in reserve for inventories of supplies	37,906	-	37,906
Fund balances, June 30, 2002	$ 126,793,442	350,082,391	476,875,833

continued

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2002

Exhibit A-3
continued

Net change in fund balances - Total governmental funds		$	59,416,028
Amounts reported for governmental activities in the statement of activities (Exhibit A-1) are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays	$ 101,859,104		
Less depreciation expense	(52,373,823)		49,485,281
In the statement of activities, the loss on the disposition of capital assets is reported. However, in the governmental funds, only the proceeds from sales are reported, which increase fund balance. Thus, the difference is the depreciated cost of the capital assets disposed.			(23,291,345)
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.			5,148,069
Some revenues will not be collected for several months after the fiscal year ends, hence, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) by this amount this year:			
Delinquent taxes:			
Property	$ 2,112,593		
Business license	(1,111,514)		
Sales and use taxes and other taxes	(1,572,890)		
Recovery from contractor	2,000,000		1,428,189
Proceeds from the issuance of long-term debt are reported as financing sources in the governmental funds and thus increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statements of net assets and does not affect the statement of activities. Proceeds were received from:			
Series 2002A General Obligation Bonds	$ (263,960,429)		
Principal amounts of new capital leases	(33,640,753)		(297,601,182)
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.			829,993
Repayment of the principal amounts of long-term debt is reported as an expenditure or as an other financing use when debt is refunded in governmental funds and, thus, reduces fund balance. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.			
Principal repayments of matured bonds	$ 124,453,925		
Payment to escrow agent to refund bonds, less $219,764 reported as interest expense	62,341,614		
Principal payments of capital leases	5,596,663		192,392,202
Interest on long-term debt is reported as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This timing difference in interest reporting is as follows:			
Accrued interest on bonds	$ (378,912)		
Accrued interest on capital leases	(322,887)		(701,799)
Under the modified accrual basis of accounting used in the governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, however, they are reported as expenses and liabilities as they accrue. The timing differences are as follows:			
Landfill closure and postclosure costs	$ (13,658,852)		
Compensated absences	(6,154,758)		
Other	1,990,270		(17,823,340)
Internal service funds are used by management to provide certain goods and services to governmental funds. The change in net assets, excluding capital contributions within the primary government, is reported with governmental activities.			(1,126,156)
Change in net assets of governmental activities		$	(31,844,060)

COUNTY OF FAIRFAX
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COUNTY OF FAIRFAX, VIRGINIA Exhibit A-4

Budgetary Comparison Statement - General Fund (Budget Basis)

For the fiscal year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive
	Original	Final	(Budget Basis)	(Negative)
REVENUES				
Taxes	$ 1,846,706,188	1,853,705,418	1,876,356,504	22,651,086
Permits, privilege fees and regulatory licenses	33,892,369	28,990,840	28,609,183	(381,657)
Intergovernmental	330,013,546	325,907,543	315,653,061	(10,254,482)
Charges for services	33,000,331	34,109,394	35,241,909	1,132,515
Fines and forfeitures	11,595,781	10,024,451	10,318,703	294,252
Revenue from the use of money and property	45,849,562	29,013,426	28,894,001	(119,425)
Recovered costs	5,427,243	5,270,662	5,450,839	180,177
Other	351,147	311,647	448,980	137,333
Total revenues	2,306,836,167	2,287,333,381	2,300,973,180	13,639,799
EXPENDITURES				
Current:				
General government administration	81,790,729	82,522,174	76,761,411	5,760,763
Judicial administration	24,653,202	25,863,799	25,697,058	166,741
Public safety	277,283,155	282,558,693	276,877,297	5,681,396
Public works	50,601,527	54,618,749	51,162,491	3,456,258
Health and welfare	217,258,679	212,568,661	210,223,149	2,345,512
Community development	38,384,396	37,493,556	35,287,296	2,206,260
Parks, recreation and cultural	63,722,662	61,895,007	61,327,324	567,683
Nondepartmental	119,351,398	125,780,923	117,615,055	8,165,868
Total expenditures	873,045,748	883,301,562	854,951,081	28,350,481
Excess of revenues over expenditures	1,433,790,419	1,404,031,819	1,446,022,099	41,990,280
OTHER FINANCING USES				
Transfers in from other primary government funds	2,914,594	4,614,594	4,614,594	-
Transfers out to other primary government funds	(355,101,384)	(355,963,226)	(355,963,226)	-
Transfers out to component units	(1,079,343,341)	(1,081,102,417)	(1,081,102,417)	-
Total other financing uses	(1,431,530,131)	(1,432,451,049)	(1,432,451,049)	-
Net change in fund balance	$ 2,260,288	(28,419,230)	13,571,050	41,990,280

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2002

	Business-Type Activities - Enterprise Fund: Integrated Sewer System	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Equity in pooled cash and temporary investments	$ 105,230,797	69,971,594
Investments	17,318,061	-
Accrued interest receivable	111,100	15,899
Accounts receivable	-	311,450
Due from intergovernmental units (net of allowance)	18,632,456	-
Interfund receivables	-	187,637
Inventories and other	502,908	2,435,237
Prepaid items and other assets	-	187,225
Total current assets	141,795,322	73,109,042
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and temporary investments	151,693,025	-
Investments	24,326,147	-
Total restricted assets	176,019,172	-
Capital assets:		
Land	17,346,080	1,938,688
Construction in progress	117,678,608	-
Buildings and improvements	740,820,345	15,602,150
Purchased capacity	537,865,741	-
Equipment	9,353,179	57,027,243
Accumulated depreciation	(298,859,052)	(41,335,489)
Accumulated amortization	(39,679,490)	-
Total capital assets, net	1,084,525,411	33,232,592
Other noncurrent assets:		
Investments	4,100,000	-
Deferred bond issuance costs (net of amortization)	1,123,946	-
Total other noncurrent assets	5,223,946	-
Total noncurrent assets	1,265,768,529	33,232,592
Total assets	$ 1,407,563,851	106,341,634

See accompanying notes to the financial statements.

Exhibit A-5

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,214,321	4,205,298
Contracts payable	7,267,141	-
Interfund payables	126,958	774,625
Compensated absences	1,053,811	1,437,532
Insurance and benefit claims payable	-	13,262,895
Revenue bonds payable	10,249,204	-
Bond discount (net of amortization)	(64,178)	-
Total current liabilities	24,847,257	19,680,350
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	474,272,394	-
Bond discount (net of amortization)	(861,372)	-
Compensated absences	618,905	971,424
Insurance and benefit claims payable	-	12,434,221
Total noncurrent liabilities	474,029,927	13,405,645
Total liabilities	498,877,184	33,085,995
NET ASSETS		
Invested in capital assets, net of related debt	621,870,392	33,232,592
Restricted for:		
Sewer improvements and nitrification facilities	150,674,322	-
Debt service	3,891,412	-
Unrestricted	132,250,541	40,023,047
Total net assets	$ 908,686,667	73,255,639

COUNTY OF FAIRFAX, VIRGINIA Exhibit A-6

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2002

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
Operating revenues:		
Sales of services	$ 79,438,990	-
Charges to other funds	-	117,923,863
Other	251,847	292,381
Total operating revenues	79,690,837	118,216,244
Operating expenses:		
Personnel services	17,688,856	20,292,259
Materials and supplies	9,774,641	2,775,642
Equipment operation and maintenance	-	27,998,676
Risk financing and benefit payments	-	56,659,825
Depreciation and amortization	23,473,238	7,354,248
Professional consultant and contractual services	41,201,302	4,995,967
Other	-	186,878
Total operating expenses	92,138,037	120,263,495
Operating loss	(12,447,200)	(2,047,251)
Nonoperating revenues (expenses):		
Availability fees	30,654,936	-
Intergovernmental revenue	1,250,023	-
Interest revenue	7,033,632	825,337
Interest expense	(13,549,231)	-
Amortization expense for bond issuance costs	(79,097)	-
Gain (loss) on disposal of capital assets	(1,922)	340,758
Total nonoperating revenues (expenses)	25,308,341	1,166,095
Income (loss) before contributions and transfers	12,861,141	(881,156)
Capital contributions	8,612,432	2,634,072
Transfers in	-	2,755,000
Transfers out	-	(3,000,000)
Change in net assets	21,473,573	1,507,916
Total net assets, July 1, 2001, as restated	887,213,094	71,747,723
Total net assets, June 30, 2002	$ 908,686,667	73,255,639

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2002

Exhibit A-7

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 80,246,007	-
Receipts from interfund services provided	-	117,951,968
Payments to suppliers and contractors	(50,827,202)	(13,055,727)
Payments to employees	(17,673,665)	(20,218,037)
Claims and benefits paid	-	(53,923,666)
Payments for interfund services used	-	(22,017,559)
Net cash provided by operating activities	11,745,140	8,736,979
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loan from General Fund	-	630,809
Payment of loan to General Fund	-	(482,311)
Transfers to other funds	-	(3,000,000)
Transfers from other funds	-	2,755,000
Net cash used by noncapital financing activities	-	(96,502)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Availability fees	30,654,936	-
Intergovernmental revenue received	1,250,023	-
Principal payments on sewer revenue bonds	(8,061,456)	-
Interest payments on sewer revenue bonds	(12,707,821)	-
Proceeds from issuance of sewer revenue bond	50,000,000	-
Proceeds from sale of capital assets	42,007	657,003
Purchase of capital assets, other than purchased capacity	(22,024,266)	(11,465,287)
Acquisition of purchased capacity	(43,545,699)	-
Net cash used by capital and related financing activities	(4,392,276)	(10,808,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of restricted investments (net)	(300,810)	-
Purchases of investments	(4,100,000)	-
Interest received	6,150,064	829,708
Net cash provided by investing activities	1,749,254	829,708
Net increase (decrease) in cash and cash equivalents	9,102,118	(1,338,099)
Cash and cash equivalents, July 1, 2001	247,821,704	71,309,693
Cash and cash equivalents, June 30, 2002	$ 256,923,822	69,971,594
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (12,447,200)	(2,047,251)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	23,473,238	7,354,248
Change in assets and liabilities:		
Increase in accounts receivable	-	(298,147)
Decrease in intergovernmental receivables	555,170	-
Decrease in interfund receivables	-	33,164
Decrease in inventories of supplies	61,519	81,419
Decrease in prepaid items and other assets	-	912
Increase in accounts payable and accrued liabilities, net of interest	230,470	3,599,435
Decrease in contracts payable	(128,057)	-
Increase in interfund payables	-	13,199
Total adjustments to operating loss	24,192,340	10,784,230
Net cash provided by operating activities	$ 11,745,140	8,736,979
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines and manholes	$ 8,612,432	-
Capital contributions - police vehicles	-	2,634,072

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2002

Exhibit A-8

	Pension Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and temporary investments	$ 12,978,421	2,483,985
Cash collateral for securities lending	151,854,950	-
Accounts receivable	-	43,295
Accrued interest and dividends receivable	14,567,568	978
Receivable from sale of pension investments	90,245,405	-
Due from intergovernmental units	-	34,447
Investments, at fair value	3,069,409,520	40,112,772
Equipment	-	2,328,200
Total assets	3,339,055,864	$ 45,003,677
LIABILITIES		
Accounts payable and accrued liabilities	3,560,139	1,922,374
Payable for purchase of pension investments	275,718,105	-
Liabilities for collateral received under securities lending agreements	151,854,950	-
Liabilities under reimbursement agreements	-	41,858,701
Interfund payable	45,041	-
Obligations under capital lease and installment purchases	-	1,222,602
Total liabilities	431,178,235	$ 45,003,677
NET ASSETS		
Held in trust for pension benefits	$ 2,907,877,629	

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Changes in Plan Net Assets
Pension Trust Funds
For the fiscal year ended June 30, 2002

Exhibit A-9

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 64,940,333
Plan members	39,446,006
Total contributions	104,386,339
Investment income:	
Net depreciation in fair value of investments	(217,799,689)
Interest	62,575,775
Dividends	26,494,633
Securities lending	4,713,216
Other	59,631
Total investment loss	(123,956,434)
Less investment expenses:	
Investment fees and other	9,705,424
Securities lending	3,659,009
Total investment expenses	13,364,433
Net investment loss	(137,320,867)
Total additions	(32,934,528)
DEDUCTIONS	
Benefits	114,844,347
Refunds of contributions	4,665,035
Administrative expenses	1,226,792
Total deductions	120,736,174
Net decrease	(153,670,702)
Net assets, July 1, 2001	3,061,548,331
Net assets, June 30, 2002	$ 2,907,877,629

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2002

	Public Schools	FCRHA	Park Authority	EDA	Total Component Units
ASSETS					
Equity in pooled cash and temporary investments	$ 200,846,413	20,372,282	17,263,984	-	238,482,679
Cash in banks	-	6,856,581	-	-	6,856,581
Receivables (net of allowances):					
Accounts	7,073,691	1,945,668	37,469	-	9,056,828
Accrued interest	57,959	47,337	8,016	-	113,312
Notes	-	6,814,090	-	-	6,814,090
Mortgages	-	56,202	-	-	56,202
Other	-	1,653,470	-	-	1,653,470
Due from intergovernmental units	33,983,535	-	-	-	33,983,535
Due from primary government	6,566,691	-	1,254,122	103,822	7,924,635
Inventories of supplies	4,392,981	-	-	-	4,392,981
Prepaid items and other assets	-	602,453	-	-	602,453
Restricted assets:					
Equity in pooled cash and temporary investments	14,766,420	-	1,294,473	-	16,060,893
Cash with fiscal agents	-	7,444,059	-	-	7,444,059
Certificates of deposit - performance bonds	-	723,988	-	-	723,988
Investments	-	2,693,421	2,121,653	-	4,815,074
Land held for sale	-	4,599,973	-	-	4,599,973
Capital assets:					
Non-depreciable:					
Land	43,410,537	30,098,466	246,872,703	-	320,381,706
Construction in progress	300,848,525	10,942,126	8,305,807	-	320,096,458
Depreciable:					
Equipment	129,255,868	2,351,071	11,589,747	7,002	143,203,688
Library collections	20,678,288	-	-	-	20,678,288
Buildings and improvements	1,438,891,208	146,448,935	176,925,599	-	1,762,265,742
Accumulated depreciation	(556,329,740)	(62,399,054)	(95,189,281)	(4,201)	(713,922,276)
Total capital assets, net	1,376,754,686	127,441,544	348,504,575	2,801	1,852,703,606
Deferred bond issuance costs	-	-	506,433	-	506,433
Total assets	$ 1,644,442,376	181,251,068	370,990,725	106,623	2,196,790,792

See accompanying notes to the financial statements.

Exhibit A-10

	Public Schools	FCRHA	Park Authority	EDA	Total Component Units
LIABILITIES					
Accounts payable and accrued liabilities	$ 114,355,950	6,965,724	3,072,196	103,822	124,497,692
Contract retainages	10,836,156	-	144,381	-	10,980,537
Due to primary government	-	1,591,703	-	-	1,591,703
Accrued interest payable	-	-	774,947	-	774,947
Deferred revenue	6,346,909	3,189,043	4,563,232	-	14,099,184
Performance and other deposits	-	1,101,306	103,654	-	1,204,960
Long-term liabilities:					
Portion due or payable within one year:					
Revenue bonds payable, net	-	297,153	450,040	-	747,193
Notes payable	-	6,491,310	16,064,972	-	22,556,282
Compensated absences	13,722,404	382,174	2,121,696	103,589	16,329,863
Capital leases	7,536,543	-	-	-	7,536,543
Insurance and benefit claims payable	17,012,925	-	-	-	17,012,925
Other	-	124,057	-	-	124,057
Portion due or payable after one year:					
Revenue bonds payable, net	-	11,675,225	12,295,676	-	23,970,901
Notes payable	-	61,206,028	-	-	61,206,028
Compensated absences	8,773,340	458,037	1,551,495	26,385	10,809,257
Capital leases	20,144,259	-	-	-	20,144,259
Insurance and benefit claims payable	12,074,500	-	-	-	12,074,500
Other	-	1,678,785	-	-	1,678,785
Total liabilities	210,802,986	95,160,545	41,142,289	233,796	347,339,616
NET ASSETS					
Invested in capital assets, net of related debt	1,376,754,686	50,376,514	320,774,784	2,801	1,747,908,785
Restricted for:					
Housing	-	10,586,137	-	-	10,586,137
Capital projects	14,766,420	-	1,294,473	-	16,060,893
Debt service	-	-	1,080,897	-	1,080,897
Unrestricted (deficit)	42,118,284	25,127,872	6,698,282	(129,974)	73,814,464
Total net assets	$ 1,433,639,390	86,090,523	329,848,436	(127,173)	1,849,451,176

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Activities
Component Units
For the fiscal year ended June 30, 2002

		Program Revenues		
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Schools:				
Education	$ 1,574,535,598	78,281,595	100,156,368	7,985,121
FCRHA:				
Community development	55,349,525	17,821,086	31,049,548	3,253,183
Park Authority:				
Parks, recreation and cultural	62,851,329	28,885,584	-	438,332
EDA:				
Community development	7,292,427	-	-	-
Total component units	$ 1,700,028,879	124,988,265	131,205,916	11,676,636

General revenues:
Grants and contributions not restricted to specific programs
Revenue from the use of money and property
Share of Commonwealth's lottery proceeds
Payment from primary government
Other
Total general revenues
Change in net assets
Net assets, July 1, 2001, as restated
Net assets, June 30, 2002

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Public Schools	FCRHA	Park Authority	EDA	Total Component Units
(1,388,112,514)	-	-	-	(1,388,112,514)
-	(3,225,708)	-	-	(3,225,708)
-	-	(33,527,413)	-	(33,527,413)
-	-	-	(7,292,427)	(7,292,427)
(1,388,112,514)	(3,225,708)	(33,527,413)	(7,292,427)	(1,432,158,062)
280,906,232	-	85,061,838	-	365,968,070
613,144	976,173	373,872	-	1,963,189
7,682,332	-	-	-	7,682,332
1,208,290,392	-	36,176,933	7,297,001	1,251,764,326
7,497,943	3,675,966	-		11,173,909
1,504,990,043	4,652,139	121,612,643	7,297,001	1,638,551,826
116,877,529	1,426,431	88,085,230	4,574	206,393,764
1,316,761,861	84,664,092	241,763,206	(131,747)	1,643,057,412
$ 1,433,639,390	86,090,523	329,848,436	(127,173)	1,849,451,176

COUNTY OF FAIRFAX

FARE FAC

1742

VIRGINIA

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Fairfax, Virginia (the County) is organized under the Urban County Executive form of government (as defined under Virginia law). The governing body of the County is the Board of Supervisors which makes policies for the administration of the County. The Board of Supervisors comprises ten members: the Chairman, elected at large for a four-year term, and one member from each of nine supervisor districts, elected for a four-year term by the voters of the district in which the member resides. The Board of Supervisors appoints a County Executive to act as the administrative head of the County. The County Executive serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board of Supervisors.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

1. Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the County (the primary government) and its component units. The financial data of the component units are included in the County's basic financial statements because of the significance of their operational or financial relationships with the County. The County and its component units are together referred to herein as the reporting entity.

Blended Component Units

Blended component units are entities that are legally separate from the County but that are so closely related to the County that they are, in essence, extensions of the County. The blended component units that are reported as part of the primary government are:

Solid Waste Authority of Fairfax County (SWA) - The SWA is considered a blended component unit because the Board of Supervisors comprises the Board of Directors of the SWA and has the ability to impose its will on the SWA.

The SWA is authorized under the Virginia Water and Waste Authorities Act and was created by the Board of Supervisors on June 29, 1987. The SWA has financed the construction of a solid waste to energy facility which is operated by a commercial entity in accordance with agreements between the County, the SWA, and the commercial entity. The assets of the SWA are reported in an agency fund of the County, the Resource Recovery Fund. Separate financial statements of the SWA can be obtained by writing to the Financial Reporting Division, Department of Finance, Suite 214, 12000 Government Center Parkway, Fairfax, Virginia 22035.

The County has assumed the responsibility for the management oversight of the arrangement between the SWA and the commercial entity and for providing sufficient solid waste to result in a financially viable operation; this oversight activity is reported in a special revenue fund of the County, the Energy Resource Recovery Facility Fund.

Small District One - The Board of Supervisors created Small District One, which is located within the Dranesville Magisterial District, in 1970 to provide for the construction of a community center and the operation of its social, cultural, educational, and recreational facilities. This small district is reported as a separate special revenue fund of the County, the McLean Community Center Fund, because it is governed by the Board of Supervisors, which has the ability to impose its will on the small district. Separate financial statements are not prepared for Small District One.

Small District Five - The Board of Supervisors created Small District Five, which is located within the Dranesville and Hunter Mill Magisterial Districts, in 1975 to provide for the construction of a community center and the operation of its social, cultural, educational, and recreational facilities. This small district is reported as a separate special revenue fund of the County, the Reston Community Center Fund, because it is governed by the Board of Supervisors, which has the ability to impose its will on the small district. Separate financial statements are not prepared for Small District Five.

Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the County's other component units. They are presented in separate columns to emphasize that they are legally separate from the County. Separate financial statements of the component units can be obtained by writing to the Financial Reporting Division, Department of Finance, Suite 214, 12000 Government Center Parkway, Fairfax, Virginia 22035. All of the component units have a fiscal year end of June 30. The discretely presented component units are:

Fairfax County Public Schools (Public Schools) - Public Schools is responsible for elementary and secondary education within the County. The School Board is elected by County voters. Public Schools is fiscally dependent on the County; Public Schools operations are funded primarily by transfers from the County's General Fund and the County issues general obligation debt for Public Schools' capital projects.

Fairfax County Redevelopment and Housing Authority (FCRHA) - FCRHA plans, coordinates and directs the low income housing programs within the County under the Virginia Housing Authorities Law. FCRHA was approved by a voter referendum in November 1965 and was activated by the Board of Supervisors in February 1966. FCRHA is a political subdivision of and reports to the Commonwealth of Virginia. The Board of Supervisors appoints FCRHA's Board of Commissioners and the County provides certain managerial and related financial assistance to FCRHA.

Fairfax County Park Authority (Park Authority) - The Park Authority was created by the Board of Supervisors of the County on December 6, 1950, to maintain and operate the public parks and recreational facilities located in the County. The Board of Supervisors appoints the Park Authority's governing board, and the County provides funding for the Park Authority's General Fund and one of its capital projects funds. A memorandum of understanding currently in effect between the County and the Park Authority defines the roles of the County and the Park Authority.

Fairfax County Economic Development Authority (EDA) - EDA is an independent authority legally authorized by an act of the Virginia General Assembly and was formally created by resolutions of the Board of Supervisors. EDA's mission is to attract businesses to Fairfax County and to work with the existing businesses to retain them as they expand and create new jobs. EDA also operates the Fairfax County Convention and Visitors Bureau, established to attract business travelers and meetings and conventions to the County. The Board of Supervisors appoints the seven members of the Authority's commission which appoints the Authority's executive director. The Board of Supervisors appropriates funds annually to EDA for operating expenditures incurred in carrying out its mission.

Related Organizations

The Board of Supervisors is also responsible for appointing the members of the boards of the Fairfax County Water Authority (FCWA) and the Industrial Development Authority of Fairfax County (IDAFC), but the County's accountability does not extend beyond making the appointments. The IDAFC does not have a significant operational or financial relationship with the County. The FCWA bills and collects for the sales of sewer services on behalf of the County's sewer system. During fiscal year 2002, the FCWA collected approximately $60.8 million on behalf of the County, and as of June 30, 2002, the County has receivables of approximately $13 million due from the FCWA.

Joint Venture

The County is a participant in the Upper Occoquan Sewage Authority (UOSA). UOSA is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act to construct, finance, and operate the regional sewage treatment facility in the upper portion of the Occoquan Watershed. UOSA was formed on March 3, 1971, by a concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Cities of Manassas and Manassas Park. The governing body of UOSA is an eight-member board of directors consisting of two members from each participating jurisdiction appointed to four-year terms. The UOSA Board of Directors adopts an annual operating budget based on projected sewage flows. The County has no explicit and measurable interest in UOSA but does have an ongoing financial responsibility for its share of UOSA's operating costs, construction costs and annual debt service. Complete financial statements of UOSA can be obtained by writing to UOSA, P.O. Box 918, Centreville, Virginia 20122.

2. Basis of Presentation

Government-wide Statements

The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to avoid the double-counting of interfund activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed primarily by fees charged to external parties. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each activity of the County. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular activity. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meet the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the reporting entity are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major funds:

Governmental Fund: The General Fund is the County's primary operating fund, and it is used to account for all revenue sources and expenditures which are not required to be accounted for in other funds.

Enterprise Fund: The Fairfax County Integrated Sewer System (Sewer System) is the only enterprise fund of the County. This fund is used to account for the financing, construction, and operations of the countywide sewer system.

The County reports the following nonmajor governmental fund types:

Special Revenue Funds: The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds: The debt service funds are used to account for the accumulation of resources for, and the payment of, the general obligation debt service of the County and for the debt service of the lease revenue bonds and special assessment debt. Included in this fund type is the School Debt Service Fund as the County is responsible for servicing the general obligation debt it has issued on behalf of Public Schools.

Capital Projects Funds: The capital projects funds are used to account for financial resources used for all general construction projects other than enterprise fund construction.

The County reports the following additional fund types:

Internal Service Funds: These funds are proprietary funds used to account for the provision of general liability, malpractice, and workers' compensation insurance, health benefits for employees and retirees, vehicle services, supplies, document services, and technology infrastructure support that are provided to County departments on a cost reimbursement basis.

Pension Trust Funds: These are fiduciary funds used to account for the assets held in trust by the County for the employees and beneficiaries of its defined benefit pension plans – the Employees' Retirement System, the Police Officers Retirement System, and the Uniformed Retirement System.

Agency Funds: These are fiduciary funds used to account for monies received, held and disbursed on behalf of certain developers, certain welfare recipients, the recipients of certain bond proceeds, the Commonwealth of Virginia, and certain other local governments.

3. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Pension Trust Fund Statements

The government-wide, proprietary, and pension trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. For the pension trust funds, both member and employer contributions to each plan are recognized in the

period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. For the Sewer System, principal operating revenues include sales to existing customers for continuing sewer service. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Also, unbilled Sewer System receivables, net of an allowance for uncollectible accounts, are recorded at year end to the extent they can be estimated.

In preparing the financial statements of the proprietary funds, the County has not elected to apply the option provided in Paragraph 7 of GASB Statement No. 20 titled "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Therefore, the reporting entity has applied all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's Sewer System and various other functions of the government; elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental and Agency Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenue from the use of money and property and from intergovernmental reimbursement grants is recorded as earned. Other revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or within 45 days thereafter. The primary revenues susceptible to accrual include property, business license and other local taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Expenditures are recorded when the related fund liability is incurred, except that principal and interest on general long-term debt and certain other general long-term obligations, such as compensated absences and landfill closure and postclosure care costs, are recognized only to the extent they have matured. General capital asset acquisitions are reported as capital outlays in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The agency funds also use the modified accrual basis of accounting to recognize assets and liabilities. In addition, the effect of interfund activity has not been eliminated from the fund financial statements.

4. Budgetary Data

The Board of Supervisors adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

a. By March 1, the County Executive submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During April, public hearings are conducted to obtain taxpayer comments. By May 1, the budget is legally enacted through passage of an appropriation resolution.

b. The operating budget includes all County appropriated funds and certain non-appropriated funds. The non-appropriated funds are primarily certain funds of the Park Authority and the FCRHA that are not financed by the County.

c. Budget reviews are held during the fiscal year. Public hearings are held if the recommended increase in the appropriated budget is greater than $500,000, or one percent of revenues.

d. The budget is controlled at certain legal and administrative levels. The Code of Virginia requires that the County annually adopt a balanced budget. The adopted Fiscal Planning Resolution places legal restrictions on expenditures at the agency or fund level and identifies administrative controls at the character or project level. The County's Department of Management and Budget is authorized to transfer budgeted amounts between characters or projects within any agency or fund as a management function. Any revisions that alter the total expenditures of any agency or fund must be approved by the Board of Supervisors.

e. Annual operating budgets are adopted for all appropriated governmental funds, except for the capital projects funds in which budgetary control is achieved on a project-by-project basis. The budgets are on a basis consistent with GAAP for all governmental funds, except that:

* revenue from investments is recognized in the governmental funds for budget purposes only if collected within 45 days of year end, instead of as earned;
* amortization of deferred rent is not budgeted;
* certain loans are reported as expenditures when made and as revenue when repaid for budget purposes in the Community Development Block Grant (CDBG) Fund;
* offsetting revenues and expenditures related to donated food are not budgeted;
* certain amounts which are budgeted as expenditures in the General Fund, certain special revenue funds and a capital projects fund have been reported as transfers out to component units;
* certain reported revenues are budgeted as expenditure reductions in certain special revenue funds;
* capital lease transactions when initiated are not budgeted as offsetting expenditures and other financing sources;
* the proceeds attributed to premiums on bonds issued for new capital projects are reported as other financing sources in the debt service funds rather than

as other financing sources in the capital projects funds and transfers out to the debt service funds;

* the proceeds from the sale of refunding bonds that are deposited with an escrow agent to provide the resources to redeem refunded bonds are not budgeted as other financing sources and uses;
* certain capital outlays in the General Fund and special revenue funds are budgeted as functional expenditures;
* payments from or to component units are budgeted as transfers rather than functional revenues and expenditures;
* the Elderly Housing Program Fund and the Homeowner and Business Loan Program Fund are budgeted as special revenue funds of the primary government but are reported as enterprise funds of the FCRHA;
* the Gift Fund, which is included in the County's General Fund for reporting purposes, is treated as an agency fund;
* the Consolidated Community Funding Pool Fund and the Contributory Fund, which are included in the County's General Fund for reporting purposes, are treated as special revenue funds; and
* payments for retiree health benefits in the internal service fund are budgeted as transfers rather than as charges for services.

