April 14, 2004

MEMORANDUM OF LEGAL PAPERS

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

The Series 2004 A Bonds are being issued for the purpose of providing funds for school improvements ($120,215,000), parks and park facilities ($30,910,000), neighborhood improvements ($1,820,000), transportation improvements and facilities ($21,020,000), adult detention facilities ($770,000), juvenile detention facilities ($900,000), commercial and redevelopment area improvements ($4,150,000) and storm drainage improvements ($3,960,000) and funds, with other available funds, to refund certain maturities, or portions thereof, of the County's outstanding callable Public Improvement Bonds, Series 1996 A and Public Improvement Bonds, Series 1997 A.

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. Certified copy of the proceedings of the County School Board of March 11, 2004 showing the adoption of the resolution requesting the Board of Supervisors to authorize the issuance and sale of bonds for school improvements, plus a certificate of the Clerk of the Circuit Court reciting the filing of a certified copy of this resolution with the Court.

2. Certified copy of the proceedings of the Board of Supervisors of March 15, 2004 showing the adoption of the resolution (the "Bond Resolution") authorizing the issuance of the Series 2004 A Bonds, providing for the sale of the Series 2004 A Bonds and providing for the delegation of authority to award the Series 2004 A 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. Copy of the Order of the Circuit Court of Fairfax County, Virginia extending the period within which the transportation bonds approved at the November 3, 1992 election may be issued.

4. (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.

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

6. Copy of the Preliminary Official Statement.

7. Certificate of the Chief Financial Officer awarding the Series 2004 A Bonds and making certain determinations pursuant to the delegation of authority contained in the Bond Resolution.

8. Continuing Disclosure Agreement.

9. Letters/Releases from Rating Agencies.

10. 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.

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

12. (a) Executed counterpart of the Escrow Deposit agreement between the County and Wachovia Bank, National Association, as Escrow Agent, including as an Appendix the Verification Report of McGladrey & Pullen, LLP.

    (b) Faxed 1996 A Refunded Bonds Notice of Redemption with DTC acknowledged receipt [post-closing].

    (c) Affidavit of the mailing of the 1997 A Refunded Bonds Notice of Defeasance and Establishment of Escrow Fund [post-closing].

13. Evidence of the authority of Wachovia Bank, National Association to serve as Escrow Agent under the Escrow Deposit Agreement.

14. Receipt for escrow funds.

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

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

17. Signature and no-litigation certificate.

18. County Attorney's no-litigation opinion.

19. (a) Certificate of authentication.

    (b) Specimen Series 2004 A Bond.

20. Certificate of delivery and payment.

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

22. Completed Form 8038-G.

23. Approving opinion of Bond Counsel.

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

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

26. Receipt from The Depository Trust Company for the Series 2004 A Bonds.

27. 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 $130,000,000 AND APPROVING THE FORM OF A TAX CERTIFICATE AND AUTHORIZING THE EXECUTION THEREOF."**, as adopted by the County School Board on March 11, 2004 (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 14th day of April, 2004.

Pamela Goddard
Clerk, Fairfax County School Board
Fairfax, Virginia

A RESOLUTION REQUESTING THE BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA, TO ISSUE AND SELL SCHOOL BONDS OF FAIRFAX COUNTY, VIRGINIA, TOTALING $130,000,000 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 $293,410,000 of the bonds authorized by the November 2, 1999 referendum, leaving a balance of $3,795,000 authorized but unissued bonds; and

WHEREAS, the School Board of Fairfax County, Virginia deems it advisable for the Board of Supervisors to issue the $3,795,000 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 $126,205,000 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 the cost of 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 6, 2001 referenda, in the aggregate principal amount of $130,000,000 and provide for the sale of such bonds at this time.

Section 2. The form of a 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 [and Refunding] Bonds, Series 2004 A 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.

* * * * * * * * * * * * *

I hereby certify the above is a true and correct copy of a resolution adopted by the School Board of Fairfax County, Virginia, at a regular meeting held on March 11, 2004 at Luther Jackson Middle School, Falls Church, Virginia.

March 11, 2004

Pamela Goddard, Clerk
School Board of
Fairfax County, Virginia

MINUTES

Fairfax County School Board

Luther Jackson Middle School

Regular Meeting No. 15 March 11, 2004

EXCERPTED FROM PAGES 1, 4, 5

II. MEETING OPENING

TAPE REFERENCE: 1-0065

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

Chairman Smith convened the meeting at 7:45 p.m. with the following Board members present:

Catherine A. Belter (Springfield)	Phillip A. Niedzielski-Eichner (Providence)
Brad Center (Lee)	Janet S. Oleszek (At Large)
Stuart D. Gibson (Hunter Mill)	Kathy L. Smith (Sully)
Stephen M. Hunt (At Large)	Daniel G. Storck (Mt. Vernon)
Kaye Kory (Mason)	Jane K. Strauss (Dranesville)
Ilryong Moon (At Large)	Tessie Wilson (Braddock)

Also present were student representative to the Board Andrew Ramish; Interim Division Superintendent Brad Draeger; Acting Chief Academic Officer Laura Thomas; Chief Operating Officer Thomas Brady; Executive Assistant and Clerk of the Board Pamela Goddard; Deputy Clerk of the Board Linda Sabo; and certain other members of staff.

Chairman Smith thanked the Virginia Run Elementary School Choral Ensemble, under the direction of Lorraine Neill, for their performance of the National Anthem, and she recognized Principal Teresa Hicks and Assistant Principal Brenda Blue.

IV. ACTION ITEMS

TAPE REFERENCE: 1-0888

A. Adoption of Consent Agenda

1. **Minutes** – Approve minutes of February 26, 2004, regular School Board meeting (Exhibit E)
2. **School Board Policy** – Adopt Policy 1801.5, Conflict of Interest and Statement of Economic Interest-School Board Members and Superintendent of Schools, as discussed by the Policy Review Committee (SB; Exhibit F)
3. **School Board Policy** – Adopt Policy 2475.4, Commencement Activities, as discussed by the Policy Review Committee (SS; Exhibit G)
4. **School Board Policy** – Adopt Policy 4140.1, Physical and Mental Examinations, as discussed by the Policy Review Committee (HR; Exhibit H)
5. **School Board Policy** – Adopt Policy 4430.3, Conflict of Interest-Employees, as discussed by the Policy Review Committee (HR; Exhibit I)

6. **School Board Policy** – Adopt Policy 4910.2, Commitment to Human Relations, as discussed by the Policy Review Committee (HR; Exhibit J)
7. **School Board Policy** – Adopt Policy 7101.4, School Bus Transportation and Walking Routes, as discussed by the Policy Review Committee (FTS; Exhibit K)
8. **Sale of School Bonds** – Approve a resolution requesting the Board of Supervisors to issue and sell school bonds totaling $130 million in school bonds approved by the voters in the November 6, 2001, School Bond Referendum, and authorize the Chairman or Vice Chairman to execute, on behalf of the School Board, the Tax Certificate in connection with the issuance by the County of

Chairman Smith stated that, without objection, the eight items on the consent agenda would be adopted. Hearing no objection, the consent agenda **passed unanimously.**

IX. ADJOURNMENT

TAPE REFERENCE: 1-3134

The meeting was adjourned at 9:05 p.m.

I, Pamela Goddard, Executive Assistant of the School Board of Fairfax County, Virginia, hereby certify that the foregoing annexed extracts from the Minutes of the meeting of the School Board of said County, held on March 11, 2004 , are a 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, Executive Assistant

County School Board of Fairfax County, Virginia

April 14, 2004

Date

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 AND REFUNDING BONDS, SERIES 2004 A, 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 March 15, 2004 (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 14th day of April, 2004.