The following schedule reconciles the amounts on the Budgetary Comparison Statement – General Fund (Budget Basis) (Exhibit A-4) to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit A-3):

	Primary Government General Fund
Net change in fund balance (Budget basis)	$ 13,571,050
Basis difference - Revenue from investments	(731,411)
Entity differences:	
The Gift Fund is treated as an agency fund for budget purposes	223,617
The Consolidated Community Funding Pool Fund is treated as a special revenue fund for budget purposes	40,981
The Contributory Fund is treated as a special revenue fund for budget purposes	(30,738)
Net change in fund balance (GAAP basis)	$ 13,073,499

f. Original and final budgeted amounts are shown; amendments were not significant in relation to the original budget.

g. Appropriations lapse at June 30 unless the Board of Supervisors approves carrying them forward to the next fiscal year.

5. Pooled Cash and Temporary Investments

The County maintains cash and temporary investments for all funds in a single pooled account, except for certain cash and investments required to be maintained with fiscal agents or in separate pools or accounts in order to comply with the provisions of bond indentures. The component units also invest in the pooled cash account. As of June 30, 2002, the pooled cash and temporary investments have been allocated between the County and the respective component units based upon their respective ownership

percentages. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair value. Interest earned, less an administrative charge, is allocated generally to the respective funds and component units based on each fund's or unit's equity in the pooled account. In accordance with the County's legally adopted operating budget, interest earned by certain funds is assigned directly to the General Fund.

For the year ended June 30, 2002, interest earned by certain funds assigned directly to the County's General Fund is as follows:

Primary Government	
Special Revenue Funds:	
County Transit Systems	$ 419,858
Federal/State Grants	3,368
Aging Grants and Programs	41,391
Cable Communications	313,528
Fairfax-Falls Church Community Services Board	1,190,920
Housing Trust	43,228
Debt Service Funds:	
County Debt Service	1,355,290
School Debt Service	1,470,456
Capital Projects Funds:	
Countywide Roadway Improvement	56,279
Library Construction	16,981
County Construction	545,078
Primary and Secondary Road Bond Construction	261,122
Sidewalk Construction	112,868
Public Works Construction	309,539
Metro Operations and Construction	228,093
Storm Drainage Bond Construction	4,830
County Bond Construction	194,944
Public Safety Construction	4,604
Trail Construction	8,710
Neighborhood Improvement	3,575
Commercial Revitalization Program	6,542
Pro Rata Drainage Construction	550,191
Housing Assistance Program	49,577
Housing General Obligation Bond Construction	2,108
Internal Service Funds:	
Retiree Health Benefits	31,395
Vehicle Services	412,221
Document Services	80,852
Technology Infrastructure Services	371,398
Agency Funds:	
State Taxes	869
Lake Barcroft Watershed	1,050
Total primary government	$ 8,090,865

Component Units	
Public Schools:	
General Fund	$ 2,723,032
Special Revenue Fund - Grants and Self-Supporting Progra	29,865
Capital Projects Fund	451,847
Internal Service Fund - Insurance	526,789
Internal Service Fund - Central Procurement	1,241
Total Public Schools	3,732,774
FCRHA	57,287
Park Authority - Capital Projects Fund - Construction Bond	38,021
Total component units	3,828,082
Total reporting entity	$ 11,918,947

6. Cash and Cash Equivalents

For purposes of the statements of cash flows, the amounts reported as cash and cash equivalents for the proprietary fund types represent amounts maintained in the reporting entity's investment pool, as they are considered to be demand deposits for the purpose of complying with GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

7. Investments

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are reported at 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 on the basis of 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 occurs approximately three business days after the trade date. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets and as related liabilities for collateral received.

8. Derivatives

The County Retirement Systems (the Systems), which include the Employees', Police Officers, and Uniformed Systems, as well as the Educational Retirement System of the Public Schools component unit, invest in derivatives as permitted by the Code of Virginia and in accordance with policies set by their respective Board of Trustees. The Systems may invest in various derivative instruments on a limited basis, in order to increase potential earnings and to hedge against potential losses.

During fiscal year 2002, the Systems invested in derivative instruments, which are generally not reported in the financial statements, and some traditional securities that have derivative-like characteristics, which generally are reported. Derivative investments include futures, forwards, and options or swap contracts. Traditional securities with derivative-like characteristics include structured notes, in which the return may be linked

to one or more investment indexes and certain asset-backed securities, such as collateralized mortgage obligations, whose values are sensitive to changes in interest rates and prepayments.

The Systems enter into these types of investments to:

* gain market exposure to the S&P 500 and the U.S. Treasury indexes in a more efficient way and at lower transaction costs;
* effect settlement of securities traded in currencies other than U.S. dollars and to protect the base currency (U.S. dollars) from fluctuations in the exchange rates of foreign currencies;
* increase earnings;
* provide exposure to portions of the mortgage market; and/or
* control duration within the portfolio.

These investments generally contain market risks due to:

* adverse changes in market prices;
* changes in interest rates and the level of the underlying prepayments; and/or
* adverse movements in currency exchange rates.

The credit risks associated with these investments are inherent with the:

* creditworthiness of the counterparties to the contracts; and
* creditworthiness of the related consumers or mortgagees.

The Systems are indirectly exposed to market and credit risks associated with ownership interest in certain mutual funds which hold futures contracts, options, collateralized mortgage obligations, interest-only strip securities, and call warrants.

At June 30, 2002, the notional values of the derivative investments, including mutual funds that are not reported in the financial statements are: Employees' - $892 million, Police Officers - $57 million, Uniformed - $1.13 million, and Educational - $36.8 million.

The table below shows the percentage of in-financial-statement investments in derivatives, including mutual funds, to the total portfolio (at fair value) for each system at June 30, 2002, and the range of holdings for the fiscal year, as derived from quarterly reports.

	At June 30, 2002	High During Year	Low During Year
Retirement System:			
Employees'	5.0 %	5.0 %	0.0 %
Police Officers	4.0	4.0	2.0
Uniformed	0.0	0.0	0.0
Educational	2.0	2.8	2.0

9. Inventories and Prepaid Items

The purchases method of accounting for inventories and prepaid items is used in the General Fund and special revenue funds. Under this method, the cost is recorded as an expenditure at the time individual items are purchased. At year end, a portion of the fund balance is reserved for the ending balances. This reserve is maintained to indicate that a

portion of the fund balance is not available for future appropriations. Inventories are valued and carried on an average unit cost basis.

The consumption method of accounting for inventories and prepaid items is used in the proprietary fund types. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts and prepaid items are expensed in the period to which they apply.

10. Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The County holds certificates of deposit purchased by developers under the terms of performance agreements. The County may require a developer to enter into these agreements in order to ensure that certain structures and improvements are completed according to approved site plans. The certificates, issued by various financial institutions, are released to the developer when the terms of the agreement have been satisfied. The amount of the certificates held is reported as a restricted asset in the General Fund.

In accordance with the provisions of the 1985 General Bond Resolution, certain assets of the Sewer System are restricted for specific future uses, such as repayment of debt obligations, payments on construction projects, and extensions and improvements. Additionally, the State Water Control Board (SWCB) regulations require the removal of ammonia-nitrogen from the discharges from the County's Noman Cole Pollution Control Plant and the Alexandria and Arlington County Wastewater Treatment Plants. Certain assets are restricted to fund the construction of nitrogen removal facilities. As of June 30, 2002, the Sewer System has cash and investments of $176,019,172 that are restricted for the following uses:

Restricted Assets of the Sewer System	
Extensions and improvements	$ 114,374,322
Nitrogen removal facilities	36,300,000
Long-term debt service requirements	21,453,438
Current debt service requirements	3,891,412
Total restricted assets	$ 176,019,172

In accordance with requirements of the U.S. Department of Housing and Urban Development and the Virginia Housing Development Authority, the FCRHA is required to maintain certain restricted deposits and funded reserves for repairs and replacements.

The Park Authority has restricted assets representing the amount of the debt service reserve requirement pertaining to its outstanding revenue bonds.

11. Capital Assets

Capital assets, including land, buildings, improvements, equipment, library collections, purchased capacity, and infrastructure, that individually cost $5,000 and over, with useful lives greater than one year are reported in the proprietary funds and applicable governmental or business-type activities columns in the government-wide financial statements. The County has capitalized general infrastructure assets, including solid waste disposal facilities, storm water management facilities, public drainage systems, mass transportation facilities, commercial revitalization improvements, and public trails and walkways that were acquired or substantially improved subsequent to July 1, 1980. The County does not capitalize roads and bridges as these belong to the Commonwealth of Virginia.

Purchased capacity consists of payments made by the Sewer System under intermunicipal agreements with the District of Columbia Water and Sewer Authority (Blue Plains), UOSA, Alexandria Sanitation Authority (ASA), Arlington County, and Prince William County Service Authority (PWCSA) for the Sewer System's allocated share of improvements to certain specified treatment facilities owned and operated by these jurisdictions.

Purchased capital assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value as of the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Capital Assets	Useful Lives
Infrastructure	10 - 100 years
Sewer lines	50 years
Buildings	30 - 50 years
Purchased capacity	30 years
Improvements	10 - 30 years
Equipment	5 - 15 years
Library collections	5 years

No depreciation is taken in the year of acquisition for infrastructure and library collections; depreciation/amortization on other capital assets commences when the assets are purchased or are substantially complete and ready for use. For constructed assets, all associated costs necessary to bring such assets to the condition and location necessary for their intended use are initially capitalized as construction in progress and are transferred to buildings or improvements when the assets are substantially complete and ready for use.

12. Compensated Absences

All reporting entity employees earn annual leave based on a prescribed formula which allows employees with less than ten years of service to accumulate a maximum of 240 hours and employees with ten years or more of service to accumulate a maximum of 320 hours of annual leave as of the end of each year. In addition, employees, except for Public Schools employees, may accrue compensatory leave for hours worked in excess of

their scheduled hours. Compensatory leave in excess of 240 hours at the end of the year is forfeited.

The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at June 30. The entire liability for compensated absences is reported in the government-wide and proprietary fund statements, whereas, only the matured portion resulting from employee resignations and retirements is reported in the governmental fund statements.

13. Net Assets

Net assets are comprised of three categories: Net assets invested in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the outstanding liquid assets and any associated unamortized costs. Restricted net assets are restricted assets, net of related debt. Net assets which are neither restricted nor related to capital assets, are reported as unrestricted net assets.

The County issues debt to finance the construction of school facilities for the Public Schools and park facilities for the Park Authority component units because Public Schools does not have borrowing or taxing authority and the Park Authority does not have taxing authority. The County reports this debt, whereas the Public Schools and Park Authority report the related capital assets and unspent bond proceeds. As a result, in the Statement of Net Assets (Exhibit A), the debt reduces unrestricted net assets for the primary government, while the capital assets are reported in net assets invested in capital assets, net of related debt and the unspent bond proceeds are reported in restricted net assets for Public Schools and the Park Authority. Because this debt is related to capital assets and restricted assets of the reporting entity as a whole, the debt amount of $984,800,430 is reclassified as shown below to present the total reporting entity column of Exhibit A:

			Reclassification of Debt Issued for:		
Net Assets (summarized)	Primary Government	Component Units	Public Schools Facilities	Park Authority Facilities	Total Reporting Entity
Invested in capital assets, net of related debt	$1,527,415,368	1,747,908,785	(879,420,157)	(89,319,380)	2,306,584,616
Restricted for:					
Capital projects	-	16,060,893	(14,766,420)	(1,294,473)	-
Other	165,657,952	11,667,034	-	-	177,324,986
Unrestricted	(717,637,187)	73,814,464	894,186,577	90,613,853	340,977,707
Total net assets	$ 975,436,133	1,849,451,176	-	-	2,824,887,309

14. Designations of Unreserved Fund Balances

Unreserved fund balances as of June 30, 2002, have the following significant designations:

Designation	Amount
Primary Government	
General Fund:	
Revenue stabilization during periods of economic downturn	$ 27,492,910
Emergency needs and loss of revenue sources through actions of other governments	46,457,565
Special Revenue Funds:	
I-95 Refuse Disposal Fund - Landfill closure and postclosure costs	65,769,732
Energy Resource Recovery Facility Fund - Solid waste disposal	6,600,908
Total - Primary government	$ 146,321,115
Component Unit - Park Authority	
Park Capital Improvement Fund - E.C. Lawrence Park expenditures	$ 1,507,926

15. Recovered Costs

Reimbursements from another government, organization or private company for utilities, tuition fees, vehicle insurance and services rendered or provided to citizens are recorded as recovered costs.

16. Intermunicipal Agreements

The Sewer System has entered into several intermunicipal agreements for the purpose of sharing sewage flow and treatment facility costs (see Note J). The payments made to reimburse operating costs and debt service requirements are recorded as expenses in the year due. Payments made to fund the Sewer System's portion of facility expansion and upgrade costs are capitalized as purchased capacity (see Note K). The Sewer System amortizes these costs over the period in which benefits are expected to be derived, which is generally 30 years.

The City of Fairfax (the City) makes payments to the County for the City's share of governmental services and debt service costs. Payments for governmental services such as court, jail, custody, health, library, and County agent services are recorded as revenue in the General Fund. Debt service payments represent the City's share of principal and interest and are recorded as revenue in the County Debt Service Fund. In addition, the City pays the County a share of the local portion of all public assistance payments and services including related administrative costs, which is recorded as revenue in the General Fund. The City of Falls Church receives its governmental services from Arlington County. However, Falls Church makes payments to Fairfax County for the full cost of the local portion of public assistance payments (including allocated administrative costs) and for the use of special County health facilities by Falls Church residents. These payments are recorded as revenue in the General Fund.

The County and the cities of Fairfax and Falls Church comprise the Fairfax-Falls Church Community Services Board (CSB), established under State mandate in 1969, to provide mental health, mental retardation and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses the County as its fiscal agent. The operations of the CSB, including payments received from these cities for services performed by the County, are reported in a special revenue fund.

17. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

1. Deposits

At June 30, 2002, all of the reporting entity's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act provides for the pooling of collateral pledged 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 name as security for deposits. 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 banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. 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 the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

A summary of the reporting entity's public deposits at June 30, 2002, is as follows:

	Carrying Value	Bank Balance
Primary government	$ 135,858,182	137,134,243
Component units	67,573,271	68,512,822
Total reporting entity	$ 203,431,453	205,647,065

The bank balance above includes the pooled cash account which, for reporting purposes, has been allocated between the primary government and the participating component units. The differences between carrying values and bank balances generally result from checks outstanding and deposits in transit at June 30, 2002.

2. Allowed Investments

Except for its pension funds, under the Virginia Investment of Public Funds Act, the reporting entity is authorized to purchase the following investments:

* Commercial paper
* Money market funds
* Bankers acceptances
* Repurchase agreements
* Medium term corporate notes
* Local government investment pool
* U.S. Treasury and agency securities
* Obligations of the Asian Development Bank
* Obligations of the African Development Bank
* Obligations of the International Bank for Reconstruction and Development
* Obligations of the Commonwealth of Virginia and its instrumentalities
* Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
* Obligations of state and local government units located within other states
* Savings accounts or time deposits in any bank or savings and loan association within the Commonwealth that complies with the Virginia Security for Public Deposits Act

The reporting entity's investment policy requires that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of the securities underlying repurchase agreements is monitored on a daily basis during the year by the reporting entity to ensure compliance with the policy.

3. Pension Fund Investments

The authority to establish pension funds is set forth in the Code of Virginia, which authorizes the following investments for pension funds:

* U.S. Treasury and agency securities
* Obligations of the Commonwealth of Virginia and its instrumentalities
* Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
* Obligations of state and local governmental units located within other states
* Obligations of the International Bank for Reconstruction and Development
* Obligations of the Asian Development Bank
* Obligations of the African Development Bank

In addition, the Code of Virginia provides that the reporting entity may purchase other investments for pension funds (including common and preferred stocks and corporate bonds) that meet the standard of judgment and care set forth in the Code.

Boards of Trustees policies permit the pension funds to lend their securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The pension funds' custodians are the agents in lending the pension funds' domestic and international securities for collateral of 102 and 105 percent, respectively, of the market value of the related security. The custodians receive cash, securities and irrevocable bank letters as collateral. All securities loans can be terminated on demand by either the pension funds or the borrowers. Cash collateral is invested in the lending agents' collective collateral investment pools. The pension funds do not have the ability to pledge or sell securities received as collateral in the absence of borrower default. The relationship between the maturities of the investment pools and the pension funds' loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pools, which the pension funds cannot determine.

The pension funds did not impose any restrictions during the period on the amounts of loans the lending agents made on their behalf, and the agents have agreed to indemnify the pension funds by purchasing replacement securities, or returning the cash collateral thereof, in the event a borrower fails to return loaned securities or pay distributions thereon. There were no such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from the default of a borrower or lending agent. At year end, the pension funds had no credit risk exposure to borrowers because the amounts the pension funds owed the borrower exceeded the amounts the borrowers owed the pension funds.

4. Custodial Credit Risk Categories

The reporting entity's investments are categorized to give an indication of the level of custodial credit risk assumed by the entity as of June 30, 2002. Category 1 includes investments that are insured or registered, or securities held by the reporting entity or its agent in the reporting entity's name. Category 2 includes investments that are uninsured or unregistered, with securities held by the counterparty's trust department or agent in the reporting entity's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the reporting entity's name. Securities lent for securities and irrevocable letters of credit collateral are classified according to the category of the collateral received. All of the reporting entity's investments are Category 1 investments, except for mutual funds, short-term investment funds, securities lending short-term collateral investment pools and investments held under securities loans with cash collateral, which are not categorized because such investments are not evidenced by specific securities.

5. Investments at June 30, 2002

The reporting entity's investments as of June 30, 2002, are summarized below at carrying value:

INVESTMENTS AT JUNE 30, 2002	
Primary Government	
Pooled Investments:	
Bankers acceptances	$ 149,554,877
Commercial paper	320,747,255
U.S. Treasury securities	254,471,568
Repurchase agreements	67,478,275
Total pooled investments	792,251,975
Integrated Sewer System Fund:	
Repurchase agreements	7,701,712
U.S. Treasury securities	16,621,820
Obligations of authorities of the Commonwealth of Virginia	21,418,061
Total Integrated Sewer System Fund	45,741,593
Vienna/Huntington Metrorail Fund:	
Repurchase agreements	2,199,569
Total Vienna/Huntington Metrorail Fund	2,199,569
Resource Recovery Fund:	
Repurchase agreements	8,373,138
U.S. Treasury securities	24,429,514
Total Resource Recovery Fund	32,802,652
Employees' Retirement System Fund:	
Short-Term Investments:	
Certificates of deposits	2,000,329
Time deposits	5,000,000
Commercial paper	76,864,913
Repurchase agreements	49,959,078
Corporate bonds	9,521,869
Asset-backed securities	55,037,426
Government bonds	11,026,633
Common and Preferred Stock - Not on securities loan	538,518,231
U.S. Treasury securities:	
Not on securities loan	13,982,574
On securities loan for letter of credit collateral	560,031
Asset-backed securities - Not on securities loan	214,864,850
Other bonds and notes	139,744,715
Total Employees' Retirement System Fund	1,117,080,649
Police Officers Retirement System Fund:	
Short-Term Investments:	
Time deposits	7,000,000
Repurchase agreements	72,209,304
Corporate bonds	16,878,368
Common and Preferred Stock - Not on securities loan	235,868,439
U.S. Treasury securities:	
Not on securities loan	6,052,174
On securities loan for letter of credit collateral	44,561
Asset-backed securities:	
Not on securities loan	76,151,513
On securities loan for letter of credit collateral	267,150
Other bonds and notes	71,437,005
Total Police Officers Retirement System Fund	$ 485,908,514

INVESTMENTS AT JUNE 30, 2002 (continued)	
Uniformed Retirement System Fund:	
Short-Term Investments:	
Time deposits	$ 3,000,000
Repurchase agreements	30,857,009
Asset-backed securities	5,833,080
Government bonds	998,740
Corporate bonds	7,701,227
Common and Preferred Stock - Not on securities loan	107,018,261
U.S. Treasury securities:	
Not on securities loan	10,817,999
On securities loan for letter of credit collateral	4,450,906
Asset-backed securities:	
Not on securities loan	92,501,660
On securities loan for letter of credit collateral	518,440
Other bonds and notes - Not on securities loan	77,880,596
Total Uniformed Retirement System Fund	341,577,918
Mutual and Short-Term Investment Funds:	
Integrated Sewer System Fund	2,615
Vienna/Huntington Metrorail Fund	5,085,404
Resource Recovery Fund	25,146
Employees' Retirement System Fund	601,935,524
Police Officers Retirement System Fund	83,222,470
Uniformed Retirement System Fund	298,155,781
Total mutual and short-term investment funds	988,426,940
Securities Lending Short-Term Collateral Investment Pools:	
Employees' Retirement System Fund	78,786,454
Police Officers Retirement System Fund	33,811,115
Uniformed Retirement System Fund:	39,257,381
Total securities lending short-term collateral investment pools	151,854,950
Investments Held under Securities Loans with Cash Collateral:	
Employees' Retirement System Fund:	
Common and preferred stock	14,570,828
U.S. Treasury securities	20,652,971
Asset-backed securities	6,635,571
Other bonds and notes	32,490,912
Police Officers Retirement System Fund:	
Common and preferred stock	1,508,809
U.S. Treasury securities	9,509,540
Asset-backed securities	10,110,600
Other bonds and notes	10,801,558
Uniformed Retirement System Fund:	
Common and preferred stock	4,280,962
U.S. Treasury securities	8,189,288
Asset-backed securities	12,345,331
Other bonds and notes	10,432,295
Total investments held under securities loans with cash collateral	141,528,665
Total primary government	$ 4,099,373,425

INVESTMENTS AT JUNE 30, 2002 (continued)

Component Units	
Pooled Investments:	
Bankers acceptances	$ 41,079,208
Commercial paper	88,101,728
U.S. Treasury securities	69,897,355
Repurchase agreements	18,534,695
Total pooled investments	217,612,986
FCRHA - Repurchase agreements	2,693,421
Park Authority - Money Market	2,121,653
Educational Employees' Supplementary Retirement System Fund:	
Investments Not Held under Securities Loans with Cash Collateral:	
Short-Term Investments - Not on securities loan	52,590,942
U.S. Treasury Securities:	
Not on securities loan	6,923,406
On securities loan for securities collateral	942,450
Corporate bonds	123,249,260
Common Stock - Not on securities loan	761,225,327
Preferred stock	2,272,905
Asset-backed securities	160,843,513
Other bonds and notes	72,387,306
Mutual Funds	93,568,935
Money Market	34,910,700
Securities Lending Short-Term Collateral Investment Pool	128,195,137
Total investments not held under securities loans with cash collateral	1,437,109,881
Investments Held under Securities Loans with Cash Collateral:	
Short-term investments	4,273,405
Common and preferred stock	24,324,770
U.S. Treasury securities	79,725,345
Asset-backed securities	2,819,551
Other bonds and notes	13,412,636
Total investments held under securities loans with cash collateral	124,555,707
Total component units	$ 1,784,093,648
Total reporting entity	$ 5,883,467,073

Reconciliation of the Statements of Net Assets to Total Deposits and Investments	Primary Government			Component Units		
	Governmental and Business-Type Activities (Exhibit A)	Fiduciary Funds (Exhibit A-8)	Total Primary Government	Component Units (Exhibit A)	Fiduciary Funds (Exhibit J-9)	Total Component Units
Equity in pooled cash and temporary investments	$ 728,239,986	15,462,406	743,702,392	238,482,679	-	238,482,679
Cash in banks	-	-	-	6,856,581	268,275	7,124,856
Cash with fiscal agents	-	-	-	-	15,349,781	15,349,781
Cash collateral for securities lending	-	151,854,950	151,854,950	-	-	-
Investments	21,418,061	3,109,522,292	3,130,940,353	-	1,561,665,589	1,561,665,589
Restricted Assets:						-
Equity in pooled cash and temporary investmei	183,000,796	-	183,000,796	16,060,893	-	16,060,893
Cash with fiscal agents	925,270	-	925,270	7,444,059	-	7,444,059
Certificate of deposit - performance bonds	481,699	-	481,699	723,988	-	723,988
Investments	24,326,147	-	24,326,147	4,815,074	-	4,815,074
Total cash and investments	$ 958,391,959	3,276,839,648	4,235,231,607	274,383,274	1,577,283,645	1,851,666,919
Total deposits, including performance bonds			135,858,182			67,573,271
Total investments			4,099,373,425			1,784,093,648
Total deposits and investments			$ 4,235,231,607			1,851,666,919

C. PROPERTY TAXES

Real estate is assessed on January 1 each year at the estimated fair market value of all land and improvements. Real estate taxes are due in equal installments, on July 28 and December 5. Unpaid taxes automatically constitute liens on real property which must be satisfied prior to sale or transfer, and after three years, foreclosure proceedings can be initiated.

Personal property taxes on vehicles and business property are based on the estimated fair market value at January 1 each year. The tax on a vehicle may be prorated for the length of time the vehicle has situs in the County. A declaration form is required to be filed, and there is a ten percent penalty for late filing. Personal property taxes together with vehicle decal fees are due on October 5, with certain exceptions. Delinquency notices are sent before statutory measures, such as the seizure of property and the placing of liens on bank accounts and/or wages, are initiated.

Real estate and personal property taxes not paid by the due dates are assessed a ten percent late payment penalty on the tax amount. Furthermore, interest accrues from the first day following the due date at an annual rate of ten percent for the first year and thereafter at the rate set by the Internal Revenue Service. The net delinquent taxes receivable, including interest and penalties, as of June 30, 2002, after allowances for uncollectible amounts, is $20,072,737, of which $2,908,624 has been included in tax revenue for fiscal year 2002 because it was collected within 45 days after June 30.

As required by GAAP, the County reports real estate and personal property taxes (net of allowances) assessed for calendar year 2002 as receivables and deferred revenue because the County has an enforceable legal claim to these resources at June 30, 2002; however, these resources, which amount to $1,794,277,000, will not be available to the County until fiscal year 2003.

The 1998 Virginia General Assembly enacted the Personal Property Tax Relief Act to provide property tax relief, scheduled to be phased in over five years, on the first $20,000 of value of motor vehicles not used for business purposes. Due to budget constraints, the 2002 Virginia General Assembly has temporarily frozen the tax reduction at 70 percent. The scheduled tax reductions are reflected in the County's invoices to the taxpayers. Following receipt by the County of the reduced tax amounts, the Commonwealth reimburses the County for the tax reductions plus certain administrative costs. For fiscal year 2002, payments from the Commonwealth totaling $188,573,375 are reported as intergovernmental revenue in the General Fund.

D. RECEIVABLES

Receivables and allowances for uncollectible receivables of the primary government at June 30, 2002, consist of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total (Exhibit A)	Fiduciary Funds	Total Primary Government
Receivables:							
Accounts	$ 10,339,068	17,081,439	-	311,450	27,731,957	43,295	27,775,252
Accrued interest	249,495	331,347	111,100	15,899	707,841	14,568,546	15,276,387
Property taxes:							
Delinquent	44,193,405	-	-	-	44,193,405	-	44,193,405
Not yet due	1,607,769,014	7,538,000	-	-	1,615,307,014	-	1,615,307,014
Business license taxes - delinque	6,591,036	-	-	-	6,591,036	-	6,591,036
Receivable from sale of pension investments	-	-	-	-	-	90,245,405	90,245,405
Notes	-	5,667,848	-	-	5,667,848	-	5,667,848
Other	-	-	-	-	45,041 *	-	45,041
Total receivables	1,669,142,018	30,618,634	111,100	327,349	1,700,244,142	104,857,246	1,805,101,388
Allowances for uncollectibles:							
Accounts receivable	-	281,781	-	-	281,781	-	563,562
Property taxes:					-		
Delinquent	24,120,668	-	-	-	24,120,668	-	48,241,336
Not yet due	6,369,000	-	-	-	6,369,000	-	12,738,000
Business license taxes - delinque	4,172,132	-	-	-	4,172,132	-	8,344,264
Total allowances for uncollectibles	34,661,800	281,781	-	-	34,943,581	-	69,887,162
Total net receivables	$ 1,634,480,218	30,336,853	111,100	327,349	1,665,300,561	104,857,246	1,735,214,226

* The other receivables amount represents the amount due from fiduciary funds on a government-wide basis.