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 March 15, 2004, at which meeting a quorum was present and voting, the following resolution was adopted:

A RESOLUTION AUTHORIZING THE ISSUANCE OF PUBLIC IMPROVEMENT AND REFUNDING BONDS, SERIES 2004 A, 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, DETERMINE THE REFUNDED BONDS AND ACCEPT THE LOWEST RESPONSIVE BID FOR SUCH BONDS.

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

Section 1(a). 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 - $130,000,000.** 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 $293,410,000 of the school bonds from the November 2, 1999 election.

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 November 6, 2001 election.

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 $130,000,000 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 $3,795,000 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 $126,205,000 of school bonds authorized at the November 6, 2001 election and to sell the bonds at this time.

(ii) **Parks and park facilities - $33,380,000.** 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) $43,800,000 of the bonds for the Fairfax County Park Authority and (ii) $9,750,000 of the bonds for the Northern Virginia Regional Park Authority, or a total of $53,550,000 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 heretofore authorized the issuance of and has issued $8,620,000 of the bonds authorized at the November 5, 2002 election.

The Board of Supervisors deems it advisable to authorize the issuance of (i) $21,130,000 of additional bonds for the Fairfax County Park Authority and (ii) the $2,250,000 balance of the 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 - $1,820,000.** 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 $28,180,000 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 the $1,820,000 balance of the bonds authorized at the November 7, 1989 election and to sell the bonds at this time.

(iv) **Transportation improvements and facilities - $21,020,000.** 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 $145,670,000 of such bonds.

At an election duly called and held on November 6, 1990, 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, in the aggregate principal amount of $80,000,000 for the purpose of providing funds, with any other available funds, to finance the cost of constructing and improving transportation facilities in the County, including off-street parking, bus transfer, bus maintenance and other facilities and the acquisition of necessary land and buses.

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 $80,000,000 for the aforesaid purpose.

The Board of Supervisors has heretofore authorized the issuance of and has issued $27,670,000 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 $4,330,000 balance of the bonds authorized at the April 12, 1988 election and to sell the bonds at this time.

The Board of Supervisors deems it advisable to authorize the issuance of an additional $16,690,000 of such bonds authorized at the November 6, 1990 election and to sell the bonds at this time.

(v) **Adult Detention Facilities - $770,000.** 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 $87,810,000 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 $770,000 of such bonds and to sell the bonds at this time.

(vi) **Juvenile Detention Facilities - $900,000.** 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 $11,670,000 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 $900,000 balance of such bonds and to sell the bonds at this time.

(vii) **Commercial and Redevelopment Area Improvements - $4,150,000.** 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 $14,720,000 of the bonds for public improvements in commercial and redevelopment areas.

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 $4,150,000 of such bonds and to sell the bonds at this time.

(viii) **Storm Drainage Improvements - $3,960,000.** 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 $8,040,000 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 $3,960,000 balance of such bonds and to sell the bonds at this time.

Section 1(b). Prior bond issues. The Board of Supervisors has been advised that certain bonds of certain series of its outstanding public improvement bonds, in certain favorable market conditions, may be refunded to achieve substantial present value debt service savings.

The Board of Supervisors deems it advisable to authorize the issuance of public improvement refunding bonds to achieve such savings.

The Board of Supervisors has further found and determined and does hereby declare that:

(i) **Series 1996 A Bonds.** For the purpose of providing funds for school improvements, transportation improvements, parks and park facilities, neighborhood improvements, public safety facilities, adult detention facilities, juvenile detention facilities, public library facilities, storm drainage improvements, human services facilities and commercial and redevelopment area improvements, the Board of Supervisors duly issued bonds of Fairfax County, Virginia (the "County"), in the aggregate principal amount of $114,150,000, designated "Public Improvement Bonds, Series 1996 A (the "Series 1996 A Bonds"), dated as of May 15, 1996 and, in the case of the outstanding callable Series 1996 A Bonds, maturing on June 1 in the years and amounts and bearing interest as follows:

Year of Maturity	Principal Amount	Interest Rate
2005	$5,710,000	4.80 %
2006	5,710,000	5.00
2007	5,705,000	5.125
2008	5,705,000	5.125
2009	5,705,000	5.25
2010	5,705,000	5.25
2011	5,705,000	5.375
2012	5,705,000	5.375
2013	5,705,000	5.50
2014	5,705,000	5.50
2015	5,705,000	5.50
2016	5,705,000	5.50

such interest being payable semiannually on the 1st days of June and December in each year.

The Series 1996 A Bonds which mature on or before June 1, 2004 are not subject to redemption before maturity. Series 1996 A Bonds which mature after June 1, 2004 may be redeemed, at the option of the County, before their respective maturities, on not more than 60 nor less than 30 days' notice mailed to the registered owners, on any date not earlier than June 1, 2004, in whole or in part (in integral multiples of $5,000), upon payment of the following redemption prices (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Period (both dates inclusive)	**Redemption Price**
June 1, 2004 through May 31, 2005	102%
June 1, 2005 through May 31, 2006	101
June 1, 2006 and thereafter	100

(ii) **Series 1997 A Bonds.** For the purpose of providing funds for school improvements, transportation improvements, transit facilities, parks and park facilities, neighborhood improvements, public safety facilities, adult detention facilities, jail and work release facilities, juvenile detention facilities, public library facilities, storm drainage improvements, human services facilities and commercial and redevelopment area improvements, the Board of Supervisors duly issued bonds of Fairfax County, Virginia, in the aggregate principal amount of $144,000,000, designated "Public Improvement Bonds, Series 1997 A" (the "Series 1997 A Bonds"), dated as of May 15, 1997 and, in the case of the outstanding callable Series 1997 A Bonds, maturing on June 1 in the years and amounts and bearing interest as follows:

Year of Maturity	Principal Amount	Interest Rate
2006	$7,200,000	5.00 %
2007	7,200,000	5.00
2008	7,200,000	5.00
2009	7,200,000	5.00
2010	7,200,000	5.00
2011	7,200,000	5.125
2012	7,200,000	5.125
2013	7,200,000	5.25
2014	7,200,000	5.25
2015	7,200,000	5.25
2016	7,200,000	5.25
2017	7,200,000	5.25

such interest being payable semiannually on the 1st days of June and December in each year.

The Series 1997 A Bonds which mature on or before June 1, 2005 are not subject to redemption before maturity. Series 1997 A Bonds which mature after June 1, 2005 may be redeemed, at the option of the County, before their respective maturities, on not more than 60 nor less than 30 days' notice mailed to the registered owners, on any date not earlier than June 1, 2005, in whole or in part (in integral multiples of $5,000), upon payment of the following redemption prices (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Period (both dates inclusive)	**Redemption Price**
June 1, 2005 through May 31, 2006	102%
June 1, 2006 through May 31, 2007	101
June 1, 2007 and thereafter	100

(iii) **Series 1997 B Bonds.** For the purpose of providing funds for school improvements, the Board of Supervisors duly issued bonds of Fairfax County, Virginia (the "County"), in the aggregate principal amount of $60,000,000, designated "Public Improvement Bonds, Series 1997 B (the "Series 1997 B Bonds"), dated as of December 1, 1997 and, in the case of the outstanding callable Series 1997 B Bonds, maturing on December 1 in the years and amounts and bearing interest as follows:

Year of Maturity	Principal Amount	Interest Rate
2006	$3,000,000	4.50%
2007	3,000,000	4.50
2008	3,000,000	5.00
2009	3,000,000	5.00
2010	3,000,000	5.00
2011	3,000,000	5.00
2012	3,000,000	5.00
2013	3,000,000	5.00
2014	3,000,000	5.00
2015	3,000,000	5.00
2016	3,000,000	5.00
2017	3,000,000	5.00

such interest being payable semiannually on the 1st days of June and December in each year.