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2002, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2001	$ 4,949,394	12,810,203	17,759,597
2000	1,440,986	4,543,769	5,984,755
1999	693,974	3,645,008	4,338,982
Prior Years	2,040,974	7,495,264	9,536,238
Total delinquent taxes	9,125,328	28,494,244	37,619,572
Penalty and interest			6,573,833
Total delinquent taxes, penalty and interest			44,193,405
Allowances for uncollectibles			24,120,668
Net delinquent tax receivables			$ 20,072,737

Receivables of the component units, excluding fiduciary funds, at June 30, 2002, consist of the following:

	Public Schools	FCRHA	Park Authority	Total
Receivables:				
Accounts	$ 7,073,691	1,945,668	37,469	9,056,828
Accrued interest	57,959	47,337	8,016	113,312
Notes	-	9,182,434	-	9,182,434
Mortgages	-	56,202	-	56,202
Other	-	1,653,470	-	1,653,470
Total receivables	7,131,650	12,885,111	45,485	20,062,246
Allowances for uncollectibles	-	2,368,344	-	2,368,344
Total net receivables	$ 7,131,650	10,516,767	45,485	17,693,902

Amounts due to the primary government and component units from other governmental units at June 30, 2002, include:

	Primary Government						Component Unit	
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total (Exhibit A)	Fiduciary Funds	Total	Public Schools	Total Reporting Entity
Federal government	$ 2,774,402	7,944,444	161,512	10,880,358	-	21,760,716	18,669,906	40,430,622
State government:				-				
Property taxes:				-				
Delinquent	10,802,775	-	-	10,802,775	-	21,605,550	-	21,605,550
Allowance for uncollectibles	(5,596,681)	-	-	(5,596,681)	-	(11,193,362)	-	(11,193,362)
Not yet due	177,486,300	-	-	177,486,300	-	354,972,600	-	354,972,600
Allowance for uncollectibles	(5,786,100)	-	-	(5,786,100)	-	(11,572,200)	-	(11,572,200)
Other	30,001,557	6,141,939		36,143,496	34,447	72,321,439	15,241,736	87,563,175
Local governments	1,003,290	987,965	18,470,944	20,462,199	-	40,924,398	71,893	40,996,291
Total governmental units	$ 210,685,543	15,074,348	18,632,456	244,392,347	34,447	488,819,141	33,983,535	522,802,676

E. INTERFUND BALANCES AND TRANSFERS

Payments for fringe benefits are made through the General Fund on behalf of all funds of the County. As a result, interfund payables primarily represent the portion of fringe benefits to be paid by certain other funds to the General Fund. Interfund receivables and payables are also recorded when funds overdraw their share of pooled cash. All amounts are expected to be paid within one year. The composition of interfund balances as of June 30, 2002, is as follows:

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund	$ 4,367,200	-
Nonmajor Governmental Funds	-	3,608,213
Enterprise Fund	-	126,958
Internal Service Funds	187,637	774,625
Fiduciary Funds	-	45,041
Total primary government	$ 4,554,837	4,554,837
Component Unit		
Public Schools:		
General Fund	$ 5,400,000	-
Nonmajor Governmental Funds	-	3,700,000
Internal Service Funds	-	1,700,000
Total component units	$ 5,400,000	5,400,000

Due to/from primary government and component units represent amounts paid by one entity on behalf of the other entity. Due to/from primary government and component units as of June 30, 2002, are as follows:

Receivable Entity	Payable Entity	Amount
Component Units	**Primary Government**	
Public Schools	General Fund	$ 81,235
	Government-wide long-term obligation	6,485,456
Park Authority	General Fund	1,005,946
	Nonmajor Governmental Funds	248,176
EDA	General Fund	103,822
	Total	$ 7,924,635
Primary Government	**Component Unit**	
Nonmajor Governmental Funds	FCRHA	$ 1,591,703

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2002, are as follows:

	Transfers In	Transfers Out
Primary Government		
General Fund	$ 4,614,594	341,424,523
Nonmajor Governmental Funds	343,909,898	6,854,969
Internal Service Funds	2,755,000	3,000,000
Total primary government	$ 351,279,492	351,279,492
Component Unit		
Public Schools:		
General Fund	$ 1,516,947	26,101,844
Nonmajor Governmental Funds	25,832,938	-
Internal Service Funds	268,906	1,516,947
Park Authority:		
Nonmajor Governmental Funds	1,379,575	1,379,575
Total component units	$ 28,998,366	28,998,366

F. CAPITAL ASSETS

The primary government has restated the balances of capital assets at July 1, 2001, to include infrastructure assets and library collections in connection with its implementation of Governmental Accounting Standards Board Statement No. 34 (see also Note L). In addition, the primary government reclassified certain capital assets and removed certain maintenance and landfill closure expenditures that were improperly classified as capital assets in prior years.

As a result, the capital asset balances for the governmental activities of the primary government were restated as follows:

Total capital assets, net, July 1, 2001, as previously reported	$ 1,154,198,398
Infrastructure assets, net, and library collections, net, not previously reported as capital assets	312,566,693
Other adjustments, net	(157,988,795)
Total capital assets, net, July 1, 2001, as restated	$ 1,308,776,296

Capital assets activity for the primary government for the year ended June 30, 2002, is as follows:

	Balances July 1, 2001, as restated	Increases	Decreases	Balances June 30, 2002
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 319,542,863	16,246,729	(10,343,751)	325,445,841
Construction in progress	27,768,043	45,671,964	(21,317,559)	52,122,448
Total capital assets, not being depreciated	347,310,906	61,918,693	(31,661,310)	377,568,289
Capital assets, being depreciated:				
Buildings	669,886,363	37,226,769	(16,310,489)	690,802,643
Improvements	58,828,352	78,515	-	58,906,867
Equipment	192,065,758	28,902,920	(7,218,959)	213,749,719
Infrastructure	365,147,656	11,404,712	-	376,552,368
Library collections	27,841,600	5,616,968	-	33,458,568
Total capital assets, being depreciated	1,313,769,729	83,229,884	(23,529,448)	1,373,470,165
Less accumulated depreciation for:				
Buildings	(141,796,637)	(15,119,224)	1,081,010	(155,834,851)
Improvements	(20,761,179)	(2,462,469)	-	(23,223,648)
Equipment	(109,323,960)	(27,269,721)	3,826,090	(132,767,591)
Infrastructure	(70,800,720)	(9,308,384)	-	(80,109,104)
Library collections	(9,621,843)	(5,568,320)	-	(15,190,163)
Total accumulated depreciation	(352,304,339)	(59,728,118)	4,907,100	(407,125,357)
Total capital assets, being depreciated, net	961,465,390	23,501,766	(18,622,348)	966,344,808
Total capital assets, net - Governmental activities	1,308,776,296	85,420,459	(50,283,658)	1,343,913,097
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	17,383,765	-	(37,685)	17,346,080
Construction in progress	100,995,040	20,362,928	(3,679,360)	117,678,608
Total capital assets, not being depreciated/amortized	118,378,805	20,362,928	(3,717,045)	135,024,688
Capital assets, being depreciated/amortized:				
Buildings	55,221,333	-	-	55,221,333
Improvements	673,339,156	12,259,856	-	685,599,012
Equipment	7,986,091	1,693,274	(326,186)	9,353,179
Purchased capacity	494,320,042	43,545,699	-	537,865,741
Total capital assets, being depreciated/amortized	1,230,866,622	57,498,829	(326,186)	1,288,039,265
Less accumulated depreciation/amortization for:				
Buildings	(23,141,433)	(1,128,895)	-	(24,270,328)
Improvements	(252,283,405)	(15,733,976)	-	(268,017,381)
Equipment	(5,899,458)	(991,825)	319,940	(6,571,343)
Purchased capacity	(34,060,948)	(5,618,542)	-	(39,679,490)
Total accumulated depreciation/amortization	(315,385,244)	(23,473,238)	319,940	(338,538,542)
Total capital assets, being depreciated/amortized,	915,481,378	34,025,591	(6,246)	949,500,723
Total capital assets, net - Business-type activities	1,033,860,183	54,388,519	(3,723,291)	1,084,525,411
Total capital assets, net - Primary government	$ 2,342,636,479	139,808,978	(54,006,949)	2,428,438,508

The Public Schools component unit also restated the balances of capital assets at July 1, 2001, to include library collections and accumulated depreciation in accordance with its implementation of Governmental Accounting Standards Board Statement No. 34 (see also Note L). As a result, the capital asset balances for Public Schools were restated as follows:

Total capital assets, July 1, 2001, as previously reported	$ 1,741,944,093
Library collections, not previously reported as capital assets	17,348,989
Accumulated depreciation, not previously reported	(509,913,297)
Total capital assets, net, July 1, 2001, as restated	$ 1,249,379,785

Capital assets activity for component units for the year ended June 30, 2002, is as follows:

	Balances July 1, 2001, as restated	Increases	Decreases	Balances June 30, 2002
Component Units				
Public Schools				
Capital assets, not being depreciated:				
Land	$ 41,421,804	11,525,152	(9,536,419)	43,410,537
Construction in progress	225,664,151	181,012,730	(105,828,356)	300,848,525
Total capital assets, not being depreciated	267,085,955	192,537,882	(115,364,775)	344,259,062
Capital assets, being depreciated:				
Buildings	901,026,196	15,935,254	(179,834,387)	737,127,063
Improvements	454,439,520	249,384,707	(2,060,082)	701,764,145
Equipment	119,392,422	20,450,452	(10,587,006)	129,255,868
Library collections	17,348,989	3,329,299	-	20,678,288
Total capital assets, being depreciated	1,492,207,127	289,099,712	(192,481,475)	1,588,825,364
Less accumulated depreciation for:				
Buildings	(269,733,766)	(14,463,111)	-	(284,196,877)
Improvements	(169,649,911)	(25,808,569)	-	(195,458,480)
Equipment	(64,329,382)	(10,797,272)	8,122,307	(67,004,347)
Library collections	(6,200,238)	(3,469,798)	-	(9,670,036)
Total accumulated depreciation	(509,913,297)	(54,538,750)	8,122,307	(556,329,740)
Total capital assets, being depreciated, net	982,293,830	234,560,962	(184,359,168)	1,032,495,624
Total capital assets, net - Public Schools	1,249,379,785	427,098,844	(299,723,943)	1,376,754,686
FCRHA				
Capital assets, not being depreciated:				
Land	29,156,983	941,483	-	30,098,466
Construction in progress	9,213,833	3,669,517	(1,941,224)	10,942,126
Total capital assets, not being depreciated	38,370,816	4,611,000	(1,941,224)	41,040,592
Capital assets, being depreciated:				
Buildings and improvements	136,583,074	9,865,861	-	146,448,935
Equipment	5,158,731	57,843	(2,865,503)	2,351,071
Total capital assets, being depreciated	141,741,805	9,923,704	(2,865,503)	148,800,006
Less accumulated depreciation for:				
Buildings and improvements	(54,971,212)	(5,036,727)	-	(60,007,939)
Equipment	(2,325,601)	(65,514)	-	(2,391,115)
Total accumulated depreciation	(57,296,813)	(5,102,241)	-	(62,399,054)
Total capital assets, being depreciated, net	84,444,992	4,821,463	(2,865,503)	86,400,952
Total capital assets, net - FCRHA	$ 122,815,808	9,432,463	(4,806,727)	127,441,544

	Balances July 1, 2001, as restated	Increases	Decreases	Balances June 30, 2002
Component Units (continued)				
Park Authority				
Capital assets, not being depreciated:				
Land	$ 161,221,642	85,662,890	(11,829)	246,872,703
Construction in progress	3,445,309	9,721,119	(4,860,621)	8,305,807
Total capital assets, not being depreciated	164,666,951	95,384,009	(4,872,450)	255,178,510
Capital assets, being depreciated:				
Buildings and improvements	169,419,117	7,506,482	-	176,925,599
Equipment	11,155,963	532,483	(98,699)	11,589,747
Total capital assets, being depreciated	180,575,080	8,038,965	(98,699)	188,515,346
Less accumulated depreciation for:				
Buildings and improvements	(81,658,928)	(4,951,137)	-	(86,610,065)
Equipment	(7,505,114)	(1,172,801)	98,699	(8,579,216)
Total accumulated depreciation	(89,164,042)	(6,123,938)	98,699	(95,189,281)
Total capital assets, being depreciated, net	91,411,038	1,915,027	-	93,326,065
Total capital assets, net - Park Authority	256,077,989	97,299,036	(4,872,450)	348,504,575
EDA				
Capital assets, being depreciated - Equipment	13,141	-	(6,139)	7,002
Less accumulated depreciation - Equipment	(8,940)	(1,400)	6,139	(4,201)
Total capital assets, net - EDA	4,201	(1,400)	-	2,801
Total capital assets, net - Component units	$ 1,628,277,783	533,828,943	(309,403,120)	1,852,703,606

Depreciation and amortization expense for the year ended June 30, 2002, charged to the functions of the primary government and component units is as follows:

	Primary Government	Component Units	Total Reporting Entity
Primary Government:			
General government administration	$ 17,199,553	-	17,199,553
Judicial administration	1,426,212	-	1,426,212
Public safety	8,903,954	-	8,903,954
Public works	34,438,093	-	34,438,093
Health and welfare	2,440,214	-	2,440,214
Community development	11,383,394	-	11,383,394
Parks, recreation and cultural	7,409,936	-	7,409,936
Component Units:			
Public Schools	-	54,538,750	54,538,750
FCRHA	-	5,102,241	5,102,241
Park Authority	-	6,123,938	6,123,938
EDA	-	1,400	1,400
Total depreciation and amortization expense	$ 83,201,356	65,766,329	148,967,685

G. RETIREMENT PLANS

The reporting entity administers the following four separate public employee retirement systems that provide pension benefits for various classes of employees; in addition, professional employees of Public Schools participate in a plan sponsored and administered by the Virginia Retirement System (VRS).

1. Fairfax County Employees' Retirement System

Plan Description

The Fairfax County Employees' Retirement System (ERS) is a cost-sharing multiple-employer defined benefit pension plan which covers only employees of the reporting entity. The plan covers full-time and certain part-time employees of the reporting entity who are not covered by other plans of the reporting entity or the VRS. Information regarding membership in the ERS is disclosed in item 6 of this note.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, or (b) attain the age of 50 with age plus years of creditable service being greater than or equal to 80. 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. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. 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.

The ERS 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 ERS members are established and may be amended by County ordinances. Members may elect to join Plan A or Plan B. Plan A requires member contributions of 4.0 percent of compensation up to the Social Security wage base and 5.33 percent of compensation in excess of the wage base. Plan B requires member contributions of 5.33 percent of compensation. The reporting entity is required to contribute at an actuarially determined rate; the fiscal year 2002 rate is 6.12 percent of annual covered payroll.

Annual Pension Cost

For the years ended June 30, 2002, 2001 and 2000, the County's and Public Schools' annual pension costs were equal to their required and actual contributions, as follows:

	Annual Pension Costs for Years Ended June 30		
	2002	2001	2000
Primary Government	$ 22,800,675	21,993,157	19,912,422
Public Schools	8,283,130	7,967,827	7,221,173
Total	$ 31,083,805	29,960,984	27,133,595

The required contributions for fiscal year 2002 were determined as part of the July 1, 2000 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.3 to 5.4 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of ERS's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. ERS's excess of assets is being amortized as a level percentage of projected payroll on a rolling fifteen-year weighted-average basis. On a weighted-average basis, the remaining amortization period, which is closed as of July 1, 2001, is 16.35 years.

Concentrations

The ERS 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 assets held in trust for pension benefits.

2. Fairfax County Police Officers Retirement System

Plan Description

The Fairfax County Police Officers Retirement System (PORS) is a legally separate single-employer defined benefit pension plan established under the Code of Virginia. The plan covers County police officers who are not covered by other plans of the reporting entity or the VRS and former Park Police officers who elected to transfer to the PORS from the Uniformed Retirement System effective January 22, 1983. Information regarding membership in the PORS is disclosed in item 6 of this note.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement, an individual must meet the following criteria: (a) if employed before July 1, 1981; attained the age of 55 or completed 20 years of creditable service, or (b) if employed on or after July 1, 1981; attained the age of 55 or completed 25 years of creditable service. The normal retirement benefit is calculated using average final compensation and years (or partial years) of creditable service at date of termination. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. 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. To be eligible for early retirement, the employee must have 20 years of creditable service (does not apply if hired before July 1, 1981). The benefit for early retirement is actuarially reduced and payable at early termination.

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

Funding Policy

The contribution requirements of PORS members are established and may be amended by County ordinances. Member contributions are based on 12.0 percent of compensation. The County is required to contribute at an actuarially determined rate; the fiscal year 2002 rate is 21.79 percent of annual covered payroll.

Annual Pension Cost

For each of the years ended June 30, 2002, 2001, and 2000, the County's annual pension cost of $15,077,920, $17,149,427, and $11,950,073, respectively, was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2000 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.5 to 8.0 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of the PORS's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PORS's excess of assets is being amortized as a level percentage of projected payroll on a thirty-year basis. On a weighted-average basis, the remaining amortization period, which is closed at July 1, 2001, is 3.56 years.

Concentrations

The PORS 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 assets held in trust for pension benefits.

3. Fairfax County Uniformed Retirement System

Plan Description

The Fairfax County Uniformed Retirement System (URS) is a single-employer defined benefit pension plan. The plan covers uniformed employees including non-clerical employees of the Fire and Rescue Department and Office of Sheriff, Park Police, Helicopter Pilots, Animal Wardens and Game Wardens who are not covered by other plans of the reporting entity or the VRS. Information regarding membership in the URS is disclosed in item 6 of this note.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement an individual must meet the following criteria: (a) attain the age of 55 with six years of creditable service, or (b) complete 25 years of creditable service. The normal retirement benefit is calculated using average final compensation and years (or partial years) of creditable service at date of termination. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. 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. To be eligible for early retirement employees must have 20 years of creditable service. The benefit for early retirement is actuarially reduced and payable at early termination.

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

Funding Policy

The contribution requirements of URS members are established and may be amended by County ordinances. Plan A members were given the opportunity to enroll in Plan B as of July 1, 1981 and to enroll in Plan C as of April 1, 1997. From July 1, 1981 through March 31, 1997, all new hires were enrolled in Plan B. Plan B members were given the opportunity to enroll in Plan D as of April 1, 1997. From April 1, 1997 forward all new hires are enrolled in Plan D. Plan A requires member contributions of 4.0 percent of compensation up to the Social Security wage base and 5.75 percent of compensation in excess of the wage base. Plan B requires member contributions of 7.08 percent of compensation up to the Social Security wage base and 8.83 percent of compensation in excess of the wage base. Plan C requires member contributions of 4.0 percent of compensation. Plan D requires contributions of 7.08 percent of compensation. The County is required to contribute at an actuarially determined rate; the fiscal year 2002 rate is 18.93 percent of annual covered payroll.

Annual Pension Cost

For each of the years ended June 30, 2002, 2001, and 2000, the County's annual pension cost of $18,778,608, $18,818,351, and $16,489,406, respectively, was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2000 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.1 to 6.1 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of URS's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. URS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a rolling fifteen-year basis. The weighted average remaining amortization period, which is closed at July 1, 2001, is 15 years.

Concentrations

The URS 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 assets held in trust for pension benefits.

4. Educational Employees' Supplementary Retirement System of Fairfax County

Plan Description

The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is a legally separate single-employer retirement system established under the Code of Virginia. The ERFC covers all full-time educational and civil service employees who are employed by the Public Schools and who are not covered by other plans of the reporting entity. The ERFC contains two plans, ERFC and ERFC 2001. ERFC is the original defined benefit plan effective July 1, 1973 and remains in effect. It is, however, closed to new members. Effective July 1, 2001, all new-hire full-time educational and civil service employees are enrolled in the ERFC 2001 plan. This new defined benefit plan incorporates a streamlined stand-alone retirement benefit and allows vested (after five years) members to have a one-time irrevocable option of transferring to a new defined contribution plan. The details of the new defined contribution plan are still being developed and will be incorporated into the plan document when finalized.

The ERFC and ERFC 2001 plans provide retirement, disability, and death benefits to plan members and their beneficiaries. Annual post-retirement increases of 3.0 percent are effective each March 31. All benefits vest after five years of creditable service. Benefit provisions are established and may be amended by the Fairfax County Public School Board. The ERFC plan supplements the Virginia Retirement System plan. The benefit

structure is designed to provide a level retirement benefit through a combined ERFC/VRS benefit structure. The ERFC 2001 plan has a stand-alone structure. Member contributions for the ERFC and ERFC 2001 plans are made through an arrangement which results in a deferral of taxes on the contributions. Further analysis of member contributions may be found in Article III of the ERFC and ERFC 2001 Plan Documents.

The ERFC and ERFC 2001 plans are divided into 12 types of benefit payments. Minimum eligibility conditions for receipt of full benefits range from members attaining the age of 55 with 25 years of creditable service to completing five years of creditable service prior to age 65. A description of each of the 12 types of benefits payments is contained in the actuarial valuation at June 30, 2001. Total plan membership for the plans is disclosed in item 6 of this note.

The ERFC issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Educational Employees' Supplementary Retirement System, 8001 Forbes Place, Springfield, VA 22151.

Funding Policy

The contribution requirements for ERFC and ERFC 2001 members are established and may be amended by the ERFC Board of Trustees. All members are required to contribute 2.0 percent of their covered salaries. The employer is required to contribute at an actuarially determined rate. For fiscal year 2002, the Public Schools is required to contribute 3.69 percent of annual covered payroll for educational employees and civil service employees.

Annual Pension Cost

For each of the years ended June 30, 2002, 2001, and 2000, the Public Schools' annual pension cost of $30,849,067, $29,145,883, and $35,655,898, respectively, was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

a. a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, including an inflation component of 4.0 percent;

b. projected annual salary increases of 4.0 to 8.2 percent, including an inflation component of 4.0 percent; and

c. post-retirement benefit increases of 3.0 percent compounded annually.

The actuarial value of the ERFC's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. ERFC's excess of assets is being amortized as a level percentage of projected payroll over a period of future years, which has never exceeded 30 years. The remaining amortization period, which is closed at June 30, 2001, was 30 years.

Concentrations

The ERFC plans do 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 assets available for benefits.

5. Virginia Retirement System

Plan Description

The Public Schools contributes to the Virginia Retirement System (VRS) on behalf of covered professional Public Schools employees. VRS is a cost-sharing multiple-employer public employee defined benefit pension plan administered by the Commonwealth of Virginia for its political subdivisions. All full-time, salaried permanent employees of participating employers must participate in the VRS.

In accordance with the requirements established by State statute, the VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The VRS issues a publicly available annual report that includes financial statements and required supplementary information for the VRS. This report can be obtained by writing the Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by State statute to contribute 5.0 percent of their annual covered salary to the VRS. If a plan member leaves covered employment, the accumulated contributions plus interest earned may be refunded. In accordance with State statute, the Public Schools is required to contribute at an actuarially determined rate. The rate for fiscal year 2002 was 3.6 percent of annual creditable compensation. State statute may be amended only by the Commonwealth of Virginia Legislature. The Public Schools' contributions to the VRS for the years ended June 30, 2002, 2001 and 2000 were $30,939,858, $60,201,616, and $73,823,688, respectively, equal to the required contributions for each year.

6. Current Plan Membership

At June 30, 2001, the date of the latest actuarial valuations, membership in the reporting entity's plans consisted of:

	Primary Government			Component Unit - Public Schools
	Employees' Retirement System	Police Officers Retirement System	Uniformed Retirement System	Educational Employees' Supplementary Retirement System
Retirees and beneficiaries receiving benefits	3,974	631	636	5,766
Terminated employees entitled to, but not yet receiving, ben	409	4	18	1,157
Active employees	13,849	1,169	1,620	15,955
Total number of plan members	18,232	1,804	2,274	22,878

7. Required Supplementary Information

Pension trend data, including the schedule of funding progress and the schedule of employer contributions, can be found in the required supplementary information section immediately following the notes to the financial statements.

H. RISK MANAGEMENT

The reporting entity is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The County and the Public Schools maintain self-insurance internal service funds for workers' compensation claims and certain property and casualty risks and for health insurance benefits. The County and Public Schools believe that it is more cost effective to manage certain risks internally rather than purchase commercial insurance. The Park Authority, EDA and FCRHA participate in the County's self-insurance program. Participating funds and agencies are charged "premiums" which are computed based on relevant data coupled with actual loss experience applied on a retrospective basis. Liabilities are reported in the self-insurance 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. Because actual claims liabilities depend on such complex factors as inflation, changes in governing laws and standards, and court awards, the process used in computing claims liabilities is reevaluated periodically, to include an annual actuarial study, to take into consideration the history, frequency and severity of recent claims and other economic and social factors. These liabilities are computed using a combination of actual claims experience and actuarially determined amounts and include any specific, incremental claim adjustment expenses and estimated recoveries.

The claims liabilities in the self-insurance funds are discounted at 5.5 percent at June 30, 2002 and 2001, to reflect anticipated investment income. Changes in the balances of claims liabilities during fiscal years 2002 and 2001 are as follows:

	Internal Service Funds			
	Primary Government		Component Unit - Public Schools	
	Self-Insurance	Health Benefits	Insurance	Health Benefits
Liability balances, June 30, 2000	$ 16,107,277	3,457,592	18,854,999	7,640,694
Claims and changes in estimates	8,854,630	35,100,692	4,483,453	103,027,936
Claims payments	(6,157,349)	(34,366,140)	(4,377,586)	(100,629,497)
Liability balances, June 30, 2001	18,804,558	4,192,144	18,960,866	10,039,133
Claims and changes in estimates	7,391,885	42,719,119	2,032,032	113,611,060
Claims payments	(6,799,596)	(40,610,994)	(4,991,539)	(110,564,127)
Liability balances, June 30, 2002	$ 19,396,847	6,300,269	16,001,359	13,086,066

In addition to the self-insurance program, commercial property insurance is carried for buildings and contents plus certain large and costly items such as fire apparatus and helicopters. Excess liability and workers' compensation insurance policies are maintained for exposures above a $1,000,000 self-insured retention. Settled claims have not exceeded any of these commercial coverages in any of the past three fiscal years.

I. LONG-TERM OBLIGATIONS

The following is a summary of changes in the government-wide long-term obligations of the reporting entity for the year ended June 30, 2002:

Summary of Long-Term Obligations (000)

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	$ 1,441,279	258,935	180,568	1,519,646	129,870
Premium on bonds payable	-	5,025	-	5,025	494
Deferred amount on refundings	-	(2,227)	-	(2,227)	(186)
Revenue bonds payable	110,485	-	3,835	106,650	4,030
Special assessment debt with governmental commitment	600	-	75	525	75
State Literary Fund loans	409	-	89	320	90
Compensated absences payable	66,172	46,399	40,013	72,558	44,228
Landfill closure and postclosure obligation	52,111	13,878	219	65,770	16,393
Obligations under capital leases	22,913	33,641	5,596	50,958	9,133
Insurance and benefit claims payable	22,997	50,111	47,411	25,697	13,263
Obligations for claims and judgments	1,419	-	1,219	200	200
Obligation to component unit	8,106	-	1,621	6,485	1,621
Total governmental activities - Primary government	1,726,491	405,762	280,646	1,851,607	219,211
Business-type activities - Sewer System					
Sewer revenue bonds payable:					
Principal amount of bonds payable	442,583	50,000	8,061	484,522	10,249
Discount on bonds payable	(990)	-	(64)	(926)	(64)
Compensated absences payable	1,753	989	1,069	1,673	1,054
Total business-type activities - Primary government	443,346	50,989	9,066	485,269	11,239
Total long-term liabilities - Primary government	$ 2,169,837	456,751	289,712	2,336,876	230,450
Component Units					
Public Schools					
Compensated absences payable	$ 23,210	13,434	14,148	22,496	13,722
Obligations under capital leases	22,656	23,441	18,416	27,681	7,537
Insurance and benefit claims payable	29,000	115,643	115,556	29,087	17,013
Total Public Schools	74,866	152,518	148,120	79,264	38,272
FCRHA					
Revenue bonds payable	12,745	960	1,733	11,972	297
Notes payable	60,157	11,117	3,577	67,697	6,491
Public housing loans	1,922	-	119	1,803	124
Compensated absences payable	852	508	520	840	382
Total FCRHA	75,676	12,585	5,949	82,312	7,294
Park Authority					
Revenue bonds payable:					
Principal amount of bonds payable	12,720	13,015	12,000	13,735	505
Discount on bonds payable	-	(94)	-	(94)	(5)
Deferred amount on refundings	-	(895)	-	(895)	(50)
Revenue notes payable	14,881	16,065	14,881	16,065	16,065
Compensated absences payable	3,417	2,293	2,037	3,673	2,122
Total Park Authority	31,018	30,384	28,918	32,484	18,637
EDA					
Compensated absences payable	136	112	118	130	104
Total long-term liabilities - Component units	$ 181,696	195,599	183,105	194,190	64,307
Total long-term liabilities - Reporting entity	$ 2,351,533	652,350	472,817	2,531,066	294,757

Compensated absences, capital leases and installment purchases, obligation to component unit, and claims and judgments for the primary government will be liquidated by the General Fund and other governmental funds. The sanitary landfill closure and postclosure obligation will be liquidated by the Energy Resource Recovery Facility Fund, a special revenue fund.

1. General Obligation Bonds

General obligation bonds have been issued to provide funding for long-term capital improvements. In addition, they have been issued to refund outstanding general obligation bonds when market conditions enabled the County to achieve significant reductions in its debt service payments. Such bonds are direct obligations of the County, and the full faith and credit of the County are pledged as security. The County is required to submit to public referendum for authority to issue general obligation bonds. At June 30, 2002, the amount of such bonds authorized and unissued is summarized as follows:

Bond Purpose	Amount (000)
School improvements	$ 510,430
Transportation improvements	57,460
Parks and park facilities	47,900
Commercial and redevelopment area improveme	20,580
Neighborhood improvements	2,820
Human services facilities	1,185
Storm drainage improvements	4,660
Adult detention facilities	8,520
Public safety facilities	75,920
Juvenile detention facilities	1,050
Total authorized but unissued bonds	$ 730,525

The Commonwealth of Virginia does not impose a legal limit on the amount of general obligation indebtedness which the County can incur or have outstanding. The Board of Supervisors, however, has self-imposed bond limits which provide that the County's net debt will not exceed three percent of the total market value of taxable real and personal property in the County. In addition, the annual debt service will not exceed ten percent of the annual combined General Fund disbursements. As a financial guideline, the Board of Supervisors also follows a self-imposed limitation in total general obligation bond sales of $1 billion over a five-year period or an average of $200 million annually, with a maximum of $225 million in any given year. All self-imposed bond limits have been complied with at June 30, 2002.