The Series 1997 B Bonds which mature on or before December 1, 2005 are not subject to redemption before maturity. Series 1997 B Bonds which mature after December 1, 2005 may be redeemed, at the option of the County, before their respective maturities, on not more than 60 nor less than 30 days' notice mailed to the registered owners, on any date not earlier than December 1, 2005, in whole or in part (in integral multiples of $5,000), upon payment of the following redemption prices (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Period (both dates inclusive)	**Redemption Price**
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101
December 1, 2007 and thereafter	100

(iv) **Series 1999 B Bonds.** For the purpose of providing funds, with other available funds, for school improvements, parks and park facilities and neighborhood improvements, the Board of Supervisors duly issued bonds of Fairfax County, Virginia (the "County"), in the aggregate principal amount of $83,600,000, designated "Public Improvement Bonds, Series 1999 B (the "Series 1999 B Bonds"), dated as of December 1, 1999 and, in the case of the outstanding callable Series 1999 B Bonds, maturing on December 1 in the years and amounts and bearing interest as follows:

Year of Maturity	Principal Amount	Interest Rate
2008	$4,180,000	5.00%
2009	4,180,000	5.00
2010	4,180,000	5.30
2011	4,180,000	5.40
2012	4,180,000	5.50
2013	4,180,000	5.50
2014	4,180,000	5.50
2015	4,180,000	5.50
2016	4,180,000	5.50
2017	4,180,000	5.50
2018	4,180,000	5.50
2019	4,180,000	5.50

such interest being payable semiannually on the 1st days of June and December in each year.

The Series 1999 B Bonds which mature on or before December 1, 2007 are not subject to redemption before maturity. Series 1999 B Bonds which mature after December 1, 2007 may be redeemed, at the option of the County, before their respective maturities, on not more than 60 nor less than 30 days' notice mailed to the registered owners, on any date not earlier than December 1, 2007, in whole or in part (in integral multiples of $5,000), upon payment of the following redemption prices (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Period (both dates inclusive)	**Redemption Price**
December 1, 2007 through November 30, 2008	102%
December 1, 2008 through November 30, 2009	101
December 1, 2009 and thereafter	100

(v) The Board of Supervisors has determined to provide for the issuance of refunding bonds of Fairfax County, Virginia, for the purpose of providing funds, with other available funds, to refund all or a portion of all or any of the following outstanding bonds of Fairfax County, Virginia (collectively, the "Refunding Candidates"), all as hereinafter provided:

$68,470,000 Series 1996 A Bonds maturing June 1 in the years 2005 to 2016, inclusive, which are first subject to, and shall be called for, redemption on June 1, 2004,

$86,400,000 Series 1997 A Bonds maturing June 1 in the years 2006 to 2017, inclusive, which are first subject to, and shall be called for, redemption on June 1, 2005,

$36,000,000 Series 1997 B Bonds maturing December 1 in the years 2006 to 2017, inclusive, which are first subject to, and shall be called for, redemption on December 1, 2005, and

$50,160,000 Series 1999 B Bonds maturing December 1 in the years 2008 to 2019, inclusive, which are first subject to, and shall be called for, redemption on December 1, 2007.

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 public improvement and refunding bonds of Fairfax County, Virginia. The bonds shall be designated "Public Improvement and Refunding Bonds, Series 2004 A", shall be dated, shall be stated to mature, subject to the right of prior redemption, all as hereinafter provided.

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

The bonds issued for the purpose of providing funds for school improvements, parks and park facilities, neighborhood improvements, 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 shall mature on April 1 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
2005	$9,855,000	2015	$9,855,000
2006	9,855,000	2016	9,855,000
2007	9,855,000	2017	9,855,000
2008	9,855,000	2018	9,855,000
2009	9,855,000	2019	9,855,000
2010	9,855,000	2020	9,855,000
2011	9,855,000	2021	9,855,000
2012	9,855,000	2022	9,855,000
2013	9,855,000	2023	9,855,000
2014	9,855,000	2024	9,855,000

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.

The bonds issued for the purpose of providing funds, with other available funds, to refund all or a portion of all or any of the Refunding Candidates (the Refunding Candidates so refunded, the "Refunded Bonds") shall mature on April 1 in such principal amounts 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, to produce debt service savings in each of the fiscal years that the Refunded Bonds were scheduled to mature, beginning no later than the fiscal year ending June 30, 2005.

Such interest to the respective maturities of the bonds shall be payable October 1, 2004 and semiannually thereafter on the 1st days of April and October in each year, if not otherwise determined pursuant to the delegation of authority contained in this resolution. If none of the

proceeds of the bonds as authorized should be used for refunding any of the Refunding Candidates, then the bonds shall be designated "Public Improvement Bonds, Series 2004 A". 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 following, 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):

(1) The aggregate principal amount and the principal amount of each maturity or maturities of the Refunded Bonds; provided, however, that the present value of the debt service savings to be obtained from the refunding of the Refunded Bonds is not less than 4% of the principal amount of the Refunded Bonds or at least $1,000,000;

(2) The aggregate principal amount (the "Principal Amount") of the bonds, such amount not to exceed the sum of the newly authorized and issued bonds, plus the amount required to fund a sufficient escrow to defease and redeem the Refunded Bonds plus all or any portion of costs of issuance;

(3) The respective annual maturity dates and any mandatory redemption dates of the bonds, and the respective principal amounts of the bonds to mature or be redeemed on such dates, provided that the first maturity date shall occur no later than April 1, 2005, and the final maturity date shall not be later than April 1, 2024;

(4) The dated date of the bonds provided, however, the bonds shall be dated their date of issue or as of a customary date preceding their date of issue;

(5) The semi-annual interest payment dates for the bonds and the record date for the bonds; and

(6) The verification agent, Escrow Agent and the particular Escrow Securities (as referred to in the Escrow Deposit Agreement hereinafter mentioned) and the form thereof and the terms of any related agreement, (including a forward purchase agreement for the delivery of open-market Escrow Securities), with respect thereto that in his judgment, upon the recommendation of the County's Financial Advisor, will improve the efficiency of the Escrow Securities in defeasing the Refunded Bonds.

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, 2004, 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 6.00% 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 allocate to the bonds referred to in Section 1(a)(i) [school bonds] and Section 1(a)(ii) [park bonds], on the one hand, and to the bonds described in Section 1(b) [refunding bonds], on the other hand, the premium received upon the sale of the bonds, taking into account, among other things, the reoffering prices for the various maturities of the bonds, and reduce the principal amount of the bonds described in Section 1(a)(i) and Section 1(a)(ii) proportionately so as to produce proceeds approximately equal to the respective amounts authorized to be issued for such purposes by Section 1(a)(i) and Section 1(a)(ii).

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 [and Refunding] Bond, Series 2004 A

Maturity Date	**Interest Rate**	**Dated Date**	**CUSIP**
April 1, 20__	_____%	_____, 2004	_____

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 April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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 March 15, 2004 (the "Resolution"), for the purpose of providing funds, with other available funds, for (i) school improvements, parks and park facilities, neighborhood improvements, transportation improvements and facilities, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements [and (ii) refunding portions of [four] outstanding series of bonds of Fairfax County, Virginia, designated [Public Improvement Bonds, Series 1996A], [Public Improvement Bonds, Series 1997 A], [Public Improvement Bonds, Series 1997 B] and [Public Improvement Bonds, Series 1999 B]].

The bonds of this series which mature on or before April 1, 2014 are not subject to redemption before maturity. Bonds which mature after April 1, 2014 may be redeemed, at the option of the County, before their respective maturities on any date not earlier than April 1, 2014, 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 April 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 April 1, 20__ and on each April 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 _____, 2004.

(Facsimile signature)

_____

Clerk, Board of Supervisors of Fairfax County, Virginia

(Facsimile signature)

_____

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: _____ __, 2004

(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 whatsoever.