On June 13, 2002, the County issued $258,935,000 of Series 2002A General Obligation Public Improvement and Refunding Bonds dated June 1, 2002, with an average coupon interest rate of 4.61 percent. Of this total, $60,935,000 were issued to currently refund $20,155,000 of outstanding Series 1992B Bonds with an average coupon interest rate of 5.93 percent and to advance refund $39,960,000 of outstanding Series 1995A Bonds with an average coupon interest rate of 5.43 percent. Proceeds of $62,561,378 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow fund to provide for the resources to redeem the Series 1992B and 1995A Bonds on July 18, 2002, and June 1, 2003, respectively. The reacquisition prices exceeded the net

carrying amounts of the refunded bonds by $2,226,614, and this amount is being amortized over the remaining life of the refunded bonds. The County refunded these bonds to reduce its total debt service payments over the next 13 years by approximately $3.8 million and to obtain an economic gain (the difference between present values of the debt service payments on the old and new debt) of approximately $3.3 million.

Detailed information regarding the general obligation bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

2. Lease Revenue Bonds

In March 1994, the EDA issued $116,965,000 of lease revenue bonds to finance the County's acquisition of certain land and office buildings adjacent to its main government center. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on the bonds, the related transactions, including the liability for the bonds, have been recorded in the County's financial statements and not in those of EDA. Neither the bonds nor the related payment responsibility of the County is a general obligation debt of the County, and the full faith and credit of the County is not pledged to the bonds for such payment responsibility.

In October 1996, the FCRHA issued $6,390,000 of lease revenue bonds to finance the construction/renovation of two community center buildings. In December 1998, the FCRHA issued $5,500,000 of lease revenue bonds to finance the renovation and expansion of a third community center building. Also, in May 1999, the FCRHA issued $1,000,000 of lease revenue bonds to finance the construction of an adult day health care center to serve County residents. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest of these bonds, the related transactions, including the liability for these bonds, have been recorded in the County's financial statements and not in those of the FCRHA. Neither these bonds nor the related payment responsibility of the County is a general obligation debt of the County, and the full faith and credit of the County is not pledged to these bonds for such payment responsibility.

Detailed information regarding the lease revenue bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

3. Special Assessment Bonds

In July 1988, Small District One of the Dranesville District issued $1.5 million of serial bonds to provide funds for the expansion and renovation of the McLean Community Center. These bonds are general obligations of the respective District, and the Board of Supervisors is obligated, in each year in which any of these bonds shall be outstanding, to levy and collect an ad valorem tax on all real property in each District subject to taxation to provide funds for the payment of debt service on the bonds. However, these bonds are not general obligations of the County, and the full faith and credit of the County are not pledged as security for any of these bonds.

Detailed information regarding the special assessment bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

4. Sewer Revenue Bonds

In May 1993, the Sewer System issued of $72,100,000 of Series 1993 Sewer Revenue Refunding Bonds, with an average interest rate of 5.39 percent, to advance refund $64,500,000 of Series 1986 Sewer Revenue Bonds. The Series 1993 Refunding Bonds consists of $41,220,000 of serial bonds bearing an average interest rate of 4.86 percent, $22,395,000 of 5.5 percent term bonds due November 15, 2013, and $8,485,000 of 5.65 percent term bonds due November 15, 2015. The term bonds are subject to mandatory sinking fund redemption in varying amounts over fiscal years 2011 through 2016.

In July 1996, the Sewer System issued $104,000,000 of sewer revenue bonds with an average interest rate of 5.8 percent to fund plant expansion of the wastewater treatment facilities at the County's Noman Cole Pollution Control Plant and other system improvements. These Series 1996 bonds consist of $29,860,000 of serial bonds bearing an interest rate of 5.625 percent, $13,725,000 of 5.7 percent term bonds due July 15, 2017, $22,555,000 of 5.8 percent term bonds due July 15, 2022 and $37,860,000 of 5.875 percent term bonds due July 15, 2028. The $74,140,000 of term bonds are subject to mandatory sinking redemption in varying amounts over fiscal years 2015 through 2029.

The aforementioned sewer revenue bonds were issued in accordance with the General Bond Resolution adopted by the Board of Supervisors on July 29, 1985, and are payable from and secured by the net revenue generated through the Sewer System's operations. Accordingly, the Master Bond Resolution includes a rate covenant under which the Sewer System agreed that it will charge reasonable rates for the use of and services rendered by the Sewer System. Furthermore, the Sewer System will adjust the rates from time to time to generate net revenues sufficient to provide an amount equal to 100 percent of its annual principal and interest requirements and the Sewer System's annual commitments to fund its proportionate share of other jurisdictions' debt service requirements. In addition, payment of the principal and the interest on all bonds is insured by municipal bond insurance policies.

In January 1993, UOSA, a joint venture, issued $63,310,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to refund earlier bonds. In January 1996, UOSA issued $288,600,000 of Regional Sewer System Revenue Bonds to finance the cost of expanding the capacity of its wastewater treatment facilities from 32 MGD to 54 MGD and $42,260,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to finance a prior expansion. The Sewer System's share of this debt is $240,773,145, and it is subordinate to the sewer revenue bonds issued by the Sewer System.

In June 2001 and June 2002, the Sewer System issued 20-year subordinated sewer revenue bonds in the amounts of $40,000,000 and $50,000,000, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority. The proceeds have been used to finance a portion of the Sewer System's share of incurred expansion and upgrade costs of the Alexandria Sanitation Authority's wastewater treatment facilities, which provide service to certain County residents. The bonds bear interest rates of 4.1 percent per annum and 3.75 percent per annum, respectively, and collectively require semi-annual debt service payments of $3,318,536. The bonds are subordinated to all outstanding prior bond issues of the Sewer System and payments for operation and maintenance expenses.

Detailed information regarding the sewer revenue bonds outstanding as of June 30, 2002, is contained in Section 5 of this note.

5. County Bonds Payable and Related Interest to Maturity

The County's outstanding general obligation bonds, State Literary Fund loans, lease revenue bonds, special assessment bonds, Sewer System revenue bonds, and the related interest to maturity as of June 30, 2002, are comprised of the following issues:

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Principal Outstanding (000)	Interest Payable to Maturity (000)	Total Principal Outstanding & Interest Payable to Maturity (000)
Governmental activities:								
General Obligation Bonds and Loans:								
General County:								
Series 1992B Refunding	5.60	06-15-92	11-01-02	$ 61	56,820	63	2	65
Series 1992C Refunding	5.30	12-15-92	10-01-02	9,349	85,820	9,349	248	9,597
Series 1993A Refunding	4.90	04-01-93	06-01-03	9,625	113,053	9,625	474	10,099
Series 1993B Public Improvement	5.00	05-15-93	06-01-05	3,250	65,000	9,750	976	10,726
Series 1993C Refunding	4.80-5.40	07-15-93	05-01-12	3,845-8,285	128,635	75,815	20,811	96,626
Series 1994A Public Improvement	5.10-5.30	05-15-94	06-01-05	4,080	81,600	12,240	1,281	13,521
Series 1995A Public Improvement	4.88-5.00	05-15-95	06-01-07	1,850	36,960	9,250	1,381	10,631
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	2,510-2,512	50,250	35,152	14,100	49,252
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,450	69,000	51,750	21,432	73,182
Series 1998A Public Improvement	4.25-5.00	05-15-98	06-01-18	2,435	48,710	38,968	16,404	55,372
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	2,710	54,200	46,070	19,241	65,311
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	1,267-8,379	76,043	69,972	23,083	93,055
Series 1999B Public Improvement	4.50-5.50	12-01-99	12-01-19	180	3,600	3,240	1,580	4,820
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	1,900	38,000	34,200	16,886	51,086
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	110-115	2,250	2,135	980	3,115
Series 2001A Public Improvement	4.25-5.00	06-01-01	06-01-21	2,120	42,400	40,280	18,728	59,008
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	321-17,009	82,238	81,928	15,541	97,469
Series 2002A Public Improvement	2.75-5.00	06-01-02	06-01-22	3,400	68,000	68,000	33,240	101,240
Series 2002A Refunding	2.75-5.00	06-01-02	06-01-15	1,680-3,421	26,149	26,149	7,835	33,984
Total general obligation bonds - General County					1,128,728	623,936	214,223	838,159
Schools:								
Series 1992B Refunding	5.60	06-15-92	11-01-02	64	59,140	62	2	64
Series 1992C Refunding	5.30	12-15-92	10-01-02	5,491	51,205	5,491	145	5,636
Series 1993A Refunding	4.90	04-01-93	06-01-03	7,660	89,987	7,660	373	8,033
Series 1993B Public Improvement	5.00	05-15-93	06-01-05	1,900	38,000	5,700	570	6,270
Series 1993C Refunding	4.80-5.40	07-15-93	05-01-12	3,715-8,010	124,410	73,325	20,124	93,449
Series 1994A Public Improvement	5.10-5.30	05-15-94	06-01-05	3,825	76,500	11,475	1,201	12,676
Series 1995A Public Improvement	4.88-5.00	05-15-95	06-01-07	3,150	63,000	15,750	2,352	18,102
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	3,195-3,198	63,900	44,738	17,944	62,682
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,750	75,000	56,250	23,289	79,539
Series 1997B Public Improvement	4.50-5.00	12-01-97	12-01-17	3,000	60,000	48,000	18,930	66,930
Series 1998A Public Improvement	4.25-5.00	05-15-98	06-01-18	1,365	27,290	21,833	9,189	31,022
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	5,000	100,000	85,000	35,501	120,501
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-14	1,053-6,961	63,172	58,128	19,177	77,305
Series 1999B Public Improvement	4.50-5.50	12-01-99	12-01-19	4,000	80,000	72,000	35,125	107,125
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	2,500	50,000	45,000	22,220	67,220
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	2,500	50,000	47,500	22,075	69,575
Series 2001A Public Improvement	4.25-5.00	16-01-01	06-01-21	4,000	80,000	76,000	35,333	111,333
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	224-11,836	57,227	57,012	10,815	67,827
Series 2002A Public Improvement	2.75-5.00	06-01-02	06-01-22	6,500	130,000	130,000	63,545	193,545
Series 2002A Refunding	2.75-5.00	06-01-02	06-01-15	1,410-4,474	34,786	34,786	11,965	46,751
Total general obligation bonds - Schools					1,373,617	895,710	349,875	1,245,585
Total general obligation bonds					$ 2,502,345	1,519,646	564,098	2,083,744

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Principal Outstanding (000)	Interest Payable to Maturity (000)	Total Principal Outstanding & Interest Payable to Maturity (000)
State Literary Fund Loans - Schools:								
Terra Centre Elementary	3.00	01-01-83	01-01-03	$ 18	350	18	1	19
Science Lab #1	3.24	04-01-86	04-01-06	64	1,274	256	20	276
Science Lab #2	5.00	10-01-87	10-01-08	8	148	46	9	55
Total State Literary Fund loans					1,772	320	30	350
Lease Revenue Bonds:								
EDA Lease Revenue Bonds - Series 19	5.20-5.50	03-01-94	11-15-18	3,560-8,550	116,965	95,710	53,464	149,174
FCRHA Lease Revenue Bonds:								
Series 1996	5.10-5.55	09-15-96	06-01-17	240-505	6,390	5,340	2,632	7,972
Series 1998	3.70-4.85	12-01-98	06-01-18	210-390	5,500	4,615	1,987	6,602
Series 1999	4.30-5.38	05-27-99	05-01-29	20-65	1,000	985	886	1,871
Total lease revenue bonds					129,855	106,650	58,969	165,619
Special Assessment Bonds - Small District:								
One of the Dranesville District (McLean Community Center)	6.90-7.40	07-01-88	7-01-09	75	1,500	525	134	659
Total governmental activities					2,635,472	1,627,141	623,231	2,250,372
Business-type activities - Sewer System								
Revenue Bonds:								
Series 1993 Refunding	4.85-5.65	05-15-93	11-15-15	3,025-6,505	72,100	61,686	25,710	87,396
UOSA Bonds Subordinated	2.90-6.00	01-12-94	07-01-29	3,431-15,574	240,773	233,531	198,859	432,390
Series 1996	5.63-5.88	07-01-96	07-15-28	1,510-7,300	104,000	99,985	98,909	198,894
Series 2001 Subordinated	4.10	06-01-01	02-01-21	1,401-2,910	40,000	39,320	17,666	56,986
Series 2002 Subordinated	3.75	09-01-02	03-01-22	881-3,538	50,000	50,000	21,145	71,145
Total business-type activity - Sewer System					506,873	484,522	362,289	846,811
Total County bond and loan indebtedness					$ 3,142,345	2,111,663	985,520	3,097,183

Principal and interest to maturity (in thousands) for the County's general obligation bonds, State Literary Fund loans, lease revenue bonds, special assessment bonds, and Sewer System revenue bonds outstanding at June 30, 2002, are as follows:

	Governmental Activities								Business-Type Activity			
	General Obligation Bonds and Loans		State Literary Fund Loans		Lease Revenue Bonds		Special Assessment Bonds		Sewer System Revenue Bonds		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	$ 129,870	72,534	90	11	4,030	5,761	75	35	10,249	23,460	144,314	101,801
2004	123,414	66,844	72	8	4,240	5,557	75	30	11,842	23,632	139,643	96,071
2005	122,456	61,064	71	6	4,450	5,335	75	25	12,288	23,026	139,340	89,456
2006	118,481	55,243	71	3	4,690	5,098	75	19	13,055	22,386	136,372	82,749
2007	114,120	49,544	8	1	4,940	4,850	75	14	14,319	21,701	133,462	76,110
2008-2012	475,780	170,139	8	1	29,030	19,917	150	11	85,354	96,879	590,322	286,947
2013-2017	303,145	73,500	-	-	37,840	11,097	-	-	100,381	73,149	441,366	157,746
2018-2022	132,380	15,230	-	-	17,035	1,266	-	-	99,022	49,508	248,437	66,004
2023-2027	-	-	-	-	270	78	-	-	93,396	25,516	93,666	25,594
2028-2032	-	-	-	-	125	10	-	-	44,616	3,032	44,741	3,042
Totals	$ 1,519,646	564,098	320	30	106,650	58,969	525	134	484,522	362,289	2,111,663	985,520

6. Park Authority Bonds and Note Payable

In February 1995, the Park Authority issued $13,870,000 of Park Facilities Revenue Bonds, Series 1995 to fund the construction of additional golf facilities for County residents and patrons. On September 20, 2001, the Park Authority issued $13,015,000 of Park Facilities Revenue Refunding Bonds, Series 2001 dated September 15, 2001, with an average interest rate of 4.36 percent to advance refund $11,670,000 of the outstanding Series 1995 Bonds with an average interest rate of 6.62 percent. Proceeds of $12,615,112 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow fund to provide for the resources to redeem the Series 1995 Bonds

on July 15, 2003. The reacquisition price exceeded the net carrying amount of the refunded bonds by $945,112, and this amount is being amortized over the remaining life of the refunded bonds. The Park Authority refunded these bonds to reduce its total debt service payments over the next 19 years by $1,552,152 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1,002,961. These bonds are solely the obligations of the Park Authority and are payable from the Park Revenue Fund's revenues from operations, earnings from investments, and certain fund balance reserves. The debt service requirements for the outstanding bonds are:

	Component Unit - Park Authority			
Fiscal Year	Interest Rate	Principal	Interest	Total
2003	4.39 %	$ 505,000	487,373	992,373
2004	4.60	530,000	550,898	1,080,898
2005	3.10	555,000	523,995	1,078,995
2006	3.20	570,000	507,623	1,077,623
2007	3.40	585,000	489,953	1,074,953
2008-2012	3.85	3,245,000	2,132,172	5,377,172
2013-2017	4.43	3,930,000	1,435,867	5,365,867
2018-2021	4.75	3,815,000	463,363	4,278,363
Totals		$ 13,735,000	6,591,244	20,326,244

During fiscal year 2001, the Park Authority issued subordinated park facilities revenue notes in the amounts of $12,750,000 and $2,131,000 to finance the acquisition of certain properties for use as parkland. Each of these notes was redeemed during fiscal year 2002 via the issuance of a new note in the amount of the maturing principal plus the accrued interest. Similar redemptions and issuances occurred in July 2002. The County has agreed to provide the Park Authority with the funds needed to meet the principal and interest payment obligations of these notes from the County's General Fund. Relevant information pertaining to these notes is shown below.

Issue Dates	Redemption & Maturity Dates	Principal	Interest Rate
March 30, 2000	July 31, 2001	$ 12,750,000	6.825 %
May 24, 2001	August 27, 2001	2,131,000	3.870
July 31, 2001	July 31, 2002	13,912,667	3.810
August 27, 2001	July 31, 2002	2,152,305	3.625
July 31, 2002	July 31, 2003	14,442,740	2.030
July 31, 2002	July 31, 2003	2,224,691	2.030

7. FCRHA Bonds, Notes, and Loans Payable

In June 1989, the FCRHA issued $6,120,000 of 8.95 percent Elderly Bonds, Series 1989A. On August 29, 1996, on behalf of the Little River Glen project, the FCRHA issued FHA insured mortgage revenue bonds with an original principal amount of $6,340,000 and interest rates which vary between 4.65 and 6.10 percent with final payment due September 1, 2026, to redeem, through advance refunding, the Elderly Bonds on June 1, 1999. At June 30, 2002, $5,870,000 was outstanding on the FHA revenue bonds.

In November 1, 1992, the FCRHA issued $3,910,000 of special limited obligation bonds, carrying a coupon interest rate of 7.5 percent, payable semi-annually and maturing June 15, 2018. The proceeds of the bonds were used to finance the purchase of the FCRHA's Pender Drive office building. In June 1998, the FCRHA issued Series 1998 Lease Revenue bonds with an original principal amount of $3,630,000 and an interest rate of 4.71 percent with final payment due June 15, 2018, to advance refund the outstanding special limited obligation bonds. The new bonds are secured by the FCRHA's interest in payments under the lease agreements between FCRHA and the County whereby the FCRHA leases its Pender Drive Office building to the County and a first deed of trust on the office building. Proceeds from the new bonds along with other cash sources, totaling approximately $4,000,000, were placed in irrevocable escrow accounts to provide for all future debt service payments on the old bonds, which will be redeemed on June 15, 2018. At June 30, 2002, $3,150,000 was outstanding on the new bonds. These bonds are not obligations of the County.

In August 1997, FCRHA issued tax-exempt revenue bonds with a principal amount totaling $2,875,000 with an interest rate of 6.1 percent and final payments due July 1, 2027. The land, building, and equipment of the Herndon Harbor House Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were placed in irrevocable escrow accounts to make a loan to the Herndon Harbor House Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility. At June 30, 2002, $959,855 was outstanding for the new bond.

In May 1999, the FCRHA issued three Multifamily Housing Revenue Bonds in the principal amounts of $1,500,000, $225,000 and $1,775,000, bearing interest at the rates of 4.0 percent, 4.875 percent and 5.5 percent, and having final payment dates of November 1, 2002, May 1, 2009, and May 1, 2029, respectively. The proceeds of these bonds were placed in irrevocable escrow accounts to provide a loan to the Herndon Harbor II Limited Partnership to finance a portion of the costs for the acquisition, construction, and equipping of the Herndon Harbor rental property, which is pledged as security for the bonds. As of June 30, 2002, $1,992,523 was outstanding on these bonds.
To permanently finance certain public housing projects, the FCRHA issued notes to the Federal Financing Bank. These notes are payable in annual installments each November 1, until maturity in 2015 with interest at 6.6 percent. They are secured by the projects' land, buildings and equipment. Principal and interest is paid annually by HUD under the Annual Contributions Contract. As of June 30, 2002, $1,382,842 was outstanding on the notes.

To permanently finance the Rosedale Manor public housing project, the FCRHA issued public housing bonds in the original principal amount of $1,260,000 with interest at 5.0 percent maturing April 1, 2009. Principal and interest is paid semi-annually by HUD under the Annual Contributions Contract. As of June 30, 2002, $420,000 was outstanding on the bonds.

The FCRHA has also issued various notes to finance its operations.

FCRHA Public Housing bonds, notes, and loans payable as of June 30, 2002, excluding its component units, are as follows:

Series	Secured By	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Total Principal Outstanding (000)
Housing Bonds Payable:							
Mortgage revenue bonds	Little River Glen rental property	4.65-6.10	08-29-96	09-01-26	$ 100	6,340	5,870
Lease revenue bonds	FCRHA revenues	4.71	06-15-98	06-15-18	125	3,630	3,150
Tax-exempt revenue bonds	Herndon Harbor I - rental property	6.10	08-01-97	07-01-27	16-30	2,875	960
Multi-family revenue bonds	Herndon Harbor II - rental property	4.00-4.875	05-01-99	05-01-29	30-40	3,500	1,992
Total bonds payable - FCRHA						16,345	11,972
Mortgage Notes Payable:							
United Bank	One University Plaza office building	5.75	11-01-97	01-31-04	13-18	363	295
SunTrust Bank	United Community Ministries	4.71	08-25-98	04-01-13	20-35	400	322
	Creighton Square	7.10	06-25-99	07-01-12	30-40	550	465
	Leland Road Group Home property	5.55	10-06-99	04-01-17	21-31	615	555
Bank of America	Cholster Town, McLean Hills and Springfield Green rental properties	8.50	04-01-95	04-01-05	7-12	1,072	841
U.S. Dept. of Housing and Urban Development	Hopkins Glen rental property	3.00	07-12-98	04-01-10	35-49	1,112	341
	Various FCRHA rental properties	6.45-9.15	02-01-92	varies	285	5,690	2,840
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	50	500	200
	Stonegate Village rental property	8.00-9.25	02-01-91	varies	55-205	1,700	710
	Various FCRHA rental properties	3.73-7.90	02-01-93	varies	155	3,100	1,705
	Various FCRHA rental properties	4.75-7.18	08-01-94	varies	195-205	3,775	2,410
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	5	80	50
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	25	500	350
	Cedar Ridge rental property	1.00	05-24-95	varies	-	1,510	1,318
	Various FCRHA rental properties - Section 108 interim financing	90% of 30 day LIBOR	08-23-99	08-01-17	Int. only	215	215
Virginia Housing Development Authority	Minerva Fisher-Hall Group Home property	8.07	07-01-79	06-01-19	2-16	437	339
	Penderbrook rental property	10.25	09-01-88	10-01-18	16-25	770	655
	Rolling Road Group Home property	8.00	09-21-00	09-01-20	5-20	234	224
	Patrick Street Group Home property	8.00	06-01-02	05-01-22	3-22	239	238
	Mount Vernon Group Home property	8.00	01-01-93	04-01-22	5-15	246	215
	West Ox Group Home property	8.00	01-01-92	11-01-02	15-20	842	743
	First Stop Group Home property	8.00	01-30-95	03-01-05	6-8	453	417
Various note holders within the Hom Improvement Loan Program	Various properties owned by note holders	9.00-12.50	varies	varies	5-6	65	58
First Union Bank	Various properties-interim financing	90% of 30 day LIBOR	varies	02-13-03	Int. only	2,460	2,448
Midland Loan Services	Cedar Ridge rental property	7.05	07-01-95	07-01-35	77-100	10,131	9,719
Fairfax County Board of Supervisors	Unsecured Bond Anticipation Note	6.13	11-17-00	11-17-02	Int. only	200	200
	Unsecured Bond Anticipation Note	5.38	01-03-01	01-03-03	Int. only	500	500
	Unsecured Bond Anticipation Note	4.39	07-13-01	07-13-03	Int. only	700	700
	Unsecured Bond Anticipation Note	2.86	10-16-01	10-16-03	Int. only	1,000	1,000
	Unsecured Bond Anticipation Note	3.17	02-13-02	02-13-04	Int. only	2,400	2,400
WMF Huntoon Paige	Cedar Ridge rental property	7.05	11-01-70	09-01-10	90-100	2,850	894
Federal Financing Bank	Property, plant, and equipment	6.60	07-09-82	11-01-12	40-55	1,143	641
Total mortgage notes payable - FCRHA						45,851	34,008
Public Housing Loans Payable:							
Public housing notes - Federal Financing Bank	The projects' land, buildings, and equipment	6.60	02-05-82	11-01-15	74-100	2,348	1,383
Public housing bonds	Declaration of Trust	5.00	04-01-68	04-01-09	50-60	1,260	420
Total public housing loans payable - FCRHA						3,608	1,803
Total public housing bonds, notes, and loans payable - FCRHA primary government						$ 65,804	47,783

The FCRHA's annual required principal payments on the bonds, loans, and notes payable, excluding its component units, are as follows:

	Component Unit - FCRHA							
	Bonds Payable		Public Housing Loans		Notes Payable		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	$ 297,153	674,154	124,057	112,518	4,485,569	1,789,078	4,906,779	2,575,750
2004	300,122	658,762	133,945	105,130	5,847,905	1,686,441	6,281,972	2,450,333
2005	318,277	643,052	143,933	97,392	1,852,514	1,558,082	2,314,724	2,298,526
2006	341,632	626,156	149,695	88,630	2,155,395	1,583,912	2,646,722	2,298,698
2007	350,195	608,297	160,616	79,710	1,177,392	1,290,288	1,688,203	1,978,295
2008-2012	2,087,829	2,731,115	711,300	255,575	5,967,505	5,166,863	8,766,634	8,153,553
2013-2017	2,757,386	2,083,150	379,296	54,708	4,040,286	3,489,070	7,176,968	5,626,928
2018-2022	2,383,251	1,326,593	-	-	1,994,246	2,651,787	4,377,497	3,978,380
2023-2027	2,881,990	565,882	-	-	1,850,554	1,979,806	4,732,544	2,545,688
2028-2032	254,543	13,911	-	-	2,586,906	1,212,623	2,841,449	1,226,534
2033-2037	-	-	-	-	2,049,454	230,360	2,049,454	230,360
Total FCHRA primary government	$ 11,972,378	9,931,072	1,802,842	793,663	34,007,726	22,638,310	47,782,946	33,363,045

8. Conduit Debt Obligations

The FCRHA is empowered by the Commonwealth of Virginia to issue tax-exempt bonds on behalf of qualified businesses to develop or rehabilitate low income housing within the County. Principal and interest on the tax-exempt bonds are paid entirely by the owners of the properties, which have entered into binding contracts to develop or rehabilitate the subject properties. The terms of the tax-exempt bonds stipulate that neither the FCRHA nor the County guarantee the repayment of principal and interest to the bondholders. A bondholder's sole recourse in the event of default on the tax-exempt bonds is to the subject property and third-party beneficiaries. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, approximately $174 million of such tax-exempt bonds are outstanding.

The EDA is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating and/or expanding their operations within the County. Principal and interest on the IRBs are paid entirely by the businesses. The terms of the IRBs stipulate that neither the EDA nor the County guarantees the repayment of principal and interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the principal amounts outstanding on these IRBs total approximately $556.8 million.

9. Defeasance of Debt

During fiscal year 2002 and in prior years, components of the reporting entity have defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2002, the following amounts of outstanding bonds are considered defeased:

County general obligation bonds	$ 60,115,000
Park Authority revenue bonds	11,670,000
FCRHA general and limited obligation bond	3,345,932
Sewer System revenue bonds	100,000
Total reporting entity	$ 75,230,932

10. Sanitary Landfill Closure and Postclosure Obligation

State and federal laws require the County to place a final cover on its I-95 Sanitary Landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The existing raw waste and ash disposal units are filled to capacity. As of June 30, 2002, closure expenditures have been incurred for approximately 55 percent of the area involved. A new ash disposal unit is under construction. The ash disposal units meet or exceed all EPA Subtitle D requirements for waste disposal. The County holds permits which allow it to continue using the landfill until approximately 2020. The $49,376,935 reported as the landfill closure and postclosure care obligation – portion due or payable after one year in the Statement of Net Assets at June 30, 2002, represents the total estimated cost remaining to be incurred based on landfill capacity used to date. The actual cost may vary due to inflation, changes in technology, or changes in regulations. The closure and postclosure care costs for the new ash disposal unit have not been determined since no waste has been accepted into this unit as of June 30, 2002. Although it is expected that the landfill closure and postclosure care costs will be funded from landfill tipping fees, if closure and postclosure care costs exceed available resources in the I-95 Refuse Disposal Fund, funding may be sought from other participants who used the landfill, such as Washington D.C., Arlington County, and the City of Alexandria; the amounts which might be obtained from these jurisdictions have not been determined.

11. Obligations Under Capital Lease and Installment Purchase Agreements

The reporting entity has financed the acquisition of certain capital assets by entering into capital leases and installment purchase agreements. The types of capital assets and the minimum obligations under these agreements as of June 30, 2002, are as follows:

	Primary Government - Governmental Activities	Component Unit - Public Schools
Asset Class	Minimum Obligations	Minimum Obligations
Land	$ 3,099,226	-
Buildings	26,635,796	1,408,126
Improvements	3,029,436	-
Equipment	18,193,193	26,272,676
Total	$ 50,957,651	27,680,802
Fiscal Year	Minimum Obligations	Minimum Obligations
2003	$ 9,133,389	8,684,417
2004	7,891,696	8,444,116
2005	6,354,882	6,161,172
2006	6,349,822	5,009,170
2007	3,447,864	2,196,215
2008-2012	12,266,209	-
2013-2017	10,691,105	-
2018-2022	10,689,778	-
2023-2027	10,495,180	-
2028-2032	10,354,520	-
Total minimum obligations	87,674,445	30,495,090
Less portion representing interest	36,716,794	2,814,288
Present value of minimum obligation	$ 50,957,651	27,680,802

12. Obligation to Component Unit

The County has a liability of approximately $6.5 million to the Public Schools that originated in 1983 upon the recognition of teachers' compensation in the year services are rendered rather than over the twelve-month contract period ending in August. The County agreed to fund the original liability of approximately $46.4 million over a period of years beginning in fiscal year 1984. Payments to Public Schools were deferred from fiscal years 1990 through 1996. In fiscal year 2002, the County paid the sixth of ten equal annual installments of $1.62 million from the General Fund towards the remaining liability. This liability is included with "Other" long-term liabilities in the statement of net assets.