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 April 1, 2014 are not subject to redemption before maturity. Bonds which mature after April 1, 2014 may be redeemed, at the option of Fairfax County, Virginia, before their respective maturities on any date not earlier than April 1, 2014, 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 April 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 term 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 $1,820,000 neighborhood improvement bonds, the $4,330,000 transportation improvements and facilities bonds approved at the referendum on April 2, 1988, the $16,690,000 transportation improvements and facilities bonds approved at the referendum on November 6, 1990, the $770,000 adult detention facilities bonds, the $900,000 juvenile detention facilities bonds, the $4,150,000 commercial and redevelopment area improvement bonds and the $3,960,000 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. Escrow Deposit Agreement. The form of the Escrow Deposit Agreement, providing for the purchase and custody of the Escrow Securities (as defined therein) and the application of the proceeds thereof to the redemption on their respective redemption dates of the Refunded Bonds, is hereby approved, in the form presented at the meeting at which this resolution is adopted, and the execution and delivery of the Escrow Deposit Agreement, substantially in the form presented at the meeting at which this resolution is adopted, by and on behalf of the County by the Chairman or Vice Chairman of the Board of Supervisors, the County Executive or the Chief Financial Officer of the County is hereby authorized.

Section 13. 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 14. 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 15. 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 16. 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

I, Nancy Vehrs, hereby certify that on Monday, March 22, 2004, I delivered a certified copy of the following resolutions to the Clerk of the Circuit Court of Fairfax County, Virginia:

- A Resolution Authorizing the Issuance of Public Improvement and Refunding Bonds, Series 2004 A, 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, Determine the Refunded Bonds and Accept the Lowest Responsive Bid for Such Bonds.

- A Resolution Requesting the Board of Supervisors of Fairfax County, Virginia, to Issue and Sell School Bonds of Fairfax County, Virginia, Totaling $130,000,000 and Approving the Form of a Tax Certificate and Authorizing the Execution Thereon

Nancy Vehrs

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

This is to certify that these Resolutions were received in the Clerk's Office of the Circuit Court of Fairfax County, Virginia, on the 22nd day of March, 2004.

John T. Frey

John T. Frey (SEAL)
Clerk of the Circuit Court
Fairfax County, Virginia

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, March 15, 2004, at 9:32 a.m., there were present:

Chairman Gerald E. Connolly, presiding;

Supervisor Sharon Bulova, of Braddock District;

Supervisor T. Dana Kauffman, of Lee District;

Supervisor Penelope A. Gross, of Mason District;

Supervisor Catherine M. Hudgins, of Hunter Mill District;

Supervisor Gerald W. Hyland, of Mount Vernon District

Supervisor Linda Q. Smyth, of Providence District.

Others present were Anthony H. Griffin, County Executive; David P. Bobzien, County Attorney; Catherine A. Chianese, Assistant to the County Executive; Regina Thorn Corbett, 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 Michael R. Frey, of Sully District, arrived at 9:25 a.m.

Supervisor Joan M. DuBois, of Dranesville District, arrived at 10:30 a.m.

Supervisor Elaine N. McConnell, of Springfield District, was absent from the entire meeting.

//

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, March 15, 2004:

18. **A-2 – SALE OF GENERAL OBLIGATION BONDS AND REFUNDING BONDS, SERIES 2004A** (11:33 a.m.)

(BONDS)
(R)

Supervisor Hyland moved that the Board concur in the recommendation of staff and:

- Adopt the Resolution authorizing the issuance of the General Obligation Bonds and General Obligation Refunding Bonds, which also authorizes the execution and delivery of a Continuing Disclosure Agreement. This resolution also:
  - Delegates the County Executive or the Chief Financial Officer authority to award the bonds to the best bidder.
  - Approves the form of the notices of sale and the Official Statement.
  - Authorizes the Chairman to sign the Official Statement.
- Approve the form of the Escrow Agreement for the General Obligation Refunding Bonds.

Supervisor Bulova seconded the motion.

Chairman Connolly called the Board's and the press's attention to page 36 of the Board Agenda Item, paragraph two, that says, "The anticipated savings in FY 2004 from the refunding is expected to be a minimum of $1.4 million, and approximately $1.3 million per year thereafter through 2017." He cited the cumulative refunding savings to present, not including the additional savings that

were projected, and said that the Triple A Bond Rating and refunding of the lower interest rates has saved the County and taxpayers $255 million since 1989.

The question was called on the motion and it carried by a vote of nine, Supervisor Bulova, Supervisor DuBois, Supervisor Frey, Supervisor Gross, Supervisor Hudgins, Supervisor Hyland, Supervisor Kauffman, Supervisor Smyth, and Chairman Connolly voting "AYE," Supervisor McConnell being absent.

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, March 15, 2004:

"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 March 15, 2004, 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 26th day of March, 2004."

Nancy Vehrs

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

VIRGINIA:

IN THE CIRCUIT COURT OF FAIRFAX COUNTY

IN THE MATTER OF BONDS OF FAIRFAX COUNTY, VIRGINIA, TO FINANCE THE COST OF TRANSPORTATION IMPROVEMENTS APPROVED BY REFERENDUM ON NOVEMBER 3, 1992	:	At Law No. 190531

FINAL ORDER

THERE HAVING BEEN FILED with this Court a Petition by the Board of Supervisors of Fairfax County, Virginia (the "Board"), including a certified copy of a resolution of the Board adopted July 24, 2000, requesting the Circuit Court of Fairfax County, Virginia (the "Court") to extend the time within which the County of Fairfax, Virginia (the "County") may issue certain bonds (the "Bonds"), and

IT APPEARING that the Bonds were authorized by referendum on November 3, 1992, on the following question (the "Referendum"):

> Shall the Board of Supervisors of Fairfax County, Virginia, contract a debt, borrow money and issue bonds of Fairfax County, Virginia, in addition to the transit facilities bonds and transportation facilities bonds heretofore authorized, in the maximum aggregate principal amount of $130,000,000, for the purpose of providing funds, with any other available funds, to finance the cost of constructing, reconstructing, improving and acquiring transportation improvements, including highways in the primary and secondary systems of State highways and other facilities in the County, and the acquisition of necessary land and transit facilities in the Washington metropolitan area the capital costs of which are allocable to the County pursuant to the provisions of the Washington Metropolitan Area Transit Authority Compact?

and

IT APPEARING to the Court that said request has been duly made to the Court in accordance with the provisions of Section 15.2-2611 of the Code of Virginia, as amended, and

IT APPEARING to the Court that it has not been shown by clear and convincing evidence that granting the extension of time requested by the Board would not be in the best interests of the County, it is therefore

ADJUDGED AND ORDERED as follows:

1. This Final Order shall be spread upon the Order Book of the Court.

2. The Board's Petition for Extension of Time Pursuant to Section 15.2-2611 of the Code of Virginia is granted.

3. The period within which the Bonds may be issued by the County is extended to ten years after the date of the Referendum:

4. The Clerk of this Court shall cause a copy of this Final Order, certified by him under the seal of this Court, to be transmitted to the Board.

ENTERED this 18th day of September, 2000.