J. LONG-TERM COMMITMENTS

1. Washington Metropolitan Area Transit Authority (WMATA)

The County's commitments to WMATA are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies and debt service for the rail, bus and paratransit systems. The County's commitments in each of these areas are summarized below.

Capital Contributions - Rail Construction

Since 1970, the County and other local jurisdictions have entered into five Interim Capital Contribution Agreements (ICCA) with WMATA. These agreements are to provide local funds to match federal government appropriations to fund the construction of the 103-mile Metrorail Adopted Regional System. The final 13.5 miles of construction was funded through ICCA-V and Public Law 101-551. In approving ICCA-V, the jurisdictions agreed to provide local matching contributions totaling $780 million over the life of the authorization. The agreement requires the County to provide $113.2 million in matching funds between fiscal years 1993 and 2004. The County is providing this match through a combination of state aid, state bonds and locally generated funds.

For fiscal year 2002, the County's obligation of approximately $3.7 million was funded with County general obligation bond proceeds. The County's total obligations to date of approximately $237.2 million for Metrorail construction have been funded with $129.0 million of County general obligation bond proceeds, $105.1 million of state aid provided to the County through the NVTC and $3.1 million of credits available at WMATA. As of June 30, 2002, the County is obligated to contribute an additional $1.0 million toward Metrorail construction. It is anticipated that this obligation will be paid from state aid provided through the NVTC and the proceeds of County general obligation bonds.

Capital Contributions - Bus and Rail Replacement and Rehabilitation

Each fiscal year, the County makes contributions for capital purchases for WMATA's bus system and to improve the reliability of capital equipment. The County's obligation of approximately $6.9 million for fiscal year 2002 was funded with $3.2 million of County general obligation bond proceeds and $3.7 million of state aid provided through the NVTC. It is anticipated that the County's obligations for fiscal year 2003 will be funded with state aid and County general obligation bond funds.

Operating Subsidies and Debt Service

The County and other local jurisdictions continue to contribute toward WMATA's deficits resulting from the operation of the Metrorail, Metrobus and MetroAccess (paratransit) systems and the debt service on federally guaranteed transit revenue bonds issued by WMATA. For fiscal year 2002, the County's obligation of approximately $50.8 million for operating subsidies and debt service was funded with $9.6 million from the County's Metro Operations and Construction Fund and $41.2 million from state aid for transportation and regional gasoline tax receipts. It is anticipated that the County's expenditures for fiscal year 2003 will be approximately $11.5 million.

2. Virginia Railway Express (VRE)

The County, as a member of the NVTC and in cooperation with the Potomac and Rappahannock Transportation Commission (PRTC), is a participating jurisdiction in the operation of the VRE commuter rail service. The service primarily consists of rush hour trips originating from Manassas, Virginia and from Fredericksburg, Virginia to Union Station in Washington, DC. There are five stations in Fairfax County.

In October 1989, the Board of Supervisors of Fairfax County approved the Commuter Rail Master Agreement and financial plans. The Master Agreement requires the County to contribute to capital, operating and debt service costs of the VRE on a pro rata basis according to its share of ridership and population. In February 1990, NVTC sold $79.4 million in bonds to finance passenger cars, locomotives, yard facilities and stations. Approximately $6 million of the bond proceeds was made available to the County to assist with financing its local stations. The County's fiscal year 2002 contribution to VRE's commuter rail operating, capital and debt service cost was $2.5 million. Also, the County has been authorized to apply $5.2 million of general obligation bond proceeds toward the cost of commuter rail facilities within the County. Through June 30, 2002, approximately $3.9 million of this amount has been expended.

3. Operating Lease Commitments

The County and the EDA lease real estate under various long-term lease agreements. Certain leases contain provisions which allow for increased rentals based upon increases in real estate taxes and the Consumer Price Index. All lease obligations are contingent upon the Board of Supervisors appropriating funds for each fiscal year's payments. For fiscal year 2002 the County's and EDA's total expenditures for these operating leases were $11,413,944 and $647,232, respectively. At June 30, 2002, the minimum long-term real estate lease commitments accounted for as operating leases were as follows:

	Primary Government	Component Unit
Fiscal Year	Governmental Activities	EDA
2003	$ 10,098,248	894,485
2004	8,147,901	772,241
2005	5,907,126	882,058
2006	5,291,049	902,762
2007	3,977,109	929,845
2008-2012	5,963,157	1,669,450
2013-2017	3,336,707	-
2018-2022	1,134,205	-
2023-2027	274,853	-
2028-2032	178,654	-
Total	$ 44,309,009	6,050,841

4. Intermunicipal Agreements

Alexandria Sanitation Authority

At June 30, 2002, the Sewer System was obligated under an agreement with the City of Alexandria, Virginia, Sanitation Authority (ASA) to share the construction and operating costs and debt service requirements for certain sewage treatment facilities. Under this agreement, the City of Alexandria is conducting the expansion and general improvement of the facilities. The Sewer System's share of the estimated cost is approximately $180 million, of which approximately $79 million has been incurred to date. The Sewer System is allowed only one non-voting representative at the meetings of the ASA and has no significant influence in the management of the treatment facilities. In addition, the Sewer System has no direct ongoing equity interest in the assets or liabilities of the ASA.
The ASA agreement sets forth a method for allocating the construction costs associated

with the ASA's treatment facilities. The Sewer System paid the ASA $29,158,748 in fiscal year 2002 to fund its share of construction costs, and it estimates its share of fiscal year 2003 expansion and improvements to be $24,900,000. The Sewer System made payments to the ASA in 2002 of $10,476,230 for its share of the ASA's operating costs.

Blue Plains Intermunicipal Agreement

In 1985, the users of the Blue Plains Waste-Water Treatment Plant - Fairfax County, the District of Columbia (District), Montgomery and Prince George's Counties in Maryland, and the Washington Suburban Sanitary Commission (WSSC) - entered into the Blue Plains Intermunicipal Agreement (IMA). The IMA sets forth the method for allocating the capital and operating costs associated with the facility. Currently, the County has a capacity entitlement of 24.69 million gallons per day (MGD) of the plant's interim treatment capacity of 325 MGD. Under the terms of the IMA, the County's capacity entitlement will increase to 31 MGD when the Blue Plains Plant is fully upgraded and expanded to 370 MGD. The County purchased this capacity entitlement through contributions to the capital construction program at the plant.

The District established an independent Water and Sewer Authority (WASA), effective April 18, 1996, to operate its water and sewer systems and the Blue Plains Plant. The WASA has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from Fairfax County. The WASA is honoring the capacity entitlements assigned to Blue Plains users under the IMA. The County has no significant control over plant operations and construction and no ownership interest in the assets of the plant under the IMA.

The Sewer System made payments of $9,473,593 to the District in fiscal year 2002 for its share of the plant's operating costs and $3,665,746 to fund its portion of current construction costs. For fiscal year 2003, the County estimates that its share of these costs will be $9,500,000 and $17,500,000, respectively.

Upper Occoquan Sewage Authority

As described in Note A, the Upper Occoquan Sewage Authority (UOSA) is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act to be the single regional entity to construct, finance, and operate the regional sewage treatment facility for the upper portion of the Occoquan Watershed. The capacity of UOSA's treatment facility has been 32 MGD. An expansion of its facility to a capacity of 54 MGD is expected to be completed during fiscal year 2003. Each jurisdiction's allocated share of UOSA's capacity as of June 30, 2002, is as follows:

Member Jurisdiction	Old Capacity (MGD)	New Capacity (MGD)
Fairfax County	13.1899	27.5999
Prince William County	9.9981	15.7971
City of Manassas	6.8663	7.6893
City of Manassas Park	1.9457	2.9137
Total	32.0000	54.0000

UOSA's current operating expenses, construction costs, and annual debt service payments are funded by each of the participating jurisdictions based on their allocated capacity, with certain modifications. The Sewer System made payments to UOSA in fiscal year 2002 of $8,047,974 to pay its share of USOA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2001 and 2000 (the most recent audited financial information available) is as follows:

	2001	2000
Total assets	$ 476,454,006	467,683,474
Total liabilities	(397,135,178)	(398,620,023)
Total equity	79,318,828	69,063,451
Total revenue	45,276,862	36,822,826
Total expenses	(26,289,560)	(23,488,192)
Net income	$ 18,987,302	13,334,634

Arlington Agreement

In January 1989, the Sewer System signed the Sewage Conveyance Treatment and Disposal Agreement (Arlington Agreement) with Arlington County, Virginia, which obligates the Sewer System to share the construction and operating costs for certain sewage treatment facilities owned and operated by Arlington County. The Sewer System has no direct on-going equity interest in the facilities' assets and liabilities. Furthermore, the Sewer System has no significant influence over the management of the treatment facilities.

The Arlington Agreement sets forth a method for allocating construction and operating costs associated with Arlington's treatment facilities. In fiscal year 2002, the Sewer System incurred costs of $1,038,922 associated with its share of Arlington's operating costs and $564,232 to fund its share of current facility expansion costs. The Sewer System estimates its share of future construction costs to be $1,500,000 in fiscal year 2003.

5. Fairfax County Solid Waste Authority (SWA) - Resource Recovery

During fiscal year 1999, as a result of a call option, the EDA issued $195,505,000 of 1998 Series A Resource Recovery Revenue Refunding Bonds, the proceeds of which, together with certain other available funds, were used to refund all remaining outstanding 1988 Series Bonds, which were initially issued to finance the construction of a 3,000-ton-per-day mass burn facility at the County's landfill site near Interstate 95. The operation of the facility by an independent contractor commenced in 1990. Solid waste is burned to produce electricity which is sold to a local utility company.

The bonds are not an obligation of the County; however, the County is obligated to deliver a minimum annual tonnage of solid waste to the facility and to pay tipping fees for the disposal of such waste sufficient to cover the operating costs of the facility and the debt service on the bonds. As of June 30, 2002, $162,985,000 of the 1998 Series A Refunding Bonds are outstanding. Unspent bond proceeds in the amount of $32,827,798, which include investment earnings, are reported in the Resource Recovery Fund, an agency

fund; certain unspent proceeds are reserved for debt service and the remainder is available for solid waste disposal purposes.

6. Long-term Contracts

At June 30, 2002, the primary government had contractual commitments of $38,979,025, in the capital projects funds and $161,312,339 in the Sewer System for construction of various sewer projects. At June 30, 2002, the component units had contractual commitments of $111,878,672 and $2,855,941 in the capital projects funds of the Public Schools and the Park Authority, respectively, for construction of various projects.

7. Post-employment Benefits

The Board of Supervisors has established a program to subsidize the health benefit coverage of certain retirees and certain surviving spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. There is no minimum number of years of service required to participate in this program. The program allows for a $100 per month subsidy per participant and is funded on a pay-as-you-go basis. There are 1,691 participants currently eligible and receiving benefits in the program. For fiscal year 2002, the cost of this program to the County was $2,039,217.

K. CONTINGENT LIABILITIES

The County is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of County management, the resolution of these matters will not have a material adverse effect on the County's financial condition.

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

L. ACCOUNTING CHANGES AND RESTATEMENTS

1. Changes in Financial Statement Presentation and Reporting– Basic Financial Statements

During fiscal year 2002, the reporting entity adopted the provisions of Governmental Accounting Standards Board (GASB) Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Under this Interpretation, only that portion of certain long-term liabilities, including compensated absences, that has matured at year end should be reported in the governmental fund financial statements. The reporting entity previously reported the entire amount of the compensated absences liability that was liquidated within 45 days after year end in the governmental fund financial statements.

The reporting entity also adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement requires reporting in accordance with the new governmental financial reporting model, which includes the basic financial statements that supercede the previous general purpose financial statements. The basic financial statements consist of (1) the fund financial statements, which are similar to the previous versions in that they are prepared using the same measurement focuses and basis of accounting, however, they differ in that the emphasis is now on major funds rather than fund types, and (2) the new government-wide financial statements, which are comprised of a statement of net assets and a statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting, and which present both governmental and business-type activities in the aggregate.

For the primary government's business-type activities, it was determined that it is appropriate to report the Sewer System's share of UOSA long-term debt, previously disclosed in the notes to the financial statements, together with the related cost of the Sewer System's allocated share of UOSA's capacity expansions in the financial statements. Accordingly, certain assets and liabilities and the net assets of the Sewer System as of June 30, 2001, have been restated as follows:

	Balance June 30, 2001, as reported	Adjustments	Balance June 30, 2001, as restated
Assets:			
Purchased capacity	$ 203,923,808	290,396,234	494,320,042
Accumulated amortization	(20,214,615)	(13,846,333)	(34,060,948)
Purchased capacity, net	183,709,193	276,549,901	460,259,094
Long-term Liabilities:			
Revenue bonds payable	205,810,000	236,773,054	442,583,054
Net Assets	$ 847,436,247	39,776,847	887,213,094

It was also determined that certain funds are more appropriately reported in the County's General Fund. These funds include the Gift Fund, which was previously reported as an agency fund to record certain donations to the County, and the Consolidated Community Funding Pool Fund and Contributory Fund, which were previously reported as special revenue funds.

Accordingly, the fund balances of the County's General Fund and special revenue funds have been restated as follows:

	Primary Government	
	General Fund	Special Revenue Funds
Fund Balances, July 1, 2001, as reported	$ 105,636,152	195,110,641
Net assets of the Gift Fund, July 1, 2001, as reported	1,850,674	-
Fund Balances, July 1, 2001, as reported for:		
Consolidated Community Funding Pool Fund	318,192	(318,192)
Contributory Fund	270,446	(270,446)
Adjustment for compensated absences	5,606,573	946,014
Fund Balances, July 1, 2001, as restated	$ 113,682,037	195,468,017

These amounts are reconciled below to the amount shown as the net assets of the primary government's governmental activities as of July 1, 2001, in the Statement of Activities for the fiscal year 2002 (Exhibit A-1):

Fund balances, July 1, 2001 - Total governmental funds:		
General Fund, as restated	$ 113,682,037	
Special Revenue Funds, as restated	195,468,017	
Debt Service Funds, as reported	4,078,555	
Capital Projects Funds, as reported	104,193,290	$ 417,421,899
The following adjustments are required to determine net assets:		
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds:		
Non-depreciable assets:		
Land	$ 317,766,380	
Construction-in-progress	27,768,043	
Depreciable assets:		
Equipment	147,972,698	
Library collections	27,841,600	
Buildings and improvements	713,112,565	
Infrastructure	365,147,656	
Total capital assets, as restated per Note F	1,599,608,942	
Less accumulated depreciation	(317,636,370)	1,281,972,572
Some of the County's receivables will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds:		
Delinquent taxes (net of allowances):		
Property	$ 20,199,730	
Business license	3,530,418	
Sales and use taxes and other taxes	11,537,800	35,267,948
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 assets:		
Assets:		
Current assets	$ 74,268,861	
Capital assets	61,471,693	
Less accumulated depreciation	(34,667,969)	
Liabilities	(29,324,862)	71,747,723
Long-term liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds	$ (1,441,689,927)	
Lease revenue bonds	(110,485,000)	
Special assessment bonds	(600,000)	
Capital leases and installment purchase agreements	(22,913,561)	
Accrued interest on long-term debt	(7,385,280)	
Landfill closure and postclosure costs	(52,110,880)	
Compensated absences	(63,994,148)	
Other	(8,637,820)	(1,707,816,616)
Net assets of governmental activities, July 1, 2001, as reported on Exhibit A-1		$ 98,593,526

During fiscal year 2002, the reporting entity also adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This Statement amends GASB Statement No. 34 to 1) clarify certain provisions and 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the reporting entity considered the effects of this Statement when adopting the provisions of GASB Statement No. 34.

During fiscal year 2002, the reporting entity also adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, note disclosures have been revised to conform to the provisions of this Statement.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
SAN FRANCISCO
WASHINGTON, D.C.

787 SEVENTH AVENUE
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
FACSIMILE 212 839 5599
www.sidley.com

FOUNDED 1866

BEIJING
GENEVA
HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

May _, 2003

Board of Supervisors
of Fairfax County, Virginia
Fairfax, Virginia

We have examined certified copies of the legal proceedings, including the election proceedings and other proofs submitted, relative to the issuance and sale of

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds, Series 2003B

The bonds are dated May 15, 2003, mature in annual installments on June 1 in each of the years 2004 to 2023, inclusive, bear interest payable semiannually on the 1st days of June and December in each year, commencing December 1, 2003, as provided in the resolution authorizing the issuance of the bonds adopted by the Board of Supervisors of Fairfax County on April 28 , 2003.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds pursuant to the Constitution and laws of Virginia, and that the bonds constitute valid and binding general obligations of Fairfax County, Virginia, for the payment of which the full faith and credit of said County are pledged, and all taxable property in the County is subject to the levy of an ad valorem tax, without limitation as to rate or amount, for the payment of the bonds and the interest thereon, which tax shall be in addition to all other taxes authorized to be levied in said County to the extent other funds of said County are not lawfully available and appropriated for such purpose.

We are further of the opinion that, except as provided in the following sentence, interest on the bonds is not includable in the gross income of the owners of the bonds for purposes of Federal income taxation based on existing law. Interest on the bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the bonds in the event of a failure by the County or the school board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of the interest on the bonds for Federal income tax purposes on or after the date on which any action is taken affecting such covenants upon the approval of counsel other than ourselves. Interest on the bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum taxes. The Code contains other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Respectfully submitted,

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Fairfax County, Virginia (the "County") in connection with the issuance by the County of $195,170,000 aggregate principal amount of its Public Improvement Bonds, Series 2003 B (the "Bonds" or "2003 B Bonds") pursuant to the provisions of a resolution (the "Resolution") adopted on April 28, 2003, by the Board of Supervisors of the County. The proceeds of the 2003 B Bonds are being used by the County to finance and refinance various public improvements in the County. The County hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders of the 2003 B Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The County acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the County, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Filing Date" shall have the meaning given to such term in Section 3(a) hereof.

"Fiscal Year" shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the County's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

"Holder" or "holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a 2003 B Bond.

"Listed Events" shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

principal and interest payment delinquencies

non-payment related defaults

unscheduled draws on debt service reserves reflecting financial difficulties

unscheduled draws on credit enhancements reflecting financial difficulties

substitution of credit or liquidity providers, or their failure to perform

adverse tax opinions or events affecting the tax-exempt status of the 2003 B Bonds

modifications to rights of holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the 2003 B Bonds

rating changes

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the County's 2003 B Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

A. The County shall, or shall cause the Dissemination Agent to, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the "Filing Date") that is not later than March 31 after the end of any Fiscal Year (commencing with its Fiscal Year ending June 30, 2003). Not later than ten (10) days prior to the Filing Date, the County shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the County's audited financial statements or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of the County must be submitted, if and when available, together with or separately from the Annual Report.

B. The annual financial statements of the County shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repositories when they become publicly available.

C. If the County fails to provide an Annual Report to the Repositories by the date required in subsection (a) hereto or to file its audited annual financial statements with the Repositories when they become publicly available, the County shall send a notice to the Municipal Securities Rulemaking Board and any State Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the County, including operating data, updating such information relating to the County as described in Exhibit A, all with a view toward assisting Participating Underwriters in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the County is an "obligated person" (within the meaning of the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The County will provide in a timely manner to the Municipal Securities Rulemaking Board and to each State Repository, if any, notice of any of the Listed Events, if material.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of all the 2003 B Bonds.

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the County) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to file its Annual Report or to give notice of a Listed Event. The holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the County hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution or the 2003 B Bonds of the County, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Participating Underwriters, and holders from time to time of the County's Bonds, and shall create no rights in any other person or entity.

Date: _____ _, 2003

FAIRFAX COUNTY, VIRGINIA

By: _____

Edward L. Long, Jr.
Chief Financial Officer

EXHIBIT A

CONTENT OF ANNUAL REPORT

(a) **Financial Information.** Updated information concerning General Fund revenues, expenditures, categories of expenditures, fund balances, assessed value of taxable property, tax rates, major taxpayers, and tax levies and collections.

(b) **Debt Information.** Updated information concerning general obligation bonds indebtedness, including bonds authorized and unissued, bonds outstanding, the ratios of debt to the market value of taxable property, debt per capita, and debt service as a percentage of General Fund disbursements.

(c) **Demographic Information.** Updated demographic information respecting the County such as its population, public school enrollment and per pupil expenditure.

(d) **Economic Information.** Updated economic information respecting the County such as income, employment, unemployment, building permits and taxable sales data.

(e) **Retirement Plans.** Updated information respecting pension and retirement plans for County employees, including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

(f) **Contingent Liabilities.** A summary of material litigation and other material contingent liabilities pending against the County.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the County and the United States as a whole is contemporaneously available and, in the judgment of the County, informative, such information may be included. Where, in the judgment of the County, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

Re: FAIRFAX COUNTY VIRGINIA
PUBLIC IMPROVEMENT BONDS,
SERIES 2003 B

CUSIP NOS.: 303820

Dated: _____ __, 2003

NOTICE IS HEREBY GIVEN that Fairfax County, Virginia has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to that certain Resolution adopted on April 28, 2003 by the Board of Supervisors of the County, the proceeds of which were used to finance and refinance various public improvements in the County. [The County anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.]

Dated: _____

FAIRFAX COUNTY, VIRGINIA

By _____

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CERTIFICATE CONCERNING OFFICIAL STATEMENT

We, Katherine K. Hanley, Chairman of the Board of Supervisors of Fairfax County, Virginia, and Anthony H. Griffin, County Executive, Fairfax County, Virginia, **DO HEREBY CERTIFY** that, to the best of our knowledge, the Official Statement of Fairfax County, Virginia, dated May 15, 2003 and describing the issue of **$195,170,000 Public Improvement Bonds, Series 2003 B**, did not as of its date, and does not as of the date of this certificate, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading and that we did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than Fairfax County, Virginia and its officers but we have no reason to believe that such information is not accurate.

WITNESS our hands this 29th day of May, 2003.

Katherine K. Hanley

Chairman of the
Board of Supervisors
Fairfax County, Virginia

A H Griffin

County Executive
Fairfax County, Virginia

OFFICERS AND SEAL CERTIFICATE

COUNTY SCHOOL BOARD

I, Pamela Goddard, Clerk of the Fairfax County School Board (the "County School Board"), **DO HEREBY CERTIFY**:

1. That the following is a correct list of the names of the members and certain officers of the County School Board, on April 24, 2003, and the dates of commencement and expiration of their current terms of office:

OFFICER and OFFICE	COMMENCEMENT OF TERM	EXPIRATION OF TERM
Isis M. Castro, Chairman County School Board	January 1, 2000	December 31, 2003
Catherine A. Belter, Vice Chairman County School Board	January 1, 2000	December 31, 2003
Christian N. Braunlich, Member County School Board	January 1, 2000	December 31, 2003
Mychele B. Brickner, Member County School Board	January 1, 2000	December 31, 2003
Robert E. Frye, Sr., Member County School Board	January 1, 2000	December 31, 2003
Stuart D. Gibson, Member County School Board	January 1, 2000	December 31, 2003
Ernestine C. Heastie, Member County School Board	January 1, 2000	December 31, 2003
Kaye Kory, Member County School Board	January 1, 2000	December 31, 2003
Kathy L. Smith, Member County School Board	March 7, 2002	December 31, 2003
Jane K. Strauss, Member County School Board	January 1, 2000	December 31, 2003

OFFICER and OFFICE	COMMENCEMENT OF TERM	EXPIRATION OF TERM
Rita S. Thompson, Member County School Board	January 1, 2000	December 31, 2003
Judith T. Wilson, Member County School Board	January 1, 2000	December 31, 2003
Matthew Wansley* Student Representative County School Board	July 1, 2002	June 30, 2003
Pamela Goddard, Clerk	Appointed: September 15, 2000	To serve at the Pleasure of the Board

2. That each of the members of the County School Board did, before entering on the performance of his or her public duties, take and subscribe the oath required by Article II, Section 7, of the Constitution of Virginia.
3. That the official seal of the County School Board, being the only seal used by the County School Board in the execution of bonds and contracts, is the seal an impression of which is affixed opposite my signature on this certificate.
4. That the meeting of the County School Board held on April 24, 2003 at 7:30 p.m. was a regular meeting of the County School Board specified by the County School Board.

WITNESS my hand and the official seal this 29th day of May, 2003.

Pamela Goddard
Clerk, Fairfax County School Board
Fairfax, Virginia

(Seal)

* Non-voting member.

OFFICERS AND SEAL CERTIFICATE

BOARD OF SUPERVISORS

I, Nancy Vehrs, Clerk to the Board of Supervisors of Fairfax County, Virginia, **DO HEREBY CERTIFY:**

1. The following is a correct list of the names of the members and certain officers of the Board of Supervisors of Fairfax County, Virginia, and the names of certain officers of Fairfax County, Virginia, and the dates of commencement and expiration of their respective terms of office:

OFFICE	OFFICER	COMMENCEMENT OF TERM	EXPIRATION OF TERM
Chair, Board of Supervisors	Katherine K. Hanley	Jan. 1, 2000	Dec. 31, 2003
Vice-Chair, Board of Supervisors	Gerald W. Hyland	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Sharon Bulova	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Gerald E. Connolly	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Catherine M. Hudgins	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Michael R. Frey	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Penelope A. Gross	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	T. Dana Kauffman	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Elaine McConnell	Jan. 1, 2000	Dec. 31, 2003
Member, Board of Supervisors	Stuart Mendelsohn	Jan. 1, 2000	Dec. 31, 2003

OFFICE	OFFICER	COMMENCEMENT OF TERM	EXPIRATION OF TERM
Clerk to the Board of Supervisors	Nancy Vehrs	Appointed May 14, 1990	To serve at the pleasure of the Board
County Executive	Anthony H. Griffin	Appointed November 22, 1999, Effective January 15, 2000	To serve at the pleasure of the Board
Director, Department of Finance	Robert L. Mears	Appointed August 2, 1999, Effective September 7, 1999	To serve at the pleasure of the Board
Chief Financial Officer	Edward L. Long, Jr.	Appointed October 23, 1999	To serve at the pleasure of the Board
County Attorney	David P. Bobzien	Appointed December 18, 1992, Effective January 4, 1993	To serve at the pleasure of the Board

2. The Chairman and each of the members of the Board of Supervisors did, before entering on the performance of his or her public duties, take and subscribe the oath required by Article II, Section 7, of the Constitution of Virginia.

3. The official seal of the Board of Supervisors, being the only seal used by the Board of Supervisors in the execution of bonds and contracts, is the seal an impression of which is affixed opposite my signature on this certificate.

4. The regular meetings of the Board of Supervisors are held on Mondays at least once per month at 9:30 A.M. The meeting of the Board of Supervisors held on April 28, 2003 was a regular meeting.

WITNESS my hand and the official seal this 29th day of May, 2003.

Nancy Vehrs

Clerk to the
Board of Supervisors
Fairfax County, Virginia

(SEAL)

NY1 5378297v2

SIGNATURE AND NO-LITIGATION CERTIFICATE

We, Katherine K. Hanley and Nancy Vehrs, Chairman and Clerk, respectively, of the Board of Supervisors of Fairfax County, Virginia (the "County"), **DO HEREBY CERTIFY:**

1. We have, by our respective facsimile signatures, officially executed, for and on behalf of the County, **$195,170,000 Public Improvement Bonds, Series 2003 B**, of the County, dated May 15, 2003 and maturing annually on June 1, subject to the right of prior redemption, in the following years and in the following amounts and bearing interest as follows:

Year	Principal Amount	Interest Rate
2004	$9,765,000	2.00%
2005	9,765,000	2.00
2006	9,765,000	3.00
2007	9,765,000	3.00
2008	9,765,000	4.00
2009	9,765,000	5.00
2010	9,765,000	5.00
2011	9,765,000	5.00
2012	9,765,000	4.00
2013	9,765,000	5.00
2014	9,760,000	4.00
2015	9,760,000	4.00
2016	9,760,000	5.00
2017	9,755,000	5.00
2018	9,755,000	4.00
2019	9,750,000	4.00
2020	9,745,000	4.00
2021	9,745,000	4.125
2022	9,745,000	4.75
2023	9,745,000	4.75

such interest being payable semiannually on the 1st days of June and December in each year to and including June 1, 2023, the first interest payment date being December 1, 2003.

2. The bonds are in fully registered form, and a facsimile of the official seal of the Board of Supervisors is imprinted on all of the bonds.

3. No litigation of any kind is pending (either in state or federal courts) or, to our knowledge, threatened to restrain or enjoin the issuance or delivery of the bonds or the levy or (except as referred to in the Official Statement relating to the bonds) collection of taxes to pay the principal of or the interest on the bonds, or in any manner questioning the proceedings or authority under which the bonds are issued, or affecting the validity of the bonds; neither the existence nor the boundaries of the County nor the title to his or her office of any officer whose facsimile signature appears on the bonds is being contested; and no authority or proceedings for the issuance of the bonds or for the security thereof have been repealed, revoked or rescinded.

WITNESS our hands this 29th day of May, 2003.

Katherine K. Hanley

Katherine K. Hanley
Chairman
Board of Supervisors
Fairfax County, Virginia

Nancy Vehrs

Nancy Vehrs
Clerk to the
Board of Supervisors
Fairfax County, Virginia

CERTIFICATION AS TO SIGNATURES

I HEREBY CERTIFY that the signatures of Katherine K. Hanley and Nancy Vehrs, Chairman and Clerk, respectively, of the Board of Supervisors of Fairfax County, Virginia, above subscribed are genuine.

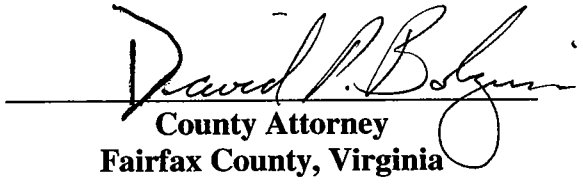
Patti M Hicks

Patti M. Hicks,
Deputy Clerk to the
Board of Supervisors
Fairfax County, Virginia

NO LITIGATION OPINION

I, David P. Bobzien, County Attorney of Fairfax County, Virginia, am of the opinion that, to the best of my knowledge, no litigation of any kind is now pending (either in state or federal courts) or, to my knowledge, threatened to restrain or enjoin the issuance or delivery of **$195,170,000 Public Improvement Bonds, Series 2003 B**, of Fairfax County, Virginia, dated May 15, 2003, or the levy or (except as referred to in the Official Statement relating to the bonds) the collection of taxes to pay the principal of or the interest on the bonds, or in any manner questioning the proceedings or authority under which the bonds are issued, or affecting the validity of the bonds; that neither the existence nor the boundaries of Fairfax County, Virginia nor the title to her office of any officer whose facsimile signature appears on the bonds is being contested; and that no authority or proceedings for the issuance of the bonds or the security thereof have been repealed, revoked or rescinded.

WITNESS my hand this 29th day of May, 2003.



County Attorney
Fairfax County, Virginia

CERTIFICATE OF AUTHENTICATION

I, Robert L. Mears, Director, Department of Finance, Fairfax County, Virginia, Bond Registrar for the **$195,170,000 Public Improvement Bonds, Series 2003 B**, of Fairfax County, Virginia, dated May 15, 2003, **DO HEREBY CERTIFY** that each of the bonds delivered this day was duly authenticated by an authorized individual of the Department of Finance, Fairfax County, Virginia by signing the Certificate of Authentication endorsed thereon.

WITNESS my hand this 29th day of May, 2003.

Director, Department of Finance
Fairfax County, Virginia

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COUNTY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R-1 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2004	2.00%	May 15, 2003	303820F66

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

SPECIMEN

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No. R-2 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003-B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2005	2.00%	May 15, 2003	303820F74

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-3 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2006	3.00%	May 15, 2003	303820F82

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-4 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2007	3.00%	May 15, 2003	303820F90

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

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No. R-5 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2008	4.00%	May 15, 2003	303820G24

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-6 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2009	5.00%	May 15, 2003	303820G32

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-7 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2010	5.00%	May 15, 2003	303820G40

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-8 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2011	5.00%	May 15, 2003	303820G57

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-9 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2012	4.00%	May 15, 2003	303820G65

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

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No. R-10 **$9,765,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2013	5.00%	May 15, 2003	303820G73

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COUNTY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R-11 **$9,760,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2014	4.00%	May 15, 2003	303820G81

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

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and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-12 **$9,760,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2015	4.00%	May 15, 2003	303820G99

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-13 **$9,760,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2016	5.00%	May 15, 2003	303820H23

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED SIXTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-14 **$9,755,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2017	5.00%	May 15, 2003	303820H31

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FIFTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-15 **$9,755,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2018	4.00%	May 15, 2003	303820H49

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FIFTY-FIVE THOUSAND DOLLARS

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No. R-16 **$9,750,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2019	4.00%	May 15, 2003	303820H56

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-17 **$9,745,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2020	4.00%	May 15, 2003	303820H64

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-18 **$9,745,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2021	4.125%	May 15, 2003	303820H72

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-19 **$9,745,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2022	4.75%	May 15, 2003	303820H80

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

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No. R-20 **$9,745,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement Bonds, Series 2003 B

Maturity Date	Interest Rate	Dated Date	CUSIP
June 1, 2023	4.75%	May 15, 2003	303820H98

Fairfax County, Virginia, is justly indebted and for value received hereby promises to pay to

CEDE & CO.

or registered assigns or legal representative on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of the Department of Finance of Fairfax County, Virginia (the "Bond Registrar"), in Fairfax County, Virginia, the principal sum of

NINE MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or a December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable semiannually on the 1st days of June and December in each year, the first interest payment date being December 1, 2003, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is

SPECIMEN

registered at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, by wire transfer, at the discretion of the County, or check mailed to such person at his address as it appears on the bond registration books of the County. Both the principal of and the interest on this bond shall be payable in any coin or currency of the United States of America which is legal tender for the payment of public and private debts on the respective dates of payment thereof. For the prompt payment hereof, both principal and interest as the same shall become due, the full faith and credit of the County are hereby irrevocably pledged.

This bond and the bonds of the series of which it is one are issued under and pursuant to a resolution duly adopted by the Board of Supervisors of Fairfax County, Virginia on April 28, 2003 (the "Resolution"), for the purpose of providing funds, with other available funds, for school improvements, parks and park facilities, neighborhood improvements, public safety facilities, transportation improvements and facilities, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements.

The bonds of this series which mature on or before June 1, 2013 are not subject to redemption before maturity. Bonds which mature after June 1, 2013 may be redeemed, at the option of the County, before their respective maturities on any date not earlier than June 1, 2013, in whole or in part (in integral multiples of $5,000), upon payment of the redemption price of par plus accrued interest to the redemption date.

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portions of bonds of such maturity to be redeemed shall be selected by lot by the County in such manner as the County in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting bonds for redemption, the County shall treat each bond as representing that number of bonds which is obtained by dividing the principal amount of such bond by $5,000.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any bonds to be redeemed, whether such redemption be in whole or in part, the County shall cause a notice of such redemption to be filed with the Bond Registrar and to be mailed, postage prepaid, to the registered owner of each bond to be redeemed in whole or in part at his address appearing upon the registration books of the County, but failure to mail such notice or any defect therein shall not affect the validity of the redemption. On the date fixed for redemption, notice having been given as aforesaid, the bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided for the redemption of such bonds or portion thereof on such date and, if moneys for payment of such redemption price and the accrued interest are held by the Bond Registrar as provided in the Resolution, interest on the bonds or the portions thereof so called for redemption shall cease to accrue. If a portion of this bond shall be called for redemption, a new bond or bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owner hereof or his legal representative upon the surrender hereof.

Any notice of optional redemption of the Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price plus interest

SAMPLE

accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the County, the corresponding notice of redemption shall be deemed to be revoked.

If the County gives an unconditional notice of redemption, then on the redemption date the Bonds called for redemption will become due and payable. If the County gives a conditional notice of redemption, and the amount of money to pay the redemption price of the affected Bonds shall have been set aside with the Trustee or a depositary (either, a "depositary") for the purpose of paying such Bonds, then on the redemption date the Bonds will become due and payable. In either case, if on the redemption date the County holds money to pay the Bonds called for redemption, thereafter no interest will accrue on those Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Bonds.

The County shall give notice as contemplated by Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986, including the requirement that notice be given to all organizations registered with the Securities Exchange Commission as securities depositories, and to one or more information services of national recognition which disseminate redemption information with respect to tax-exempt securities.

The bonds are issuable in fully registered form in the denomination of $5,000 or any multiple thereof. At the office of the Bond Registrar, in the manner and subject to the conditions provided in the Resolution, bonds may be exchanged for an equal aggregate principal amount of bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

The Bond Registrar shall keep at its office the books of the County for the registration of transfer of bonds. The transfer of this bond may be registered only upon such books and as otherwise provided in the Resolution upon the surrender hereof to the Bond Registrar together with an assignment duly executed by the registered owner hereof or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall deliver in exchange for this bond a new bond or bonds, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the unredeemed principal amount of this bond, of the same series and maturity and bearing interest at the same rate.

The Bond Registrar shall not be required to exchange or register the transfer of any bond during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of any bonds and ending at the close of business on the day of such mailing or of any bond called for redemption in whole or in part pursuant to the Resolution.

This bond is one of a series issued under the authority of and in full compliance with the Constitution and laws of Virginia, particularly the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia, 1950, as amended, and pursuant to votes of a majority of the qualified voters of Fairfax County, Virginia, voting at elections duly called and held under the provisions of the Code of Virginia, 1950, as amended, and under orders of the Circuit Court of Fairfax

SAMPLE ORIGINAL

County, Virginia, authorizing the Board of Supervisors of the County to proceed to carry out the wishes of the voters as expressed at such elections, and pursuant to resolutions duly adopted by the Board of Supervisors and the County School Board of the County.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of Virginia to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed in due time, form and manner as so required, that the total indebtedness of Fairfax County, Virginia, including this bond, does not exceed any constitutional or statutory limitation thereon, and that provision has been made for the levy and collection of an annual ad valorem tax upon all taxable property in the County subject to local taxation sufficient in amount to provide for the payment of the principal of and the interest on this bond as the same shall become due which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the resolution mentioned hereinafter until this bond shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

SPECIMEN

IN WITNESS WHEREOF, the Board of Supervisors of Fairfax County, Virginia, has caused this bond to be issued in the name of Fairfax County, Virginia, and the Board has caused this bond to bear the facsimile signatures of its Chairman and Clerk and a facsimile of the official seal of the Board to be imprinted hereon, all as of the 15th day of May, 2003.

Nancy Vehrs

Clerk, Board of Supervisors
of Fairfax County, Virginia

Katherine K. Hanley

Chairman, Board of Supervisors
of Fairfax County, Virginia

SPECIMEN

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds of the series designated herein and described in the within mentioned Resolution.

Director of the Department of Finance of Fairfax County, Virginia as Bond Registrar

By_____
Authorized Signature

Date of authentication: May 29, 2003

SPECIMEN

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto

Please insert social security or
other identifying number of assignee

_____

_____

(Please Print or Typewrite Name and Address of Transferee)

the within bond, and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed* by: _____

*Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee which requirements will include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SPECIMEN

CERTIFICATE OF DELIVERY AND PAYMENT

I, Robert L. Mears, Director, Department of Finance, Fairfax County, Virginia, **DO HEREBY CERTIFY:**

1. **$195,170,000 Public Improvement Bonds, Series 2003 B**, of Fairfax County, Virginia, dated June 1, 2003 and maturing June 1, subject to the right of prior redemption, in the following years and in the following amounts and bearing interest as follows:

Year	Principal Amount	Interest Rate
2004	$9,765,000	2.00%
2005	9,765,000	2.00
2006	9,765,000	3.00
2007	9,765,000	3.00
2008	9,765,000	4.00
2009	9,765,000	5.00
2010	9,765,000	5.00
2011	9,765,000	5.00
2012	9,765,000	4.00
2013	9,765,000	5.00
2014	9,760,000	4.00
2015	9,760,000	4.00
2016	9,760,000	5.00
2017	9,755,000	5.00
2018	9,755,000	4.00
2019	9,750,000	4.00
2020	9,745,000	4.00
2021	9,745,000	4.125
2022	9,745,000	4.75
2023	9,745,000	4.75

such interest being payable semiannually on the 1st days of June and December in each year to and including June 1, 2023, the first interest payment date being December 1, 2003, have this day been delivered by me to the purchasers thereof upon the payment of the purchase price of the bonds plus accrued interest aggregating $207,194,538.72 computed as follows:

Purchase price	$ 206,884,788.84
Accrued interest from May 15, 2003 to date of payment for the bonds	309,750.24
Total	$ 207,194,538.72

2. The proceeds of the bonds (including the $2,000,000 amount of the good faith deposit), will be deposited by me to be held, paid out and disbursed as provided by law.

WITNESS my hand this 29th day of May, 2003.

Director, Department of Finance
Fairfax County, Virginia

EXHIBIT D

CERTIFICATE OF THE SCHOOL BOARD OF THE COUNTY OF FAIRFAX, VIRGINIA

This certificate is provided to the County of Fairfax, Virginia (the **"County"**) by the School Board of the County of Fairfax, Virginia (the **"School Board"**) in connection with the issuance by the County of its $195,170,000 Public Improvement Bonds, Series 2003B (the **"Bonds"**) the proceeds of which will be used to provide funds to finance the cost of various public improvements, including constructing, furnishing, acquiring and equipping school improvements (the **"School Projects"**), transportation improvements and facilities, parks and parks facilities, neighborhood improvements, adult detention facilities, community redevelopment area improvements, public safety facilities, juvenile detention facilities and storm drainage facilities and parks and park facilities (collectively with the School Projects, the **"Projects"**).

The School Board recognizes that some of the representations made by the County in its Tax Certificate dated May 29, 2003 and executed in connection with the issuance of the Bonds (the **"Tax Certificate"**) must be based on the representations and certifications of the School Board and that the exclusion from gross income of the interest on the Bonds for federal income tax purposes depends, in part, on the use of proceeds of the Bonds.

Accordingly, the School Board certifies that it has reviewed the representations set forth in Section 1 of Part B of the Tax Certificate to which this certificate is attached regarding the use of proceeds of the Bonds and the Projects and that such representations, to the extent they relate to the School Projects, are true and correct, except as follows: (i) with respect to paragraph (d) **("Definition of Private Use")**, in the second paragraph, fourth line, after **("General Public Use")**, there shall be deemed to be inserted "or other than as is excepted as private use by U.S. Treasury Regulations," and (ii) with respect to paragraph (e) **("Management and Service Contracts")**, the references to Revenue Procedure 97-13 shall be deemed to include "or other applicable law." Furthermore, such provisions are hereby incorporated by reference in this certificate and shall be treated as representations made by the School Board with respect to the School Projects as if set forth herein. The School Board shall not take any action that is inconsistent with such representations.

The School Board further covenants that:

(a) it shall not sell or otherwise dispose of the School Projects prior to the final maturity date of the Bonds of June 1, 2023, except as shall be permitted in the opinion of an attorney or firm of attorneys, acceptable to the County, nationally recognized as experienced with respect to matters pertaining to the exclusion of interest on obligations of States and political subdivisions from gross income for federal income tax purposes; and

(b) it shall not knowingly take any action which will, or fail to take any action which failure will, cause the interest on the Bonds to become includable in the gross income of the owners of the Bonds for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the **"Code"**), and the regulations promulgated thereunder in

effect on the date of original issuance of the Bonds and for purposes of assuring compliance with Section 141 of the Code.

SCHOOL BOARD OF THE COUNTY OF FAIRFAX, VIRGINIA

Isis M. Castro

Name: Isis M. Castro
Title: Chairman

Date: May 29, 2003

EXHIBIT E

FORM 8038-G

(Please see item number 18 of this transcript)

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds, Series 2003B

TAX CERTIFICATE

THIS TAX CERTIFICATE, inclusive of exhibits (this "**Tax Certificate**"), is being executed by the undersigned on behalf of the County of Fairfax, Virginia (the "**Issuer**") in connection with the issuance of its $195,170,000 Public Improvement Bonds, Series 2003B (the "**Bonds**"), dated May 15, 2003.

RECITALS

The Issuer has determined to provide through the issuance of its Bonds funds to finance the cost of various public improvements, including constructing, furnishing, acquiring and equipping school improvements, transportation improvements and facilities, parks and parks facilities, neighborhood improvements, adult detention facilities, community redevelopment area improvements, public safety facilities, juvenile detention facilities and storm drainage facilities (collectively, the "**Projects**").

The Internal Revenue Code of 1986, as amended (the "**Code**"), the Treasury Regulations (including final, temporary and proposed regulations) promulgated thereunder (the "**Treasury Regulations**") and the rulings with respect thereto impose certain limitations on the use and investment of proceeds of the Bonds and certain other moneys relating to the Bonds.

Such provisions of the Code, the Treasury Regulations and the rulings with respect thereto set forth certain conditions under which the interest paid and to be paid with respect to the Bonds will be not included in gross income for federal income tax purposes.

The Issuer has executed this Tax Certificate to set forth certain terms and conditions relating to the use and investment of proceeds of the Bonds and of certain other moneys relating to the Bonds in order to ensure that interest with respect to the Bonds will not be included in gross income for federal income tax purposes.

THEREFORE, pursuant to Section 1.148-2(b)(2) of the Treasury Regulations, the Issuer hereby certifies, covenants and represents as follows:

PART A. IN GENERAL

Section 1. Purpose of Tax Certificate. The undersigned is executing this Tax Certificate with the understanding and acknowledgement that Sidley Austin Brown & Wood LLP (referred to herein as "**Bond Counsel**") will rely on the certifications, covenants and representations made in this Tax Certificate in rendering its opinion that interest with respect to the Bonds is not included in gross income for federal income tax purposes.

Section 2. Delivery of Bonds. The Bonds are being delivered on the date hereof to Merrill Lynch & Co., as the representative (the "**Representative**") of the underwriters of the

Bonds (the "**Underwriters**").

Section 3. Purpose of Financing. The Bonds are being issued pursuant to Article VII, Section 10(b) of the Constitution of Virginia and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia, 1950, as amended (the "**Act**") and the resolution adopted by the Board of Supervisors of Fairfax County, Virginia, on April 28, 2003 (the "**Resolution**").

The proceeds derived from the sale of the Bonds are expected to be used:

(a) to finance the costs of the Projects,

(b) to pay all interest accruing on the Bonds from May 15, 2003 to the date hereof (the "**Accrued Interest**"),

(c) to pay certain legal, accounting and financing costs incurred in connection with the issuance of the Bonds, including Underwriters' discount (the "**Costs of Issuance**"), and

(d) to reimburse the Issuer for certain capital expenditures made by the Issuer with respect to the Projects prior to the date hereof, as more fully discussed below.

The Issuer expects that the proceeds of the Bonds will be used solely for the purposes described in (a)-(d) above unless an opinion of Bond Counsel is obtained approving another proposed use.

Section 4. Issuer Reliance on Other Parties. The expectations of the Issuer concerning certain uses of proceeds derived from the sale of the Bonds and certain matters set forth herein are based in whole or in part upon representations of the Representative as set forth in this Tax Certificate and contained in Exhibit B attached hereto, representations and computations performed by BB&T Capital Markets, as financial advisor to the Issuer (the **"Financial Advisor"**) as set forth in this Tax Certificate and in Exhibit C attached hereto and the representations of the School Board of the County of Fairfax (the **"School Board"**) contained in its Certificate attached hereto as Exhibit D. The Issuer is relying in good faith upon (i) such representations and computations (as applicable) on the bases of the reputable business practices of such parties, and (ii) its prior business dealings entered into with such parties. The Issuer is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of such representations.

Section 5. Definitions; Capitalized Terms. All capitalized terms used in this Tax Certificate and not specifically defined herein shall have the meanings given such terms in the Act or the Resolution.

PART B. USE OF BOND PROCEEDS AND PROJECTS

Section 1. Governmental Use of Proceeds. The Issuer represents the following with respect to the use of proceeds of the Bonds and the facilities financed therewith:

(a) In General.

(i) Private Business Use. No more than ten percent (10%) of the proceeds of the Bonds or the Projects (based on the greatest of: A) the cost allocated on the basis of space occupied, B) the fair market value, and C) the actual cost of construction), as long as the Bonds are outstanding, will be used in the aggregate for any activities that constitute a **"Private Use"** (as such term is defined below in subsection 1(d) of this Part B).

(ii) Private Security or Payment Test. No more than ten percent (10%) of the principal of or interest on the Bonds, under the terms thereof or any underlying arrangement, so long as the Bonds are outstanding, will be, directly or indirectly, (A) secured by any interest in (i) property used or to be used for a Private Use or (ii) payments in respect of such property or (B) derived from payments in respect of property used or to be used for a Private Use, whether or not such property is a part of the Projects.

(b) No Disproportionate or Unrelated Use. No more than five percent (5%) of the proceeds of the Bonds or the Projects will be used for any Private Use of the Projects that is unrelated to any Governmental Use of the Projects or any Private Use of the Projects that is disproportionate to a related Governmental Use. For this purpose, the amount of disproportionate related Private Use is equal to the excess of the proceeds that are to be used for Private Use over the proceeds that are to be used for the Governmental Use to which such Private Use relates. For purposes of this paragraph, the term **"Governmental Use"** means any use other than Private Use.

(c) No Private Loan Financing. No proceeds of the Bonds will be used to make or finance loans to any person other than to a state or local governmental unit (other than loans to finance any governmental tax or assessment of general application for a specific essential governmental function or loans that are used to acquire or carry Nonpurpose Investments (as such term is defined below in Part D).

(d) Definition of Private Use. For purposes of this Tax Certificate, the term **"Private Use"** means any activity that constitutes a trade or business that is carried on by persons or entities, other than state or local governmental entities. Any activity carried on by a person other than a natural person shall be treated as a trade or business.

The leasing of property financed with proceeds of the Bonds to a person or entity other than a state or local governmental unit or the access of a person or entity other than a state or local governmental unit to property or services on a basis other than as a member of the general public (**"General Public Use"**) shall constitute a Private Use unless the Issuer obtains an opinion of Bond Counsel to the contrary. Use of property financed with proceeds of the

Bonds by any person, other than a state or local governmental unit, in its trade or business constitutes General Public Use only if the property is intended to be available and is in fact reasonably available for use on the same basis by natural persons not engaged in a trade or business.

In most cases Private Use will occur only if a nongovernmental person has a special legal entitlement to use the financed property under an arrangement with the Issuer. Such a special legal entitlement would include ownership or actual or beneficial use of the Projects pursuant to a lease, management or incentive payment contract, output contract, research agreement or similar arrangement. In the case of property that is not available for General Public Use, Private Use may be established solely on the basis of a special economic benefit to one or more nongovernmental persons. In determining whether special economic benefit gives rise to Private Use, it is necessary to consider all of the facts and circumstances, including one or more of the following factors:

(i) whether the financed property is functionally related or physically proximate to property used in the trade or business of a nongovernmental person;

(ii) whether only a small number of nongovernmental persons receive the economic benefit; and

(iii) whether the cost of the financed property is treated as depreciable by the nongovernmental person.

(e) Management and Service Contracts. The determination of whether a particular use pursuant to a management and service contract constitutes Private Use under this Tax Certificate shall be made on the basis of applying Revenue Procedure 97-13, 1997-1 C.B. 632, as amended by Revenue Procedure 2001-39, 2001-28 I.R.B. 38 (collectively, **"Revenue Procedure 97-13"**). As of the date hereof, no portion of the proceeds derived from the sale of the Bonds is being used to finance property subject to contracts or other arrangements with persons or entities engaged in a trade or business (other than state or local governmental units) that involve the management of property or the provision of services with respect to property financed with proceeds of the Bonds that do not comply with the standards of Revenue Procedure 97-13.

For purposes of determining the nature of a Private Use, any arrangement that is properly characterized as a lease for federal income tax purposes is treated as a lease. Consequently, an arrangement that is referred to as a management or service contract may nevertheless be treated as a lease. In determining whether a management contract is properly characterized as a lease, it is necessary to consider all of the facts and circumstances, including the following factors:

(i) the degree of control over the property that is exercised by a nongovernmental person; and

(ii) whether a nongovernmental person bears risk of loss of the financed property.

Section 2. Economic Life of the Projects. In accordance with Section 1.148-1(c) of the Treasury Regulations regarding the safe harbor against the creation of "replacement proceeds", as of the date hereof, and for purposes of the Large Multipurpose Issue Exception described below, the weighted average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Projects. For purposes of this calculation, less than twenty-five percent (25%) of the proceeds of the Bonds were or will be used to acquire land and, therefore, land was not taken into account in determining the average economic life of such facilities.

Section 3. Large Multipurpose Issue Exception. The determination of whether bonds are private activity bonds may be based solely on the Issuer's reasonable expectations as of the date of issue of the bonds if certain requirements set forth in Treasury Regulation Section 1.141-2(d)(5) are met (the "**Large Multipurpose Issue Exception**"). The Issuer makes the following representations in support of its qualification for the Large Multipurpose Issue Exception.

(a) The Issuer has adopted a fund method of accounting for its general governmental purposes that makes tracing the proceeds of the Bonds to specific expenditures unreasonably burdensome.

(b) The Issuer reasonably expects on the date hereof to allocate all of the net proceeds of the Bonds to the Projects within six (6) months of the date hereof and has adopted reasonable procedures to verify that net proceeds are in fact so expended. For purposes of this section, net proceeds of the Bonds means the proceeds derived from the sale of the Bonds and the investment earnings thereon.

(c) The Issuer reasonably expects on the date hereof to spend all of the net proceeds of the Bonds before spending proceeds of a subsequent issue of similar general obligation bonds.

(d) The Issuer reasonably expects on the date hereof that it will not make any loans to nongovernmental persons with the proceeds of the Bonds.

(e) The Issuer reasonably expects on the date hereof that the capital expenditures that it could make during the six-month period beginning on the date hereof with the net proceeds of the Bonds that would not meet the private business tests are not less than 125% of the capital expenditures to be financed with the net proceeds of the Bonds.

PART C. ARBITRAGE

Section 1. Use of Proceeds. On the basis of the facts, estimates and circumstances in existence on the date hereof, the Issuer reasonably expects that the total amounts derived by the Issuer from the sale of the Bonds in the amount of $207,982,927.94 representing $195,170,000.00 principal amount of Bonds, plus net offering premium of $12,503,177.70, plus Accrued Interest of $309,750.24, are expected to be needed and fully expended, as follows:

(a) $309,750.24 of said amounts, representing the Accrued Interest, will be

expended on December 1, 2003 to pay a portion of the interest due on the Bonds on that date;

(b) $788,389.22 of said amount will be retained by the Underwriters as their compensation; and

(c) $206,884,788.48, representing the balance of the proceeds of the Bonds, will be deposited in special accounts that have been established in the capital project funds established for each of the Projects (the "**Proceeds Accounts of the Capital Project Funds**") and used within six (6) months of the date hereof (i) to reimburse the General Fund of the Issuer for amounts temporarily advanced prior to the date hereof to finance the Projects, as set forth more fully in the Certificate as to Reimbursement of the Issuer attached hereto as Exhibit A (the "**Reimbursement Certificate**") and (ii) to pay the costs of the Projects and Costs of Issuance.

Section 2. Investment Earnings. Any amounts derived from the investment of proceeds derived from the sale of the Bonds will be expended to pay costs of the Projects, including interest on the Bonds accruing during construction of the Projects (the "**Capitalized Interest**").

Section 3. No Overissuance. The total proceeds derived by the Issuer from the sale of the Bonds and anticipated investment earnings thereon, together with any other available funds described above and anticipated investment earnings thereon, do not exceed the total of the amounts necessary for the governmental purposes described above.

Section 4. No Sale or Disposition of the Project. The Issuer reasonably expects that it will not sell or otherwise dispose of the Projects prior to the final maturity date of the Bonds of June 1, 2023.

Section 5. Expenditure, Time and Due Diligence Tests. The Issuer reasonably expects that at least eighty-five percent (85%) of the net sale proceeds of the Bonds will be allocated to expenditures for the Projects within six (6) months of the date hereof. The Issuer has incurred or will incur within six (6) months of the date hereof substantial binding obligations, *i.e.*, that are not subject to contingencies within the control of the Issuer or a related party, to a third party to expend at least five percent (5%) of the net sale proceeds of the Bonds on the costs of the Projects. The allocation of net sale proceeds of the Bonds to expenditures for the Projects will proceed with due diligence to completion thereof.

Section 6. Funds and Accounts

(a) Debt Service Funds. It is anticipated that the Issuer will set aside moneys to pay debt service on the Bonds in designated accounts prior to each date debt service is due on the Bonds (each a **"Debt Service Fund"**, and, collectively and in the aggregate, the **"Debt Service Funds"**). The Debt Service Funds will be used primarily to achieve a proper matching of revenues of the Issuer with payment of debt service on the Bonds within each year. Any amounts deposited to the Debt Service Funds will be depleted at least once each year except for a reasonable carryover amount, if any, that will not exceed the greater of (i) the earnings on the Debt Service Funds for the immediately preceding year, or (ii) one-twelfth (1/12) of the debt service payable on the Bonds for the immediately preceding year.

(b) No Other Funds as Security. Other than the Debt Service Funds (and proceeds of the Bonds to be applied to pay Accrued Interest and interest accruing on the Bonds until the respective dates the Projects, or allocable portion thereof, are placed in service) there are no funds or accounts established by the Issuer pursuant to the Act or the Resolution or otherwise that are reasonably expected to be used directly or indirectly to pay debt service on the Bonds or that are pledged (including negative pledges) as collateral for the Bonds and for which there is reasonable assurance that amounts on deposit therein will be available to pay debt service on the Bonds if the Issuer encounters financial difficulties.

Section 7. Investment of Proceeds. The proceeds derived from the sale of the Bonds and other amounts described in this Tax Certificate will be invested as follows:

(a) Project Costs and Costs of Issuance. Proceeds derived from the sale of the Bonds to be applied to finance the costs of the Projects and the Costs of Issuance may be invested at an unrestricted yield for a period not to exceed three years from the date hereof and, thereafter, shall be invested at a yield not in excess of the yield on the Bonds plus one-eighth of one percentage point (0.125%). Investment earnings on obligations acquired with such proceeds may be invested at an unrestricted yield for a period not exceeding three years from the date hereof or one year from the receipt thereof, whichever period ends later and, thereafter, shall be invested at a yield not in excess of the yield on the Bonds plus one-eighth of one percentage point (0.125%).