Judge

WE ASK FOR THIS:

DAVID P. BOBZIEN
COUNTY ATTORNEY

By: _____
James V. McGettrick, Esq., VSB No. 14436
Assistant County Attorney
Suite 549
12000 Government Center Parkway
Fairfax, Virginia 22035-0064
(703) 324-2421

Counsel for the Board of Supervisors of Fairfax County, Virginia

N:\JMCGET\Bond\FinalOrder.doc

A COPY TESTE:
JOHN T. FREY, CLERK
BY: _____
DEPUTY CLERK
Date: 10/4/00
Original Entered in the Office of the Clerk of the Circuit Court of Fairfax County, Virginia

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 BOND BUYER on March 23, 2004

Barbara Conti

Billing Coordinator

Subscribed and sworn to before me this

23rd day of March 2004

Dawn Brown

Dawn Brown
Notary Public, State of New York
No. 01BR5021063
Qualified in Kings County
Commission Expires December 6, 2005

FULL BOOK-ENTRY
SUMMARY NOTICE OF SALE

$383,915,000*
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

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,

March 31, 2004*

for the purchase of all, and not less than all, of $383,915,000* Public Improvement and Refunding Bonds, Series 2004 A, of Fairfax County, Virginia, dated April 1, 2004, and maturing, subject to the right of prior redemption, in annual principal installments on the 1st day of April in each of the years 2005 to 2024, 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 Public Financial Management, Inc., 4601 North Fairfax Drive, Suite 1130, Arlington, Virginia 22203-1547, telephone (703) 741-0175, 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 April 14, 2004, 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,

NOTICE OF SALE

$383,915,000*

FAIRFAX COUNTY, VIRGINIA

Public Improvement and Refunding Bonds, Series 2004 A

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,

March 31, 2004*

for the purchase of $383,915,000* Public Improvement and Refunding Bonds, Series 2004 A, of Fairfax County, Virginia, dated the date of their delivery and maturing, subject to the right of prior redemption as hereinafter set forth, on the 1st day of April in the following years and in the following amounts, respectively:

Initial Maturity Schedule*

Year of Maturity	Principal Amount	Year of Maturity	Principal Amount
2005	$15,685,000	2015	$27,785,000
2006	22,425,000	2016	27,655,000
2007	24,980,000	2017	17,740,000
2008	24,825,000	2018	11,100,000
2000	24,660,000	2019	9,035,000
2010	24,475,000	2020	9,035,000
2011	24,285,000	2021	9,035,000
2012	28,135,000	2022	9,035,000
2013	28,035,000	2023	9,035,000
2014	27,920,000	2024	9,035,000

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

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* Preliminary, subject to change.

Schedule. Prospective bidders may request notification by facsimile transmission of any such changes in the Initial Maturity Schedule by so advising, and furnishing their telecopier numbers to, Public Financial Management, Inc., at 703-741-0175 by 12 o'clock Noon on March 30, 2004.

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 the aggregate principal amount of the bonds, subject to the limitation of no more than a 15% increase or decrease in the aggregate principal amount of the bonds.

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 October 1, 2004 and semiannually thereafter on April 1 and October 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, with other available funds, for (i) School Improvements ($130,000,000), Parks and Park Facilities ($33,380,000), Neighborhood Improvements ($1,820,000), Transportation Improvements and Facilities ($21,020,000), Adult Detention Facilities ($770,000), Juvenile Detention Facilities ($900,000), Commercial and Redevelopment Area Improvements ($4,150,000) and Storm Drainage Improvements ($3,960,000), and (ii) refunding all or a portion of certain of the County's outstanding, callable Public Improvement Bonds, Series 1996 A, Public Improvement Bonds, Series 1997 A, Public Improvement Bonds, Series 1997 B and Public Improvement Bonds, Series 1999B.

The County intends to refund the Refunding Candidates in order to achieve present value debt service savings. Depending upon market conditions on the date of sale, the County may decide to refund none of the Refunding Candidates, or only certain Refunding Candidates if refunding such Refunding Candidates enables the County to achieve, in its judgment, appropriate levels of present value debt service savings. The County may announce changes to the Refunding Candidates at the same time that it announces any changes to the Initial Maturity Schedule.

Term Bonds and Mandatory Redemption

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 April 1, 2014 are not subject to redemption before maturity. Bonds which mature after April 1, 2014 may be redeemed, at the option of the County, before their respective maturities on any date not earlier than April 1, 2014, 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) 404-8102 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) 404-8102.

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 Public Financial Management, Inc., the County's financial advisor, by telephone at (703) 741-0175. 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 Wednesday, March 31, 2004 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.

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 5.25%, and (b) the price bid for the bonds may not be less than par, nor more than 110% of the principal amount thereof. No bid for less than all of the bonds offered or for less than par 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 an amount equal to 1% of the principal amount of the bonds 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.

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 and time 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 Public Financial Management, Inc. at (703) 741-0175 by 12 o'clock Noon, Fairfax, Virginia Time on March 30, 2004.

A postponement of the bid date will be announced via TM3 not later than 10:00 a.m., Fairfax, Virginia Time on March 31, 2004. 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 April 14, 2004 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.

Circular 230

In the event the provisions of Circular 230, containing amendments, proposed by the United States Treasury Department on December 30, 2003, to the rules of practice before the Internal Revenue Service, take effect on a date subsequent to the award of the bonds to the successful bidder and prior to the date of delivery of the bonds, the successful bidder may terminate its obligation to accept delivery and make payment for the bonds.

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 Public Financial Management, Inc., 4601 North

Fairfax Drive, Suite 1130, Arlington, Virginia 22203-1547, telephone (703) 741-0175, 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 (no more than 300) and will include therein such additional information concerning the reoffering of the bonds as the successful bidder may reasonably 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, 2001, 2002 and 2003 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, County Debt Manager 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

12:00:02 p.m. EDST | Upcoming Calendar | Overview | Compare | Summary

Bid Results

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

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
☑ Reoffering	Goldman, Sachs & Co.	3.541162
☐	Morgan Stanley	3.542700
☐	Citigroup Global Markets Inc.	3.550577
☐	Lehman Brothers	3.554821
☐	Merrill Lynch & Co.	3.564776

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

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Results

Goldman, Sachs & Co.'s Reoffering Scale

PARITY

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

Maturity Date	Amount $	Coupon %	Yield %	Dollar Price	Call Date
04/01/2005	14,850M	2.0000	0.9980	100.958	
04/01/2006	21,690M	5.0000	1.3500	107.049	
04/01/2007	21,665M	5.0000	1.6600	109.620	
04/01/2008	21,635M	5.2500	2.0300	112.203	
04/01/2009	21,605M	5.2500	2.3400	113.561	
04/01/2010	21,565M	5.2500	2.6300	114.373	
04/01/2011	21,520M	5.2500	2.8800	114.857	
04/01/2012	21,465M	5.2500	3.1100	114.992	
04/01/2013	21,400M	5.2500	3.2600	115.359	
04/01/2014	21,320M	5.2500	3.4100	115.432	
04/01/2015	21,230M	5.0000	3.5400	112.167	04/01/2014
04/01/2016	21,140M	5.0000	3.6300	111.367	04/01/2014
04/01/2017	15,340M	4.5000	3.9100	104.828	04/01/2014
04/01/2018	9,200M	4.5000	4.0200	103.907	04/01/2014
04/01/2019	9,200M	4.0000	4.1300	98.558	
04/01/2020	9,200M	4.0000	4.2100	97.575	
04/01/2021	9,200M	4.1250	4.2900	98.024	
04/01/2022	9,200M	4.2500	4.3700	98.516	
04/01/2023	9,200M	4.2500	4.4400	97.579	
04/01/2024	9,200M	4.5000	4.5000	100.000	

Accrued Interest: $0.00

Gross Production: $361,431,251.35

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Upcoming Calendar | Overview | Results | Excel

Goldman, Sachs & Co. - New York, NY's Bid

PARITY

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

For the aggregate principal amount of $330,825,000.00, we will pay you $360,637,615.74, 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 %
04/01/2005	14,850M	2.0000
04/01/2006	21,690M	5.0000
04/01/2007	21,665M	5.0000
04/01/2008	21,635M	5.2500
04/01/2009	21,605M	5.2500
04/01/2010	21,565M	5.2500
04/01/2011	21,520M	5.2500
04/01/2012	21,465M	5.2500
04/01/2013	21,400M	5.2500
04/01/2014	21,320M	5.2500
04/01/2015	21,230M	5.0000
04/01/2016	21,140M	5.0000
04/01/2017	15,340M	4.5000
04/01/2018	9,200M	4.5000
04/01/2019	9,200M	4.0000
04/01/2020	9,200M	4.0000
04/01/2021	9,200M	4.1250
04/01/2022	9,200M	4.2500
04/01/2023	9,200M	4.2500
04/01/2024	9,200M	4.5000