(b) Payment of Accrued Interest. Amounts derived from the sale of the Bonds representing Accrued Interest may be invested at an unrestricted yield until expended on December 1, 2003 to pay a portion of the interest on the Bonds due on such date, which period is within one (1) year from the date hereof. Investment earnings on the Accrued Interest may be invested at an unrestricted yield for a period not to exceed one (1) year from the date of receipt of the amount earned and, thereafter, shall be invested at a yield not in excess of the yield on the Bonds plus one-thousandth of one percentage point (0.001%).

(c) Payment of Debt Service. Amounts on deposit in the Debt Service Funds may be invested at an unrestricted yield for a period not to exceed thirteen (13) months from the date of deposit of such amounts to such fund, and thereafter shall be invested at a yield not in excess of the yield on the Bonds by any amount. Investment earnings on obligations acquired with amounts on deposit in the Debt Service Funds may be invested at an unrestricted yield for a period not to exceed one (1) year from the date of receipt of the amount earned and, thereafter, shall be invested at a yield not in excess of the yield on the Bonds plus one-thousandth of one percentage point (0.001%).

(d) Replacement Proceeds. Replacement proceeds (as such term is defined in Section 1.148-1(c) of the Treasury Regulations) may be invested at an unrestricted yield for a period of thirty (30) days beginning on the date that the amounts are first treated as replacement proceeds and, thereafter, shall be invested at a yield not in excess of the yield on the Bonds plus one-thousandth of one percentage point (0.001%).

(e) Applicable Definition of Materially Higher Yield For All Yield Restricted Nonpurpose Investments When Replacement Proceeds Are Present.. In the event that

replacement proceeds arise during the term of the Bonds, then, after the lapse of the applicable periods during which amounts described in this Section 7 may be invested at an unrestricted yield, all amounts described in this Section 7 shall be invested at a composite yield not in excess of the yield on the Bonds plus one-thousandth of one percentage point (0.001%).

(f) Yield Restricted Moneys. Amounts described in this Section 7 that may not be invested at an unrestricted yield pursuant to this Section 7 will either (i) be invested in accordance with the yield restrictions set forth in such respective paragraphs, or (ii) be invested in Tax-Exempt Obligations (as such term is defined in Part D of this Tax Certificate).

Section 8. Yield. For purposes of this Tax Certificate, the term **"yield"** with respect to the Bonds means the discount rate that, when used in computing the present value as of the date hereof of all unconditionally payable payments of principal and interest, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Bonds as of the date hereof. The term **"yield"** with respect to a Nonpurpose Investment (as defined below) means the discount rate that, when used in computing the present value as of the date such investment is first allocated to the Bonds of all unconditionally payable receipts from the investment, produces an amount equal to the present value of all unconditionally payable payments for such investment. For purposes of calculating the yield on a Nonpurpose Investment, the purchase price will be the amount paid for such investment or, if different, the fair market value of such investment on the date it becomes Gross Proceeds. See Section 148(b) of the Code and Section 1.148-4 and 1.148.5 of the Treasury Regulations. The yield on obligations acquired with amounts described in this Part C, Section 1, above, and the yield on the Bonds will be calculated by the use of the same frequency interval of compounding interest.

(a) Issue Price. For purposes of calculating yield, the issue price of the Bonds (as defined in Section 1273 of the Code) is equal to (i) the initial offering price to the public (excluding bond houses, brokers and similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount (*i.e.*, at least ten percent (10%)) of each maturity of the Bonds was sold, as shown in the Representative's certificate attached hereto as Exhibit B plus (ii) Accrued Interest. Thus, the aggregate issue price of the Bonds is $207,982,927.94 (representing the aggregate principal amount of the Bonds of $195,170,000.00, plus net original issue premium of $12,503,177.70, plus Accrued Interest of $309,750.24).

(b) Original Issue Premium Bonds Subject to Optional Redemption.

(i) Representations of the Representative. The Representative has advised the Issuer in Exhibit B attached hereto that no portion of the obligations comprising the Bonds that are subject to optional redemption has an issue price that exceeds the stated redemption price at maturity thereof, other than the Bonds listed in Schedule II of Exhibit B (the **"Callable Premium Bonds"**). The Representative has further represented in Exhibit B that the issue price of the Callable Premium Bonds listed in Part I of Schedule II of Exhibit B does not exceed the stated redemption price at maturity of such obligations by more than one-fourth of one percentage point (0.25%) multiplied by the product of the stated redemption price at maturity of such Callable Premium Bonds and the number of complete years to the first optional redemption date

of such Callable Premium Bonds. The Representative has also represented in Exhibit B that the respective issue prices of the Callable Premium Bonds listed in Part II of Schedule II of Exhibit B exceed the stated redemption price at maturity of such Callable Premium Bonds by more than one fourth of one percent multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date for such Callable Premium Bonds. Accordingly, for purposes of computing the yield on the Bonds, Bond Counsel has advised the Issuer that the Callable Premium Bonds listed in Part I of Schedule II of Exhibit B are treated as redeemed on their respective maturity dates at their stated redemption price at maturity and the Callable Premium Bonds listed on Part II of Schedule II of Exhibit B are treated as redeemed at their stated redemption price on the various redemption dates that would produce the lowest overall yield on the Bonds.

(ii) Representations and Computations of Financial Advisor. The Financial Advisor has represented in Exhibit D that it has performed computations and provided such computations to the Issuer that show that the lowest overall yield on the Bonds is achieved by treating the Callable Premium Bonds listed in Part I of Schedule I of Exhibit C that mature on June 1 in the year 2018 as paid at maturity, and by treating the Callable Premium Bonds listed in Part II of Schedule I of Exhibit C that mature on June 1 in the years 2014 to 2017, inclusive, and in the years 2022 and 2023, as redeemed at their respective stated redemption prices, on August 1, 2013.

(c) Calculation of Yield, Representations and Computations by Representative, Underwriters and Financial Advisor. Based on the foregoing definition of **"yield"** with respect to the Bonds, the Financial Advisor has computed the yield on the Bonds to be not less than 3.4457581% (the **"Bond Yield"**). The above determination as to the Bond Yield has been made on the basis of representations of the Representative and Underwriters, including representations made as to the issue price of the Bonds as shown in Exhibit B hereto, and the representations of and the computations performed by the Financial Advisor, as set forth in Schedule II of Exhibit C attached hereto.

(d) Investments to be Acquired at Market Price. Any investments acquired with amounts described in Section 7 of this Part C shall be purchased at prevailing market prices and shall be limited to securities or obligations for which there is an established market in accordance with the rules set forth in Section 5 of Part D or shall be Tax-Exempt Obligations, as defined in Part D of this Tax Certificate.

Section 9. Yield Reduction Payments. Notwithstanding any of the provisions of Section 7 above that requires the Issuer to invest proceeds derived from the sale of the Bonds and investment earnings thereon at a yield not in excess of the yield on the Bonds, the yield on certain investments acquired with proceeds of the Bonds will not be considered to be higher than the applicable yield limitation described in Section 7 above if the Issuer makes or causes to be made "yield reduction payments" to the United States Treasury at the time and in the amounts described in Section 1.148-5(c) of the Treasury Regulations. The Issuer covenants to consult with Bond Counsel prior to making any "yield reduction payment" under Section 1.148-5(c) of the Treasury Regulations.

Section 10. Universal Cap. Notwithstanding any restrictions on the investment of proceeds of the Bonds and other amounts set forth in Section 7 of this Part C, proceeds of the Bonds and other amounts treated as proceeds of the Bonds are allocated and remain allocated to the Bonds, and are thereby subject to the restrictions contained in this Tax Certificate, only to the extent that the value of such proceeds does not exceed the value of the outstanding obligations of the Bonds. This Section does not apply to amounts on deposit in the Debt Service Funds.

Section 11. No Replacement. No portion of the proceeds of the Bonds will be used as a substitute for other funds that were otherwise to be used to finance the costs of the Projects and that have been or will be used to acquire directly or indirectly securities or obligations or other investment property producing a yield in excess of the yield on the Bonds.

Section 12. No Artifice or Device. The Issuer has not engaged and will not engage in a transaction or series of transactions enabling it to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and which increases the burden on the market for tax-exempt obligations, including selling obligations that would not otherwise be necessary or issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary.

Section 13. Single Issue for Arbitrage Purposes. All of the Bonds have been sold and are being issued at substantially the same time, have been sold or issued pursuant to the same plan of financing and will be paid out of substantially the same source of funds (or will have substantially the same claim to be paid out of substantially the same source of funds). No other obligations of the Issuer have been or will be sold or issued within fifteen (15) days of the sale date of Bonds, May 15, 2003, have been or will be sold or issued pursuant to the same plan of financing and will be paid out of substantially the same source of funds (or will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds.

PART D. REBATE REQUIREMENTS

Section 1. In General. The rules contained in this Part D relate to the requirement to comply with the provisions of Section 148(f) of the Code and the Treasury Regulations promulgated thereunder. The Issuer recognizes that Section 148(f) of the Code requires that an amount equal to the sum of (a) the excess of the aggregate amount earned on all Nonpurpose Investments (defined below) over the amount that would have been earned if such Nonpurpose Investments had a yield equal to the yield with respect to the Bonds, plus (b) any income attributable to the excess described in (a), be paid to the United States Treasury (the **"Rebate Requirement"**). Accordingly, the Issuer covenants herein to comply with the applicable yield restrictions and limitations and guidelines set forth in this Tax Certificate to effectuate compliance with the Rebate Requirement, as set forth in Section 148(f) of the Code and the Treasury Regulations.

For purposes of this Tax Certificate (including determining the Rebate Requirement), the term **"Bond Year"** shall mean each one-year (or shorter) period ending each May 29 until

there are no outstanding Bonds. The first Bond Year shall begin on the date hereof.

Section 2. Nonpurpose Investments. The rules contained in this Part D shall apply to the investment of Gross Proceeds, as defined below, in any security, obligation, annuity contract or any other investment-type property (as such term is defined in Section 1.148-1(b) of the Treasury Regulations) that is not acquired to carry out the governmental purpose of the Bonds (**"Nonpurpose Investments"**). Nonpurpose Investments shall not include Tax-Exempt Obligations.

For purposes of this Tax Certificate, the term **"Tax-Exempt Obligations"** shall include (a) obligations the interest on which is excludable from gross income for federal income tax purposes, and not treated as an item of tax preference under Section 57(a)(5)(C) of the Code, (b) stock in a regulated investment company to the extent that at least ninety-five percent (95%) of the income to the holder of the interest is excludable from gross income under Section 103 of the Code, and (c) securities issued by the United States Treasury pursuant to the State and Local Government Series program described in 31 CFR part 344 (**"SLGS"**).

Section 3. Gross Proceeds. For purposes of this Tax Certificate, the term "**Gross Proceeds**" means:

(a) amounts derived from the sale of the Bonds other than the Accrued Interest;

(b) amounts that are reasonably expected to be or are in fact used to pay debt service with respect to the Bonds, including the Debt Service Funds;

(c) amounts pledged as security for the payment of debt service with respect to the Bonds, if any;

(d) amounts treated as "transferred proceeds" of the Bonds, within the meaning of Section 1.148-1(b) of the Treasury Regulations, if any;

(e) amounts treated as "replacement proceeds" of the Bonds, within the meaning of Section 1.148-1(c) of the Treasury Regulations, if any; and

(f) investment earnings on amounts described in (a)-(e) above.

Section 4. Yield. Yield, for purposes of complying with the Rebate Requirement, is to be calculated pursuant to Section 8 of Part C of this Tax Certificate.

Section 5. Fair Market Price. For purposes of this Tax Certificate, the purchase price and disposition price of a Nonpurpose Investment will be the fair market value of the investment (the "**Fair Market Price**"). An investment that is not of a type traded on an established market, within the meaning of Section 1273 of the Code, is rebuttably presumed to be acquired or disposed of at a price that is not equal to its Fair Market Price. Accordingly, a premium may not be paid to adjust the yield on an investment, a lower interest rate than is usually paid may not adjust the yield on an investment and no transaction may result in a smaller profit or larger loss than would have resulted if the transaction had been at arm's-length and had the yield with respect to the Bonds not been relevant to either party.

In determining payments and receipts on Nonpurpose Investments, qualified administrative costs are taken into account. Qualified administrative costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody, and similar costs. General overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Requirement are not qualified administrative costs. In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than gross proceeds of tax-exempt bonds.

(a) Certificate of Deposit. A certificate of deposit with a fixed interest rate, fixed principal payment schedule and a substantial penalty for early withdrawal will be deemed purchased at a Fair Market Price if the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States and (ii) the highest yield published or posted by the provider on comparable certificates offered to the public. See Section 1.148-5(d)(6)(ii) of the Treasury Regulations.

(b) Guaranteed Investment Contracts. Investments pursuant to a guaranteed investment contract will be regarded as being made at fair market value if:

(i) The Issuer makes a bona fide solicitation for a guaranteed investment contract that satisfies all of the following requirements:

(A) the bid specifications are in writing and are timely forwarded to potential providers;

(B) the bid specifications include all material terms that may directly or indirectly affect the yield or the cost of the guaranteed investment contract;

(C) the bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Issuer or any other person (whether or not in connection with the issuance of the Bonds), and that the bid is not being submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements contained in Section 1.148-5(d)(6)(iii)(B)(1) or (2) of the Treasury Regulations;

(D) the terms of the bid specifications are commercially reasonable in that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the guaranteed investment contracts;

(E) the terms of the solicitation take into account the Issuer's reasonably expected deposit and drawdown schedule for the amounts to be invested;

(F) all potential providers have an equal opportunity to bid and no potential provider is given the opportunity to review other bids (*i.e.*, a "last look") before providing a bid; and

(G) at least three reasonably competitive providers are solicited for bids. A "**reasonably competitive provider**" is a provider that has an established industry reputation as a competitive provider of the guaranteed investment contracts.

(ii) The Issuer receives at least three bona fide bids on the guaranteed investment contract from providers that have no material financial interest in the issuance of the Bonds. The following are deemed to have a material financial interest in the execution and delivery of the Bonds:

(A) the lead purchaser in a negotiated underwriting transaction until 15 days after the issue date of the issue;

(B) any entity acting as a financial advisor with respect to the purchase of the guaranteed investment contract at the time the bid specifications are forwarded to potential providers; and

(C) a provider that is a related party to a provider that has a material financial interest in the execution and delivery of the Bonds.

(iii) At least one of the three bids received by the Issuer is from a reasonably competitive provider;

(iv) The winning bidder provides a certificate that lists all administrative costs that it is paying (or expects to pay) to third parties in connection with supplying the guaranteed investment contract,

(v) The Issuer purchases the highest yielding guaranteed investment contract for which a bona fide bid was made (determined net of broker's fees, if any);

(vi) The Issuer retains the following records with the bond documents until three years after the last outstanding Bond is redeemed:

(A) a copy of the guaranteed investment contract;

(B) the receipt or other record amount actually paid by the Issuer for the guaranteed investment contract, including a record of any administrative costs paid by the Issuer, and the certification under subsection (iv) hereof;

(C) a copy of each bid submitted (including the name of the person and entity submitting the bid), the time and date of the bid, and the bid results; and

(D) the bid solicitation form and, if the terms of the guaranteed

investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

(c) Investments Traded on Established Market. For other investments traded on an established market, the fair market value of the investment will be the actual price at which the investments are sold by a willing seller to a willing buyer. When an actual transaction does not occur, the fair market price shall be the mean between the bid and asked prices for such obligations on the date the investment is deemed to become, or ceases to be, proceeds of the issue.

(d) Yield Restricted Amounts. When amounts must be restricted to a certain yield and investments cannot be purchased on an established market or a bona fide Fair Market Price cannot be established at a yield that does not exceed the maximum permissible yield, the Issuer may acquire or hold currency or Tax-Exempt Obligations such as SLGS that yield no more than the maximum permissible yield. The Issuer recognizes that SLGS are available at the Division of Special Investments of the Bureau of Public Debt of the United States Treasury Department (the "**Division of Special Investments**"), and that, under current Treasury Regulations governing SLGS, SLGS may not be purchased until seven (7) calendar days (five (5) calendar days in the case of subscriptions of $10 million or less) after a subscription for them is tendered and received by the Division of Special Investments. Accordingly, the Issuer will act promptly in subscribing for SLGS in the event it is determined that such restricted investments are necessary.

Section 6. Record Keeping and Commingled Funds.

(a) Record Keeping. With respect to all Nonpurpose Investments acquired in any fund or account the Issuer shall record or cause to be recorded the following information: (i) purchase date, (ii) purchase price, (iii) information establishing that the purchase price is the Fair Market Price as of such date (*e.g.*, the published quoted bid by a dealer in such an investment on the date of purchase), (iv) any accrued interest paid, (v) face amount, (vi) coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date. To the extent any investment becomes a Nonpurpose Investment by becoming Gross Proceeds after it was originally purchased or ceased to be a Nonpurpose Investment by ceasing to be Gross Proceeds before it is sold or matures, it shall be treated as if it were acquired or disposed of, respectively, at its Fair Market Price at the time it becomes a Nonpurpose Investment or ceases to be a Nonpurpose Investment, as the case may be.

(b) Commingled Funds. If the Gross Proceeds of the Bonds are deposited in any fund or account and commingled with amounts in excess of $25,000 that are not Gross Proceeds of the Bonds and the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account, such fund or account will be referred to as a **"Commingled Fund"**. The following rules shall apply to any investment of Gross Proceeds in a Commingled Fund other than Gross Proceeds on deposit in the Debt Service Funds.

(i) Allocation Requirement. All payments and receipts (including deemed payments and receipts) on investments held by the Commingled Fund must be allocated (but not necessarily distributed) among the different "Investors" in the Commingled Fund (*i.e.*, the different sources of funds invested in the Commingled Fund) not less frequently than as of the close of each fiscal period. Such allocations must be based on a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include methods that allocate these items in proportion to either the average daily balances of the amounts in the Commingled Fund from different Investors during a fiscal period or the average of the beginning and ending balances of the amounts in the Commingled Fund from different Investors for a fiscal period that does not exceed one month. The Issuer shall record the following information: (A) date of deposit of the Gross Proceeds in the Commingled Fund, (B) amount of Gross Proceeds deposited, (C) date and amount of all periodic allocations of payments and receipts on investments held by the Commingled Fund, (D) the dates of withdrawals from the Commingled Fund, and (E) amounts of Gross Proceeds withdrawn.

(ii) Mark to Market Requirement. If the Issuer and any related party own more than 25% of the beneficial interest in the Commingled Fund (an **"Internal Commingled Fund"**), all of the investments in the Internal Commingled Fund must be treated as if they were sold at fair market value either on the last day of the fiscal year or the last day of each fiscal period and the net gains or losses from these deemed sales must be allocated to all Investors of the Internal Commingled Fund during the period since the last allocation. If the investments held by the Internal Commingled Fund during a particular fiscal year consist exclusively of valid evidences of indebtedness under general federal income tax principles, and the remaining weighted average maturity of all investments held by the Internal Commingled Fund during that fiscal year does not exceed 18 months, the mark to market requirement described in the previous sentence does not apply to the Internal Commingled Fund for such fiscal year.

For purposes of the preceding two requirements, fiscal period means any consistent fiscal period that does not exceed three months.

(iii) Qualified Administrative Costs. With respect to Internal Commingled Funds, only qualified administrative costs, as described in Section 5 above, may be taken into account in determining the amount of payments and receipts on the investments in the Internal Commingled Fund. Thus, only separately stated brokerage or selling commissions may be taken into account. With respect to a Commingled Fund in which the Issuer and any related parties do not own more than 10% of the beneficial interest in the fund (an "**External Commingled Fund**"), qualified administrative costs include all reasonable administrative costs, without regard to the limitation on indirect costs as described in Section 5 above.

(iv) Fair Market Price. The purchase and sale of all investments in the Commingled Fund must comply with the fair market price rules as set forth in Section 5 above and the Issuer shall maintain records of such investments and the information establishing that the purchase price and disposition price is the Fair Market Price as of the date of purchase and disposition, respectively.

Section 7. Bona Fide Debt Service Fund Exception. With respect to issues that are not private activity bonds and that have an average maturity of greater than five (5) years and a fixed rate of interest, amounts earned on moneys in a bona fide debt service fund shall not be taken into account for a Bond Year for purposes of complying with the Rebate Requirement. For purposes of complying with the Rebate Requirement with respect to issues other than as described in the preceding sentence, amounts earned on moneys in a bona fide debt service fund shall not be taken into account for a Bond Year if the gross earnings thereon are less than $100,000; an issue with an average annual debt service not in excess of $2,500,000 may be treated as satisfying this $100,000 limitation.

Section 8. Expenditure Exceptions. The Rebate Requirement will be considered satisfied if the Six-Month Exception (set forth in subsection (a) below), the Eighteen-Month Exception (set forth in subsection (b) below) or the Two-Year Exception (set forth in subsection (c) below) is satisfied.

(a) Six-Month Exception. The Rebate Requirement will be considered satisfied if the following conditions are met.

(i) In General. The Six-Month Exception will be treated as having been satisfied if (A) all Gross Proceeds of the Bonds are allocated to expenditures for the governmental purposes of the Bonds no later than the date that is six (6) months after the date of issuance of the Bonds, and (B) the Rebate Requirement is satisfied with respect to (I) other Gross Proceeds that arise after six (6) months from the date hereof but that are not reasonably anticipated to arise as of the date hereof, (II) repayment of any grants made with proceeds of the Bonds, and (III) sale or investment proceeds on payments under a purpose investment.

(ii) Gross Proceeds. For purposes of meeting clause (i) above, the term Gross Proceeds shall have the same meaning as set forth in Section 3 of this Part D above except that it shall exclude (A) any amounts on deposit in the Debt Service Funds, (B) other Gross Proceeds that arise after six (6) months from the date hereof but that are not reasonably anticipated to arise as of the date hereof, (C) repayment of any grants made with proceeds of the Bonds, and (D) sale or investment proceeds on payments under any purpose investment.

(iii) Additional Six Months for Non-Private Activity Bonds. The Six-Month Exception will be treated as satisfied if, in addition to satisfying subparagraph (i) of this subsection (a), all Gross Proceeds of the Bonds are expended as provided in paragraph (i) of this subsection (a) except for an amount of Gross Proceeds that does not exceed the lesser of five percent (5%) of the proceeds of the Bonds or $100,000 and such unexpended amount of Gross Proceeds is expended within one (1) year from the date of issuance of the Bonds.

(b) Eighteen-Month Exception. The Rebate Requirement will be considered satisfied if the following conditions are met.

(i) In General. The Eighteen-Month Exception will be treated as having

been satisfied if (A) all Gross Proceeds of the Bonds (as defined in paragraph (ii) of subsection 8(a) above as modified to refer to eighteen (18) months in lieu of six (6) months) meet the Eighteen-Month Test described in subsection 8(b)(ii) below, (B) the Rebate Requirement is satisfied with respect to (I) other Gross Proceeds that arise after eighteen (18) months from the date hereof but that are not reasonably anticipated to arise as of the date hereof, (II) repayment of any grants made with proceeds of the Bonds, and (III) sale or investment proceeds on payments under a purpose investment, and (C) all Gross Proceeds qualify for the three (3)-year temporary period set forth in Section 1.148-2(e)(2) of the Treasury Regulations.

(ii) Eighteen-Month Test. To meet the Eighteen-Month Test, at least fifteen percent (15%) of the Gross Proceeds of the Bonds must be allocated to expenditures for the governmental purposes of the Bonds within the six (6)-month period beginning on the date of issuance of the Bonds, at least sixty percent (60%) of the Gross Proceeds must be allocated to expenditures for the governmental purposes of the Bonds within the one-year period beginning on the date of issuance of the Bonds and all of the Gross Proceeds must be allocated to expenditures for the governmental purposes of the Bonds within the eighteen (18)-month period beginning on the date of issuance of the Bonds. For purposes of determining compliance with the first two spending periods described above, the amount of investment proceeds that the Issuer reasonably expects as of the date hereof to earn on the investment of the Gross Proceeds of the Bonds is $146,256.00.

(iii) Reasonable Retainage. For purposes of paragraph (ii) of subsection (b), the Bonds will not be treated as failing to satisfy the spending requirement for the third spending period as a result of a reasonable retainage if the reasonable retainage is expended for the governmental purposes of the Bonds within thirty (30) months from the date of issuance of the Bonds. Reasonable retainage has the same meaning as set forth in subsection 8(c)(iii) below, except that on the date 18 months after the date of issuance of the Bonds, it shall not exceed five percent (5%) of the net sale proceeds of the Bonds.

(c) Two-Year Exception. With respect to the "available construction proceeds," as defined in Subsection 8(d) below, of the Bonds, the Two-Year Exception will be treated as having been satisfied if the requirements of paragraphs (i) and (ii) are satisfied.

(i) 75-Percent Test. The Issuer reasonably expects as of the issue date of the Bonds that at least seventy-five percent (75%) of the "available construction proceeds," as defined in subsection 8(d) below, of the Bonds (or the Construction Issue if the Bifurcation Election is made) will be allocated to construction expenditures (including reconstruction and rehabilitation) with respect to property that is owned by a governmental unit or an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code.

(ii) Two-Year Test. To meet the Two-Year Test, at least ten percent (10%) of the available construction proceeds of the Bonds must be allocated to expenditures for the governmental purposes of the Bonds within the six (6)-month period beginning

on the date of issuance of the Bonds, at least forty-five percent (45%) of the available construction proceeds must be allocated to expenditures for the governmental purposes of the Bonds within the one (1)-year period beginning on the date of issuance of the Bonds, at least seventy-five percent (75%) of the available construction proceeds of the Bonds must be allocated to expenditures for the governmental purposes of the Bonds within the eighteen (18)-month period beginning on the date of issuance of the Bonds, and all of the available construction proceeds of the Bonds must be allocated to expenditures for the governmental purposes of the Bonds within the two (2)-year period beginning on the date of issuance of the Bonds.

(iii) Reasonable Retainage. For purposes of subsection 8(c)(ii), the Bonds will not be treated as failing to satisfy the spending requirement for the fourth spending period as a result of a reasonable retainage if the reasonable retainage is expended for the governmental purposes of the Bonds within three (3) years from the date of issuance of the Bonds. Reasonable retainage means an amount, as of the end of the fourth (4th) spending period referred to in subsection (ii) of Section 8(c) of this Part D, not to exceed five percent (5%) of the available construction proceeds of the Bonds that is retained for reasonable business purposes relating to property financed with the proceeds of the Bonds. Reasonable retainage may include, for example, an amount retained to ensure compliance with the terms of a construction contract in circumstances in which the amount retained is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding either completion of construction or payment.

(d) Available Construction Proceeds.

(i) In General. For purposes of subsection 8(c), the term "**available construction proceeds**" means an amount equal to the issue price of the Bonds (the "**Issue Price**"), (A) increased by (I) earnings on the Issue Price, (II) earnings on any reasonably required reserve or replacement fund not funded with proceeds derived from the sale of the bonds, and (III) investment earnings on the foregoing and (B) reduced by the amounts of the Issue Price (I) deposited in any reasonably required reserve or replacement fund, (II) applied to pay costs of issuance on the bonds and (III) any pre-issuance accrued interest. The term "available construction proceeds," however, shall not include payments on any obligation acquired to carry out the governmental purpose of the issue or the investment earnings thereon, and shall not include investment earnings on amounts on deposit in a debt service reserve fund after the earlier of two years from the date hereof or the date on which construction of the Project is substantially completed.

(ii) Investment Earnings. For purposes of determining compliance with the first three spending periods described in subsection 8(c)(ii) above, the amount of investment proceeds that the Issuer reasonably expects as of the date hereof to earn on the investment of the Gross Proceeds of the Bonds that constitute Available Construction Proceeds is $146,256.00.

(e) No Penalty Election. The Issuer is not electing to have Section 148(f)(4)(C)(vii) of the Code apply to the Bonds. Accordingly, in the event the available construction proceeds

of the Bonds have not been expended within the time periods described in subsection 8(c)(ii) above, the Issuer shall comply with the Rebate Requirement, as described above.

(f) No Bifurcation Election. As of the date hereof, the Issuer does not elect to bifurcate the Bonds pursuant to Section 1.148-7 of the Treasury Regulation.

(g) De Minimis Exception. Any failure to satisfy the final spending requirement of either the Eighteen-Month Exception or the Two-Year Exception is disregarded if the Issuer exercises due diligence to complete the Projects financed and the amount of the failure does not exceed the lesser of three percent (3%) of the issue price or $250,000.

Section 9. Engagement of Experts. The Issuer will, at least one (1) month prior to the end of each fifth (5th) Bond Year, engage a firm competent to perform the calculations necessary to comply with the Rebate Requirement, as set forth in Section 148(f) of the Code and the Treasury Regulations, unless the Issuer satisfies one of the expenditure exceptions to the Rebate Requirement as set forth in Section 8.

Section 10. Payment of Rebate and Retention of Records. The Issuer will pay the amount determined to be required to be paid to the United States in compliance with the Rebate Requirement. Each payment shall be made not later than 60 days after each computation date. Each payment, when added to all previous rebate payments with respect to the Bonds, must be in an amount not less than 90 percent of the Rebate Requirement as of each computation date. All of the Rebate Requirement must be paid to the United States within 60 days after the final maturity date of the Bonds. Payment shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 and be accompanied by Form 8038-T. Records of the determinations made hereunder shall be retained until six years after the retirement of the final maturity of the Bonds.

Section 11. Survival of Defeasance. Notwithstanding anything in this Tax Certificate to the contrary, the Rebate Requirement shall survive the defeasance or payment in full of the Bonds.