Total Interest Cost:	$140,114,491.04
Premium:	$29,812,615.74
Net Interest Cost:	$110,301,875.30
TIC:	3.541162

Time Last Bid Received On:03/31/2004 10:59:56 EST

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: Goldman, Sachs & Co., New York, NY
Contact: Mary Carrington
Title: VP
Telephone:212-902-6582
Fax: 212-902-3065

Upcoming Calendar | Overview | Result | Excel

Morgan Stanley - New York, NY's Bid

PARITY

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

For the aggregate principal amount of $330,825,000.00, we will pay you $360,128,303.94, 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 %
04/01/2005	14,850M	3.0000
04/01/2006	21,690M	5.0000
04/01/2007	21,665M	5.0000
04/01/2008	21,635M	5.0000
04/01/2009	21,605M	5.0000
04/01/2010	21,565M	5.0000
04/01/2011	21,520M	5.0000
04/01/2012	21,465M	5.0000
04/01/2013	21,400M	5.0000
04/01/2014	21,320M	5.0000
04/01/2015	21,230M	5.0000
04/01/2016	21,140M	5.0000
04/01/2017	15,340M	4.5000
04/01/2018	9,200M	4.5000
04/01/2019	9,200M	4.5000
04/01/2020	9,200M	4.5000
04/01/2021	9,200M	4.5000
04/01/2022	9,200M	4.3750
04/01/2023	9,200M	4.3750
04/01/2024	9,200M	4.3750

Total Interest Cost:	$139,843,945.42
Premium:	$29,303,303.94
Net Interest Cost:	$110,540,641.48
TIC:	3.542700

Time Last Bid Received On:03/31/2004 10:59:32 EST

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, New York, NY
Contact: Glen Balanoff
Title:
Telephone:212-762-8183
Fax: 212-762-8226

Upcoming Calendar | Overview | Result | Excel

Citigroup Global Markets Inc. - New York, NY's Bid

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

For the aggregate principal amount of $330,825,000.00, we will pay you $360,265,369.35, 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 %
04/01/2005	14,850M	5.0000
04/01/2006	21,690M	5.0000
04/01/2007	21,665M	5.0000
04/01/2008	21,635M	5.0000
04/01/2009	21,605M	5.0000
04/01/2010	21,565M	5.0000
04/01/2011	21,520M	5.0000
04/01/2012	21,465M	5.0000
04/01/2013	21,400M	5.0000
04/01/2014	21,320M	5.0000
04/01/2015	21,230M	5.0000
04/01/2016	21,140M	5.0000
04/01/2017	15,340M	4.5000
04/01/2018	9,200M	4.5000
04/01/2019	9,200M	4.0000
04/01/2020	9,200M	4.5000
04/01/2021	9,200M	4.7500
04/01/2022	9,200M	4.7500
04/01/2023	9,200M	4.2500
04/01/2024	9,200M	4.3750

Total Interest Cost:	$140,233,720.42
Premium:	$29,440,369.35
Net Interest Cost:	$110,793,351.07
TIC:	3.550577
Time Last Bid Received On:	03/31/2004 10:59:01 EST

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: Citigroup Global Markets Inc., New York, NY
Contact: Charles Reed
Title: VP
Telephone: 212-723-7093
Fax: 212-723-8951

Upcoming Calendar | Overview | Result | Excel

Lehman Brothers - New York, NY's Bid

PARITY

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

For the aggregate principal amount of $330,825,000.00, we will pay you $360,010,530.50, 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 %
04/01/2005	14,850M	2.0000
04/01/2006	21,690M	5.0000
04/01/2007	21,665M	5.0000
04/01/2008	21,635M	5.0000
04/01/2009	21,605M	5.0000
04/01/2010	21,565M	5.0000
04/01/2011	21,520M	5.0000
04/01/2012	21,465M	5.0000
04/01/2013	21,400M	5.0000
04/01/2014	21,320M	5.0000
04/01/2015	21,230M	5.0000
04/01/2016	21,140M	5.0000
04/01/2017	15,340M	5.0000
04/01/2018	9,200M	4.5000
04/01/2019	9,200M	4.5000
04/01/2020	9,200M	4.5000
04/01/2021	9,200M	4.5000
04/01/2022	9,200M	4.1250
04/01/2023	9,200M	4.2500
04/01/2024	9,200M	4.3750

Total Interest Cost:	$140,063,884.03
Premium:	$29,185,530.50
Net Interest Cost:	$110,878,353.53
TIC:	3.554821

Time Last Bid Received On:03/31/2004 10:59:28 EST

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: Lehman Brothers, New York, NY
Contact: Peter Coleman
Title: Managing Director
Telephone:212-528-1061
Fax: 646-758-2068

Upcoming Calendar | Overview | Result | Excel

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

PARITY

Fairfax County
$330,825,000 Public Improvement and Refunding Bonds, Series 2004A

For the aggregate principal amount of $330,825,000.00, we will pay you $359,023,890.49, 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 %
04/01/2005	14,850M	2.0000
04/01/2006	21,690M	4.0000
04/01/2007	21,665M	5.0000
04/01/2008	21,635M	5.0000
04/01/2009	21,605M	5.0000
04/01/2010	21,565M	5.0000
04/01/2011	21,520M	5.0000
04/01/2012	21,465M	5.0000
04/01/2013	21,400M	5.0000
04/01/2014	21,320M	5.0000
04/01/2015	21,230M	5.0000
04/01/2016	21,140M	4.5000
04/01/2017	15,340M	4.5000
04/01/2018	9,200M	5.0000
04/01/2019	9,200M	5.0000
04/01/2020	9,200M	4.5000
04/01/2021	9,200M	4.5000
04/01/2022	9,200M	4.5000
04/01/2023	9,200M	4.2500
04/01/2024	9,200M	4.3750

Total Interest Cost:	$139,329,435.14
Premium:	$28,198,890.49
Net Interest Cost:	$111,130,544.65
TIC:	3.564776

Time Last Bid Received On:03/31/2004 10:58:54 EST

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: Paul Kuhns
Title: Managing Director
Telephone:212-449-5081
Fax: 212-449-3733

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 23, 2004

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
Moody's.....Aaa
Standard & Poor's.....AAA

$383,915,000*

Fairfax County, Virginia

Public Improvement and Refunding Bonds, Series 2004 A

Dated: Date of Delivery

Due: April 1, as shown below

Interest on the Bonds will be payable semi-annually on each April 1 and October 1, commencing October 1, 2004.

The Bonds are subject to redemption prior to maturity in whole or in part at any time on or after April 1, 2014 at a redemption price of par plus accrued interest.

The Bonds are being issued for the purpose of financing various public improvements and, subject to favorable market conditions, to refund certain outstanding bonds.

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 PRICES/YIELDS

Maturity Date	Principal Amount*	Interest Rate	Price or Yield	Maturity Date	Principal Amount*	Interest Rate	Price or Yield
2005	$15,685,000	%	%	2015	$27,785,000	%	%
2006	22,425,000			2016	27,655,000		
2007	24,980,000			2017	17,740,000		
2008	24,825,000			2018	11,100,000		
2009	24,660,000			2019	9,035,000		
2010	24,475,000			2020	9,035,000		
2011	24,285,000			2021	9,035,000		
2012	28,135,000			2022	9,035,000		
2013	28,035,000			2023	9,035,000		
2014	27,920,000			2024	9,035,000		

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 April 14, 2004.

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.

March __, 2004

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* Preliminary, subject to change

[redacted] 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 2004 A 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.