PART E. OTHER MATTERS

Section 1. No Pooled Financing Bonds. No portion of the proceeds derived from the sale of the Bonds will be used, directly or indirectly, to make or finance loans to two (2) or more ultimate borrowers.

Section 2. No Federal Guarantee. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, or take or omit to take any action, that would cause the Bonds to be considered "federally guaranteed" within the meaning of Section 149(b) of the Code. The Issuer has not entered into, nor will the Issuer enter into, any (i) long-term service contracts with any federal governmental agency, (ii) service contracts with any federal governmental agency under terms that are materially different from the terms of any contracts with any persons other than federal government agencies, and (iii) leases of property to any federal government agency, that would cause the

Bonds to be considered "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 3. Change in Use. The facilities financed with the proceeds of the Bonds will be used for governmental purposes of the Issuer during the term of the Bonds, unless an opinion of Bond Counsel is received approving any proposed change in use of the Projects.

Section 4. Information Reporting. The Issuer certifies that the information required by Section 149(e) of the Code and set forth on Internal Revenue Service Form 8038-G relating to the Bonds (a copy of which is attached hereto as Exhibit E) reflects its reasonable expectations with respect to the Bonds and the proceeds thereof as of the date of this Tax Certificate. Said Form 8038-G shall be filed at the Internal Revenue Service Center, Ogden, Utah 84201 no later than the fifteenth (15th) day of the second (2nd) calendar month following the close of the calendar year quarter in which the Bonds are issued.

Section 5. Qualified Hedging Transaction. The Issuer has not engaged, and will not engage, in any qualified hedging transaction (as such term is defined in Section 1.148-4(h)(2) of the Treasury Regulations) with respect to the Bonds.

Section 6. No Hedge Bonds. The Issuer reasonably expects that at least 85% of the net sale proceeds of the Bonds will be allocated to expenditures for the Projects within three years of the date hereof. Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more.

Section 7. No Early Issuance. The date of issuance of the Bonds has been determined solely on the basis of bona fide financial reasons, in accordance with ordinary financial practice in financing facilities similar to the Projects, and has not been determined with a view to prolonging the period between the issuance of the Bonds and expenditure of the proceeds thereof.

Section 8. Tax Covenants. The Issuer hereby covenants that money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder. The Issuer hereby covenants that it shall not take any action which will, or fail to take any action which failure will, cause the interest on the Bonds to become includable in the gross income of the owners of the Bonds for federal income tax purposes pursuant to the provisions of the Code and the regulations promulgated thereunder in effect on the date of original issuance of the Bonds.

Section 9. Authority to Execute Tax Certificate. The undersigned is an authorized representative of the Issuer and is acting for and on behalf of the Issuer in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

Section 10. Amendment. Notwithstanding any provision of this Tax Certificate, the Issuer may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is based on a written opinion of Bond Counsel approving such amendment.

WITNESS my hand as of the 29th day of May 2003.

By: Edward L. Long, Jr.
Edward L. Long, Jr.
Chief Financial Officer

List of Exhibits

Exhibit A	Certificate with Respect to the Reimbursement of Expenditures Paid Before May 29, 2003
Exhibit B	Issue Price Certificate
Exhibit C	Certificate of Financial Advisor
Exhibit D	Certificate of the School Board
Exhibit E	Form 8038-G

EXHIBIT A

Certificate with Respect to the Reimbursement of Expenditures Paid before May 29, 2003

This certificate is being furnished by Edward L. Long, Jr., Chief Financial Officer, Fairfax County, Virginia (the "**Issuer**" or the "**County**"), in connection with the issuance on the date hereof of the Bonds (as defined in the Tax Certificate to which this certificate is attached (the "**Tax Certificate**")) to Sidley Austin Brown & Wood LLP in its capacity as Bond Counsel, for purposes of rendering its opinion as to the exclusion from gross income of interest on the Bonds for federal income tax purposes. Unless otherwise defined, all capitalized terms used herein shall have the same meaning as in the Tax Certificate.

A portion of the proceeds derived from the sale of the Bonds will be applied to reimburse the General Fund of the Issuer (the "**General Fund**") for architectural, engineering, soil testing and similar costs paid from the General Fund in connection with the Projects prior to the date hereof (the "**Preliminary Expenditures**"). A portion of the proceeds derived from the sale of the Bonds will be applied to reimburse the General Fund for other costs paid in connection with the Projects no earlier than the dates (the "**Approval Dates**") on which the various elections described in the Resolution (the "**Elections**") were held and the issuance of bonds to finance the various purposes described therein was approved by the voters of the County (the "**Reimbursement Expenditures**"). I, or individuals under my direction, have made such examination and investigation as is necessary to make the certifications herein and to certify to the accuracy of the information set forth below.

Based on the foregoing investigation and examination, **I HEREBY CERTIFY AS FOLLOWS**:

1. Preliminary Expenditures. No more than 20% of the proceeds of the Bonds will be applied to reimburse the Issuer for the Preliminary Expenditures.

2. Official Intent.

(a) Declaration of Intent. The Elections were held after the Board of Supervisors of the County passed resolutions requesting the Circuit Court of Fairfax County, Virginia to order elections on the question of issuing bonds of the County to finance the Projects (the "**Resolutions**"). When the Issuer passed these Resolutions, the Issuer declared its intent to reimburse itself, subject to voter approval, with the proceeds of a bond issue for the costs paid in connection with the Projects from other funds of the Issuer. The Reimbursement Expenditures were paid no earlier than sixty (60) days prior to the Approval Dates. The Resolutions set forth a general description of the projects for which the Reimbursement Expenditures were paid and states the maximum principal amount of obligations to be issued to finance such projects. The Issuer has not taken any action at any time after the expression of such intent that would contradict its expectation that it would reimburse the Reimbursement Expenditures with the proceeds of a borrowing.

(b) Reasonableness of Intent. At the time the Resolutions were adopted, the Issuer reasonably expected to reimburse the Reimbursement Expenditures with the proceeds of a borrowing. The Issuer does not have a pattern of failing to reimburse expenditures for which an intention to reimburse such expenditures was declared and which were actually paid by the Issuer other than in circumstances that were unexpected or beyond the control of the Issuer. At the time that the Resolutions were adopted, no funds of the Issuer or any entity that is part of the controlled group of entities of which the Issuer is a part (the **"Controlled Group"** as further defined below) existed that were, or were reasonably expected to be, allocated on a long term basis, reserved, or otherwise set aside by the Issuer or any other member of the Controlled Group pursuant to their budget or financial policies with respect to the Reimbursement Expenditures.

3. Reimbursement Period Requirement. The Issuer shall apply proceeds of the Bonds to reimburse itself for the Reimbursement Expenditures not later than eighteen (18) months after the later of (a) the date that each such Reimbursement Expenditure was paid, and (b) the date on which the project financed with such Reimbursement Expenditure was placed in service, provided that in no event will any of the proceeds derived from the sale of the Bonds be applied to reimburse a Reimbursement Expenditure more than three (3) years after the date such Reimbursement Expenditure was paid.

4. Reimbursable Expenditures. The Preliminary Expenditures and the Reimbursement Expenditures were each a cost of a type that was properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles applicable at the time the Preliminary Expenditure or Reimbursement Expenditure was paid.

5. Anti-Abuse Rules. None of the proceeds of the Bonds that will be used to reimburse the Issuer for the Preliminary Expenditures or the Reimbursement Expenditures will be used directly or indirectly within one year of the date of reimbursement in a manner that results in the creation of "replacement proceeds" within the meaning of Treasury Regulation Section 1.148-1(c) for the Bonds or another issue of obligations, other than amounts deposited into a bona fide debt service fund, as defined in Treasury Regulation Section 1.148-1(b).

For purposes of this certificate, a "**Controlled Group**" means a group of entities that are controlled directly or indirectly by the same entity or group of entities. The determination of whether an entity is controlled by another entity is based on all of the relevant facts and circumstances. One entity generally controls another entity or group of entities if the controlling entity possesses either of the following rights or powers and the rights or powers are discretionary and non-ministerial: (a) the right or power both to approve and to remove without cause a controlling portion of the governing body of another entity; or (ii) the right or power to require the use of funds or assets of the controlled entity for any purpose of the controlling entity. The controlling entity is also deemed to control all entities that are directly or indirectly controlled by a controlled entity.

I understand that in rendering your opinion, you intend to rely on the contents of this certificate.

I hereby certify that to the best of my knowledge and belief that the statements and representations contained herein are true and correct; and that they fairly present the matters covered thereby.

By: Edward L. Long, Jr.
Edward L. Long, Jr.
Chief Financial Officer

Dated: May 29, 2003.

EXHIBIT B

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds
Series 2003B

ISSUE PRICE CERTIFICATE

This Certificate is furnished by Merrill Lynch & Co., as representative (the **"Representative"**) of the underwriters of the above-referenced Bonds (the **"Underwriters"**), to establish the initial offering price of the Bonds for purposes of determining the "issue price" of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the **"Code"**) and with respect to certain other matters.

The undersigned DOES HEREBY CERTIFY as follows:

A. Issue Price

1. It reasonably expected on May 15, 2003, which is the date on which the bid of the Underwriters to purchase the Bonds was accepted (the **"Sale Date"**) by the County of Fairfax, Virginia (the **"Issuer"**), that the Bonds would be sold to the general public at the initial offering prices set forth on Schedule I attached hereto (each an **"Initial Public Offering Price"**).

2. The Underwriters have made a bona fide offering of all of the Bonds to the General Public at prices not in excess of their Initial Public Offering Prices, plus accrued interest.

3. The Underwriters first sold for cash at least 10% of the aggregate principal amount of each maturity of the Bonds to the General Public at prices not in excess of their Initial Public Offering Prices, plus accrued interest.

4. The Initial Public Offering Price for each maturity of the Bonds is not more than the fair market value of such maturity as of the Sale Date.

5. For purposes of this certificate, the term "**General Public**" means the general public of investors who are purchasing for their own account as ultimate purchasers and does not include bond houses, brokers and similar persons acting in the capacity of underwriters or wholesalers.

B. Original Issue Premium on Bonds Subject to Optional Redemption

1. No portion of the obligations comprising the Bonds that are subject to optional redemption has an issue price that exceeds the stated redemption price at maturity thereof, other than the Bonds listed in Schedule II of Exhibit B attached hereto (the **"Callable Premium Bonds"**).

2. The issue price of the Callable Premium Bonds listed in Part I of Schedule II of Exhibit B does not exceed the stated redemption price at maturity of such obligations by more than one-fourth of one percentage point (0.25%) multiplied by the product of the stated redemption price at maturity of such Callable Premium Bonds and the number of complete years to the first optional redemption date of such Callable Premium Bonds.

3. The respective issue prices of the Callable Premium Bonds listed in Part II of Schedule II of Exhibit B exceed the stated redemption price at maturity of such Callable Premium Bonds by more than one fourth of one percent multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date for such Callable Premium Bonds.

The undersigned understands that the foregoing information will be relied upon by the Issuer for the purposes of making certain of the representations contained in the Tax Certificate dated as of the date hereof, executed by the Issuer in connection with the issuance of the Bonds and will be relied upon by Sidley Austin Brown & Wood LLP in rendering its opinion that interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes.

Dated: May 29, 2003.

MERRILL LYNCH & CO.

By: _____
Name: Michael J Cocchiola
Title: Syndicate Specialist

Schedule I of Exhibit B

Maturity Date	Principal Amount($)	Interest Rate(%)	Price (% of Par)
06/01/2004	9,765,000.00	2.0000	100.977
06/01/2005	9,765,000.00	2.0000	101.680
06/01/2006	9,765,000.00	3.0000	104.692
06/01/2007	9,765,000.00	3.0000	104.538
06/01/2008	9,765,000.00	4.0000	108.834
06/01/2009	9,765,000.00	5.0000	114.400
06/01/2010	9,765,000.00	5.0000	114.522
06/01/2011	9,765,000.00	5.0000	114.599
06/01/2012	9,765,000.00	4.0000	107.350
06/01/2013	9,765,000.00	5.0000	115.492
06/01/2014	9,760,000.00	4.0000	105.052
06/01/2015	9,760,000.00	4.0000	104.189
06/01/2016	9,760,000.00	5.0000	112.300
06/01/2017	9,755,000.00	5.0000	111.408
06/01/2018	9,755,000.00	4.0000	100.904
06/01/2019	9,750,000.00	4.0000	100.000
06/01/2020	9,745,000.00	4.0000	98.422
06/01/2021	9,745,000.00	4.1250	98.809
06/01/2022	9,745,000.00	4.7500	105.290
06/01/2023	9,745,000.00	4.7500	104.621
	$195,170,000.00		

Callable Premium Bonds

Maturity Date	Principal Amount ($)	Coupon (%)	Price (%)
Part I			
06/01/2018	9,755,000.00	4.0000	100.904
Part II			
06/01/2014	9,760,000.00	4.0000	105.052
06/01/2015	9,760,000.00	4.0000	104.189
06/01/2016	9,760,000.00	5.0000	112.300
06/01/2017	9,755,000.00	5.0000	111.408
06/01/2022	9,745,000.00	4.7500	105.290
06/01/2023	9,745,000.00	4.7500	104.621

EXHIBIT C

CERTIFICATE OF BB&T CAPITAL MARKETS

This certificate is furnished by BB&T Capital Markets, as the financial advisor (the **"Financial Advisor"**) to the County of Fairfax, Virginia (the **"Issuer"**), with respect to the issuance of the Issuer's $195,170,000 aggregate principal amount of Public Improvement Bonds, Series 2003B (the **"Bonds"**) for purposes of determining the "issue price" of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the **"Code"**), the yield on the Bonds, and with respect to certain other matters. Capitalized terms used and not defied herein are as defined in the Tax Certificate to which this certification attached as Exhibit C (the **"Tax Certificate"**).

The undersigned DOES HEREBY CERTIFY as follows:

1. No portion of the obligations comprising the Bonds that are subject to optional redemption has an issue price that exceeds the stated redemption price at maturity thereof, other than the Bonds listed in Schedule I of Exhibit C attached hereto (the **"Callable Premium Bonds"**).

2. The issue price of the Callable Premium Bonds listed in Part I of Schedule I of Exhibit C does not exceed the stated redemption price at maturity of such obligations by more than one-fourth of one percentage point (0.25%) multiplied by the product of the stated redemption price at maturity of such Callable Premium Bonds and the number of complete years to the first optional redemption date of such Callable Premium Bonds.

3. The respective issue prices of the Callable Premium Bonds listed in Part II of Schedule I of Exhibit C exceed the stated redemption price at maturity of such Callable Premium Bonds by more than one fourth of one percent multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date for such Callable Premium Bonds.

4. Bond Counsel has advised that the yield on the Bonds is to be computed by treating the Callable Premium Bonds listed on Part II of Schedule I of Exhibit C as redeemed at their stated redemption price on the various redemption dates that would produce the lowest overall yield on the Bonds.

5. Based upon computations performed by the Financial Advisor, which are attached hereto as Schedule II, we have determined that the lowest overall yield on the Bonds is achieved by treating the Callable Premium Bonds listed in Part I of Schedule I of Exhibit C that mature on June 1 in the year 2018 as paid at maturity, and by treating the Callable Premium Bonds listed in Part II of Schedule I of Exhibit C that mature on June 1 in the years 2014 to 2017, inclusive, and in the years 2022 and 2033, as redeemed at their respective stated

maturity, and by treating the Callable Premium Bonds listed in Part II of Schedule I of Exhibit C that mature on June 1 in the years 2014 to 2017, inclusive, and in the years 2022 and 2033, as redeemed at their respective stated redemption prices, on June 1, 2013, and accordingly, the semi-annually compounded yield on the Bonds is not less than 3.4457581%.

The undersigned recognizes that the representations set forth above will be relied upon by the Issuer in making certain of the representations set forth in the Tax Certificate and by Sidley Austin Brown & Wood LLP, Bond Counsel, in rendering its opinion that the interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes.

Dated: May 29, 2003.

BB&T CAPITAL MARKETS

By:_____
Name: John J. Conrad
Title: Senior Vice President

Callable Premium Bonds

Maturity Date	Principal Amount ($)	Coupon (%)	Price (%)
Part I			
06/01/2018	9,755,000.00	4.0000	100.904
Part II			
06/01/2014	9,760,000.00	4.0000	105.052
06/01/2015	9,760,000.00	4.0000	104.189
06/01/2016	9,760,000.00	5.0000	112.300
06/01/2017	9,755,000.00	5.0000	111.408
06/01/2022	9,745,000.00	4.7500	105.290
06/01/2023	9,745,000.00	4.7500	104.621

Schedule II

Yield Computations
(See Attached)

PROOF OF ARBITRAGE YIELD

Fairfax County, Virginia
Public Improvement Bonds, Series 2003B

Date	Debt Service	Present Value to 05/29/2003 @ 3.4457581%
12/01/2003	4,336,503.40	4,262,247.05
06/01/2004	13,747,503.13	13,283,242.79
12/01/2004	3,884,853.13	3,690,083.93
06/01/2005	13,649,853.13	12,745,913.74
12/01/2005	3,787,203.13	3,476,505.75
06/01/2006	13,552,203.13	12,229,694.60
12/01/2006	3,640,728.13	3,229,797.66
06/01/2007	13,405,728.13	11,691,193.00
12/01/2007	3,494,253.13	2,995,740.16
06/01/2008	13,259,253.13	11,175,068.59
12/01/2008	3,298,953.13	2,733,308.41
06/01/2009	13,063,953.13	10,640,657.44
12/01/2009	3,054,828.13	2,446,031.16
06/01/2010	12,819,828.13	10,091,105.91
12/01/2010	2,810,703.13	2,174,968.12
06/01/2011	12,575,703.13	9,566,466.41
12/01/2011	2,566,578.13	1,919,354.17
06/01/2012	12,331,578.13	9,065,685.45
12/01/2012	2,371,278.13	1,713,743.58
06/01/2013	70,661,278.13	50,202,597.60
12/01/2013	785,990.63	548,963.44
06/01/2014	785,990.63	539,665.66
12/01/2014	785,990.63	530,525.35
06/01/2015	785,990.63	521,539.85
12/01/2015	785,990.63	512,706.53
06/01/2016	785,990.63	504,022.83
12/01/2016	785,990.63	495,486.20
06/01/2017	785,990.63	487,094.16
12/01/2017	785,990.63	478,844.25
06/01/2018	10,540,990.63	6,313,056.74
12/01/2018	590,890.63	347,893.83
06/01/2019	10,340,890.63	5,985,203.53
12/01/2019	395,890.63	225,256.62
06/01/2020	10,140,890.63	5,672,307.81
12/01/2020	200,990.63	110,520.00
06/01/2021	9,945,990.63	5,376,435.62
	271,543,212.95	207,982,927.94

Proceeds Summary

Delivery date	05/29/2003
Par Value	195,170,000.00
Accrued interest	309,750.24
Premium (Discount)	12,503,177.70
Target for yield calculation	207,982,927.94

Form **8038-G**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If **Amended Return,** check here ▶ ☐

1 Issuer's name **Fairfax County, Virginia**	2 Issuer's employer identification number **54:0787833**
3 Number and street (or P.O. box if mail is not delivered to street address) **12000 Government Center Parkway** — Room/suite	4 Report number **3 02**
5 City, town, or post office, state, and ZIP code **Fairfax, Virginia 22035-0016**	6 Date of issue **May 29, 2003**
7 Name of issue **$195,170,000 Public Improvement Bonds, Series 2003B**	8 CUSIP number **303820 H98**
9 Name and title of officer or legal representative whom the IRS may call for more information **Edward L. Long, Jr., Chief Financial Officer**	10 Telephone number of officer or legal representative **(703) 324-4050**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☒ Other. Describe ▶ **Various Municipal and School Improvements**	18	**$207,673,177.70**
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	**June 1, 2023**	**$207,673,177.70**	**$195,170,000.00**	**10.4396** years	**3.4457%**

Part IV Uses of Proceeds of Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	**$309,750.24**
23	Issue price of entire issue (enter amount from line 21, column (b))			23	**$207,673,177.70**
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	**$1,273,177.70**		
25	Proceeds used for credit enhancement	25	**$0.00**		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	**$0.00**		
27	Proceeds used to currently refund prior issues	27	**$0.00**		
28	Proceeds used to advance refund prior issues	28	**$0.00**		
29	Total (add lines 24 through 28)			29	**$1,273,177.70**
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	**$206,400,000.00**

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ **NA** years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ **NA** years
33 Enter the last date on which the refunded bonds will be called ▶
34 Enter the date(s) the refunded bonds were issued ▶ **NA**

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: **a** Proceeds of this issue that are to be used to make loans to other governmental units	37a	

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the Issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐
40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ Edward L. Long Jr. — Signature of issuer's authorized representative
May 29, 2003 — Date
▶ **Edward L. Long**, Chief Financial Officer — Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

Cat. No. 63773S Form **8038-G** (Rev. 11-2000)

PIA

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
SAN FRANCISCO
WASHINGTON, D.C.

787 SEVENTH AVE.
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
FACSIMILE 212 839 5599
www.sidley.com

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BEIJING
GENEVA
HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

Acknowledgement Copy

June 11, 2003

Certified Mail: Return Receipt Requested
Article Number: 7000 1670 0008 1175 7031

Internal Revenue Service Center
Ogden, UT 84201

Dear Ladies and Gentlemen:

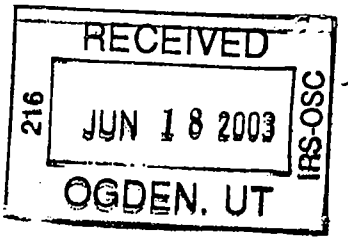
Enclosed please find the Form 8038-G for the following issue:

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds
Series 2003B

Please acknowledge receipt of the enclosed items by stamping the acknowledgement copy of this letter and returning it to me in the enclosed, stamped, self-addressed envelope.

If you have any questions, call me at (212) 839-7347.

Very truly yours,



Manish Borde
Legal Assistant

Enclosures

NY1 5395389v1

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
SAN FRANCISCO
WASHINGTON, D.C.

787 SEVENTH AVENUE
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
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www.sidley.com
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BEIJING
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SINGAPORE
TOKYO

May 29, 2003

Board of Supervisors
of Fairfax County, Virginia
Fairfax, Virginia

We have examined certified copies of the legal proceedings, including the election proceedings and other proofs submitted, relative to the issuance and sale of

$195,170,000
Fairfax County, Virginia
Public Improvement Bonds, Series 2003B

The bonds are dated May 15, 2003, mature in annual installments on June 1 in each of the years 2004 to 2023, inclusive, bear interest payable semiannually on the 1st days of June and December in each year, commencing December 1, 2003, as provided in the resolution authorizing the issuance of the bonds adopted by the Board of Supervisors of Fairfax County on April 28 , 2003.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds pursuant to the Constitution and laws of Virginia, and that the bonds constitute valid and binding general obligations of Fairfax County, Virginia, for the payment of which the full faith and credit of said County are pledged, and all taxable property in the County is subject to the levy of an ad valorem tax, without limitation as to rate or amount, for the payment of the bonds and the interest thereon, which tax shall be in addition to all other taxes authorized to be levied in said County to the extent other funds of said County are not lawfully available and appropriated for such purpose.

We are further of the opinion that, except as provided in the following sentence, interest on the bonds is not includable in the gross income of the owners of the bonds for purposes of Federal income taxation based on existing law. Interest on the bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the bonds in the event of a failure by the County or the school board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use,

expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of the interest on the bonds for Federal income tax purposes on or after the date on which any action is taken affecting such covenants upon the approval of counsel other than ourselves. Interest on the bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum taxes. The Code contains other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Respectfully submitted,

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
SAN FRANCISCO
WASHINGTON, D.C.

787 SEVENTH AVENUE
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
FACSIMILE 212 839 5599
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May 29, 2003

Board of Supervisors
of Fairfax County, Virginia
Fairfax, Virginia

Merrill Lynch & Co.
New York, New York

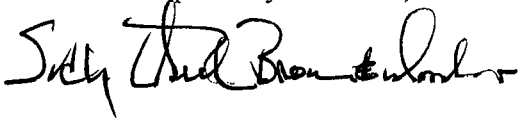
$195,170,000
Fairfax County, Virginia
Public Improvement Bonds
Series 2003 B

In connection with the issuance by Fairfax County, Virginia on the date hereof of its $195,170,000 Public Improvement Bonds, Series 2003 B, dated May 15, 2003 (the "Bonds"), we have examined the Federal income tax treatment of the amount of the original issue discount reflected in the initial public offering price of the Bonds.

We have examined such proofs as we deemed necessary as a basis for the following opinion.

From such examination, we are of the opinion that the excess, if any, of the amount payable at maturity of any maturity of the Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount will be excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds, as stated in our opinion dated the date hereof with respect to the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The Internal Revenue Code provides that such original issue discount excluded as interest accrues in accordance with a constant yield method based on the compounding of interest, and that a holder's adjusted basis in such Bonds will be increased by the amount of such accruing original issue discount for purposes of determining such holder's gain or loss on disposition of such Bonds.

Respectfully submitted,



Blanket Issuer Letter of Representations

[To be Completed by Issuer]

Fairfax County, Virginia
[Name of Issuer]

June 21, 1995
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Fairfax County, Virginia
(Issuer)

By: Edward L. Long
(Authorized Officer's Signature)

Edward L. Long
Director, Office of Management and Budget
Fairfax County, Virginia
12000 Government Center Parkway
Suite 561
Fairfax, Virginia 22035-0074

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: James McGreevey

Date: June 21, 1995

The Depository Trust Company
Mr. Vincent A. Mauro
Vice President
55 Water Street-19th Floor
New York, NY 10041

Dear Mr. Mauro:

Re: *Operational Arrangements Letter of Representations*

From time to time, this organization may be appointed as a trustee, paying agent, transfer agent, or an agent in some other capacity for securities issues that DTC will be requested to make eligible for its services. The undersigned confirms that when this organization acts in one of these capacities for any such issues, it hereby represents that, to the extent within its control, it will comply with the requirements stated in the DTC *Operational Arrangements* memorandum dated December 12, 1994, as they may be amended from time to time.

Office of Finance, Fairfax County, Virginia
(Name of Organization)

Susan S. Planchon
(Authorized Officer's Signature)

Susan S. Planchon
(Please Print Name)

Director of Finance
(Title)

Rev 12/1/94

The Depository Trust Company
55 Water Street
New York, New York 10041

Attention : Underwriting Packaging Department
Phone : (212) 855-8820 or 8821
Telecopy : (212) 855-8703 or 8707

SUBJECT TO COUNT AND EXAMINATION

SAFEKEEPING AGREEMENT

Ref: (Description of issue, number of certificates, number of CUSIP's assigned to issue and $ value of securities)

FAIRFAX COUNTY: C/W. VIRGINIA.
PUBLIC IMPROVEMENT BONDS SERIES 2003-B MR-1 - R-20

CUSIP # 303 820 F66 - H98 **$ VALUE** 195,170,000

The Depository Trust Company (DTC) acknowledges receipt from Sidney Austin Brown-Wood (the trustee , transfer agent , underwriter or other agent of the issuer , hereafter referred to as the "Agent") of possession, custody and control of the above securities for safekeeping. DTC is authorized to hold these securities in safekeeping until DTC is instructed by telephone or in writing by one of the below designated representatives of the Agent either to : (1) deliver the securities by book-entry to the DTC account of the lead underwriter (or to the DTC account of its clearing agent) or (2) return the said securities to the Agent.

In the event DTC is instructed to return said securities, DTC shall return the securities to the Agent as soon as practicable, but , in any event , no later than the DTC business day following the day such instruction is received.

DTC shall hold the Agent, its officers and employees, harmless from any liability , loss , damage , and reasonable expense of any kind in connection with any loss , damage , theft or destruction of any kind of said securities while they are in the possession , custody or control of DTC , its officers or employees or in the event securities are released from the control of DTC without the specific approval of the Agent pursuant to this Safekeeping Agreement.

2003 MAY 28 AM 11:25

THE AGENT

By: _____

Title : _____

Date : _____

The Depository Trust Company

By: _____

Title : _____

Date : 5/28/03

Authorized Representative of Trustee/Agent

PRINT NAME	ORGANIZATION	TELEPHONE NO.
		( )
		( )
		( )

DTC accepts authorization of closings on the phone numbers listed below:

(212) 855-3752 (212) 855-3753
(212) 855-3755 (212) 855-3754

10656 (1/2000)

Distribution: White – Presenter Canary – Interface Pink – Packaging

CERTIFICATE OF SUCCESSFUL BIDDER

Merrill Lynch & Co., as representative and on behalf of itself and the others of the successful bidders ("underwriters") for **$195,170,000 Fairfax County, Virginia, Public Improvement Bonds, Series 2003 B** (the "Bonds"), **HEREBY CERTIFIES**, in accordance with the terms of the Notice of Sale relating to such Bonds:

1. The Official Statement, dated May 15, 2003 relating to the Bonds (the "Official Statement") includes the initial offering prices or yields for the Bonds that we furnished to the County for inclusion in the Official Statement.

2. We acknowledge receipt of the Official Statement in the quantities we requested.

3. We have delivered a copy of the Official Statement to each nationally recognized municipal securities information repository registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

4. We acknowledge that the County expects us and the other underwriters to deliver copies of the Official Statement to those persons to whom we initially sell the Bonds. The Bonds will only be offered pursuant to the Official Statement and only in states where the offer is legal.

5. We acknowledge receipt through the facilities of The Depository Trust Company of the Bonds in the aggregate principal amount of $195,170,000, bearing interest and maturing as described in the Official Statement.

May 29, 2003

MERRILL LYNCH & CO.

By: _____
Name: Michael J. Cocchiola
Title: Syndicate Specialist