Fairfax County, Virginia

BOARD OF SUPERVISORS

Gerald E. Connolly, *Chairman*
Sharon Bulova, *Vice Chairman*
Joan M. DuBois
Michael R. Frey
Penelope A. Gross
Catherine M. Hudgins
Gerald W. Hyland
T. Dana Kauffman
Elaine McConnell
Linda Q. Smyth

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*
Leonard P. Wales, *County Debt Manager*

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Fairfax County, Virginia
12000 Government Center Parkway, Suite 552
Fairfax, Virginia 22035-0074
(703) 324-2531

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

$383,915,000*

Public Improvement and Refunding Bonds, Series 2004 A

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 $383,915,000* Public Improvement and Refunding Bonds, Series 2004 A (the "Bonds").

THE BONDS

Authorization And Purposes; Refunding Plan

The Bonds will be issued under a resolution (the "Resolution") adopted by the Board of Supervisors of Fairfax County (the "Board of Supervisors") on March 15, 2004 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").

A portion of the Bonds will be issued to provide funds in the following amounts* for the following purposes:

School Improvements	$ 130,000,000
Parks and Park Facilities	33,380,000
Neighborhood Improvements	1,820,000
Transportation Improvements and Facilities	21,020,000
Adult Detention Facilities	770,000
Juvenile Detention Facilities	900,000
Commercial and Redevelopment Area Improvements	4,150,000
Storm Drainage Improvements	3,960,000
Total	$ 196,000,000

A portion of the Bonds may be issued to provide funds, with other available funds, to refund and to redeem prior to their respective maturities the following outstanding bonds of the County referred to hereafter as the "1996 A Refunding Candidates", the "1997 A Refunding Candidates", the "1997 B Refunding Candidates" and the "1999 B Refunding Candidates" and collectively as the "Refunding Candidates":

Series of Refunding Candidates	Principal Amount	Maturities	Redemption Date	Redemption Price
1996 A	$68,470,000	2005-2016	June 1, 2004	102%
1997 A	86,400,000	2006-2017	June 1, 2005	102
1997 B	36,000,000	2006-2017	December 1, 2005	102
1999 B	50,160,000	2008-2019	December 1, 2007	102

* Preliminary, subject to change

The purpose of the refunding is to achieve present value debt service savings. The County's decision whether to refund any given Refunding Candidates is subject to prevailing market conditions at the time of the sale of the Bonds. The County may refund only certain Refunding Candidates if refunding such Candidates permits the County to meet certain savings targets. The Refunding Candidates, if any, that are refunded with proceeds of the Bonds are referred to as the "Refunded Bonds".

Upon delivery and issuance of the Bonds by the County, proceeds thereof will be used to provide for the payment and redemption of the Refunded Bonds by depositing with Wachovia Bank, N.A., as escrow agent, pursuant to an escrow deposit agreement, cash and non-callable, direct obligations of the United States of America the maturing principal of and interest on which, together with such cash, will be sufficient to pay all principal, applicable redemption premiums, and interest on the Refunded Bonds to their respective redemption dates. The sufficiency of the cash and securities deposited with the escrow agent to pay this principal of, applicable redemption premiums, and interest on the Refunded Bonds will be verified by McGladrey & Pullen LLP, Minneapolis, Minnesota.

The sources and uses of the proceeds of the Bonds and other available funds are summarized as set forth below.

Sources	
Par amount of the Bonds	$
County contribution	
Net offering premium	
Total Sources	$_____
Uses	
Public Improvements	$
Deposit with Escrow Agent	
Underwriters' discount	
Other issuance expenses	
Total Uses	$_____

Description

The Bonds will be dated the date of their delivery, will bear interest from their date, payable semi-annually on each April 1 and October 1, commencing October 1, 2004, at rates, and will mature, in amounts on April 1 in each of the years 2005 through 2024, 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".

Optional Redemption

The Bonds maturing on or before April 1, 2014, are not subject to optional redemption before their maturity. The Bonds maturing after April 1, 2014, are subject to redemption prior to maturity, at the option of the County, from any moneys available for such purpose on any date not earlier than April 1, 2014, in whole or in part (in integral multiples of $5,000) at any time, at a redemption price equal to the principal amount thereof, together with the interest accrued to the redemption date on the principal amount to be redeemed.

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.

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 5, 2000. Mr. Stalzer previously served as Town Manager for the Town of Herndon, VA from 1988 until June 2000. He was Director of Planning and Zoning for Roanoke County, Virginia from 1983 until 1988. Mr. Stalzer holds a Bachelor of Arts degree from Clark University, a Master of Regional and City Planning degree from the University of Oklahoma and a Master of Business Administration degree from Syracuse University. Mr. Stalzer is President-elect of the Virginia Local Government Management Association.

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 in June 2004 will become the 66th president of the Virginia State Bar. 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 and Chief Financial Officer in 1997. 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. Mr. Long serves as an adjunct professor at George Mason University and on the Government Finance Officers Association (GFOA) Standards Committee on Governmental Budgeting and Management. In 1993 Mr. Long was recognized by the Washington Metropolitan GFOA 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. In 2003 Mr. Molchany was recognized by *Governing* Magazine as one of the top ten Public Officials of the Year. He 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 Treasurer of the Board of Trustees of the Fairfax County Employees' Retirement System (FCERS), Chairman of the Investment Committee of FCERS, 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.

Leonard P. Wales, County Debt Manager, joined the County as a Budget Analyst in 1981 and served as Assistant Budget Director from 1989 to 2003. He was appointed to the newly created position of County Debt Manager in December 2003. Mr. Wales has been responsible for coordinating the debt management program and capital construction financing for the County and affiliated subdivisions since 1986. He has been active in the

community and has served in various volunteer positions including Chairman of the Supervisory Committee for the Fairfax County Employees Credit Union. Mr. Wales holds a commission as a Captain in the United States Naval Reserve, maintaining continuous active and inactive service since 1976. Mr. Wales is a graduate of the University of Virginia and holds a Master of Urban Affairs degree from the Virginia Polytechnic and State University.

County Employees

As of December 2003, there were 32,865 full and part time positions authorized for the County. Of this total, 21,422 were authorized by the County School Board; 10,603 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. 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 Water and Sewer Authority's Blue Plains Facility, and plants operated by the Upper Occoquan Sewage Authority ("UOSA"), Arlington County and the Alexandria Sanitation Authority ("ASA"). The private treatment facility is the Harbor View Wastewater Treatment Plant. The County's treatment capacity in the six facilities totals 148 million gallons per day ("mgd").

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.

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 were assigned docket numbers 02-40826 through 02-40949.

On March 5, 2004, the Bankruptcy Court entered an order confirming The Debtors' Second Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Reorganization Plan"). The Reorganization Plan provides, among other things, that Covanta would assume the Covanta Contract on the Effective Date (as defined in the Reorganization Plan). On March 11, 2004, Covanta filed a notice with the Bankruptcy Court stating that the Effective Date of the Reorganization Plan occurred on March 10, 2004. Pursuant to the terms of the Reorganization Plan and the order of the Bankruptcy Court confirming it, Covanta is deemed to have assumed the Covanta Contract and is legally obligated to continue to operate the E/RRF in accordance with the Covanta Contract.

During FY 2002, the E/RRF processed nearly 1,028,000 tons of material, and in FY 2003, nearly 1,094,000 tons, exceeding the guaranteed requirements by 97,250 tons and 163,250 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 2004 and FY 2005. Covanta Fairfax, Inc. is expected to exceed 1 million tons processed for FY 2004.

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 2003 the County recycled approximately 32 percent of the waste stream. In calendar year 2004 the County estimates that the amount recycled will again be at least 32 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 2004, the School Board operates 20 special education centers and 185 schools including 136 elementary, 22 middle, 21 high and 3 secondary schools (grades 7-12) and 3 alternative high schools. Among the 205 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 or middle focus schools with specific curricular approaches, ten modified calendar schools, 26 foreign language partial-immersion schools, and 11 International Baccalaureate programs at the middle and high school level. Approximately 19,143 employees are assigned to work in schools and 1,641 positions are non-school based. These positions provide support in areas such as personnel, payroll, and maintenance of facilities. There are 513 grant funded positions.

In FY 2004, the average elementary class size was estimated to be 21.1 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 24.2 students, with an average of 24.5 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, 22 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, full day kindergarten 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 Summit Program is designed to help chronically disruptive students change their behaviors and attitudes. These programs are operated at 12 sites throughout the County.

As shown below, the number of students attending Fairfax County Public Schools increased between 1994 and 2003. Enrollment for FY 2003 was 163,386, an increase of 25,891 students over the FY 1994 enrollment. It is projected that enrollment will increase through 2009.

Fiscal Year	Number of Public School Students
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
2003	163,386
	Enrollment Projections
2004	164,667
2005	166,780
2006	168,959
2007	171,126
2008	173,207

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 2004 approved budget operating costs for several Washington metropolitan area jurisdictions are as follows:

Jurisdiction	Per-Pupil Expenditures
Arlington County	$13,950
City of Falls Church	$13,377
City of Alexandria	12,198
Montgomery County (Md.)	10,644
Fairfax County	10,113
Loudoun County	9,604
City of Manassas	9,038
Prince William County	8,205
Prince George's County (Md.)	8,014

Source: FY 2004 Metropolitan Area Boards of Education Guide, December 2003.

FCPS compares favorably with other area school systems. In the 2004 National Merit Scholarship program, 210 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.

2003 Average Scholastic Aptitude Test Scores

	Verbal	Math	Total
United States	507	519	1026
Virginia	514	510	1024
Fairfax County	546	564	1110

Source: Educational Testing Service

FCPS was rated as a Gold Medal school district, the highest rating possible, by Expansion Management magazine in its 2002 rankings. In its twelfth annual survey, the magazine's Educational Quotient ("EQ") ranked over 1,500 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 97 points out of a possible 99 points, receiving the highest rating in the metropolitan Washington area. In 2002, FCPS was ranked in the top 20 districts nationally.

In the last ten years more than $1.5 billion in general obligation bonds have been authorized by County voters for school construction projects. In November 2003, Fairfax County voters authorized the Board of Supervisors to issue bonds in the aggregate amount of $290.61 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. In June 2003, the lease was extended to 2067.

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.

Since 1993, the Virginia General Assembly has authorized a series of transportation bond authorization bills for projects in Northern Virginia. The legislation has authorized over $540 million in bonds that would be serviced individually from a variety of sources including recordation tax revenues that are collected by the Commonwealth on property transactions, toll road revenues, and right of way fees. Projects supported by these bonds have included very significant projects benefiting Fairfax County including the Fairfax County Parkway, the County's share of capital costs for the Washington Metropolitan Area Transit Authority Metrorail system, the Dulles toll road and other smaller projects in addition to significant projects in neighboring Arlington, Prince William and Loudoun Counties that support the regional transportation network.

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.

Highway Improvements

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 voters in 1985, 1988 and 1992 County 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

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 (the "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 initial 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 Dulles Airport.

The District is administered by a Commission appointed by the Boards of Supervisors of the two counties. The District Commission 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 provide funds for transportation improvements within the District. The District currently imposes a tax of 20 cents per $100 of assessed value. Taxes collected on property within the District located in Fairfax County are currently applied to debt service on the outstanding bonds of the Commonwealth Transportation Board ("CTB") and the Fairfax County Economic Development Authority ("EDA") in respect of the Route 28 project.

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 a financing plan to provide funding for these interchanges through the issuance of bonds by the Fairfax County 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 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.

The EDA completed the issuance of the first series of its bonds in October, 2003, to produce $30 million toward the cost of the interchanges. CTB has advised the Counties that CTB expects to request the EDA to issue the second series some time in 2004 depending upon the progress of construction of 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. With respect to the outstanding CTB bonds, in the event District annual revenues are insufficient to pay annual debt service, the difference between the CTB 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.

Under the terms of the original petition, an additional four interchanges and widening of a portion of the highway from six to eight 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 scheduled to be retired by 2032.

During its 2001 session, the Virginia General Assembly approved legislation that allows for the creation of one or more special transportation taxing districts located between the West Falls Church Metrorail station and the Dulles Airport area to provide a means of financing an extension of rail service in the Dulles Corridor. The structure of any such district is modeled after the existing Route 28 District. On February 23, 2004, pursuant to a petition submitted by landowners representing approximately 67 percent of the assessed value of commercial and industrial property in the Tysons Corner and Reston commercial districts, the Board of Supervisors formed the Phase I Dulles Rail Transportation Improvement District to provide funds to support the County's share of Phase I of a proposed expansion of the Metrorail system to Dulles Airport and beyond. Phase I will construct approximately 11 miles of rail line through the County's primary urban center, Tysons Corner, to Reston, and will tie the region's second largest commercial center to the regional rail system.

The County's share for Phase I construction is estimated to be $366.5 million, or 25 percent of a projected total of $1.5 billion required for the project. The current plan of finance calls for the federal government to provide up to 50 percent of the funding through federal New Starts legislation to be approved later this year. The Virginia Department of Rail and Public Transportation is expected to provide the remaining 25 percent. Funds for financing the County share are to be provided from a real estate tax levy on all property zoned for commercial and industrial use in the new district. Phase II of the project which will complete the 23 mile line to Dulles Airport and beyond into Loudoun County is expected to cost $1.8 billion of which the County's share is expected to be approximately $172 million, or approximately 9 percent. The plan of finance will be similar to that of Phase I; however, the local 25 percent share will be shared between Fairfax County, Loudoun County and the Washington Metropolitan Airports Authority. The County expects to receive another petition in the near future from interested landowners to form another tax district comprising the Reston-Herndon-Dulles commercial districts in order to provide funds for Phase II financing. The Board of Supervisors has not assessed a levy or provided for final approval of the County's participation in this project pending federal and state action to provide for full funding and project management. 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 could be levied. However, under the terms of the petition the Board may not assess a tax greater than $0.22 per $100 of assessed value prior to the issuance of any bonds, and may not construct a plan of finance that would require greater than $0.29 per $100 assuming growth in value of 1.5 percent per year. However, once debt is incurred the Board will be bound only by the statutory limit of $0.40 per $100. The local

plan of finance anticipates a tax levy prior to bond issuance so as to build adequate reserves for debt service requirements.

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 55 routes to 9 Metrorail Stations, including the Huntington, Pentagon, West Falls Church, Van Dorn, Vienna-Fairfax-GMU, Dunn Loring-Merrifield, Franconia-Springfield, 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 7.6 million passengers in FY 2003. FAIRFAX CONNECTOR System expenditures totaled $23,915,922 in FY 2003 including capital expenditures. The County runs two permanent maintenance and garage facilities for the FAIRFAX CONNECTOR.

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, reflected 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 last 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 million 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.

Funding sources for Fairfax County's Metrorail construction contributions are: general obligation bond proceeds, State bond proceeds and State aid. Through June 30, 2003 Fairfax County had contributed approximately $235.8 million toward Metrorail construction, consisting of $130 million of County general obligation bond proceeds, $102.7 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. Since 1993, the Commonwealth has authorized over $93 million of State transportation bonds to be allocated for use in Fairfax County for support of Metrorail construction, replacement of rolling stock and parking expansion. ICCA-V local requirements are reallocated every two years to reflect current conditions.

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 1994-2003, and the estimate for FY 2004 are shown in the following table:

Fairfax County WMATA Operating Subsidies
(Millions of Dollars)

Fiscal Year	Bus Operations[1,5]	Rail Operations[1]	Rail Const. Manage-ment[1]	ADA Para-transit[1]	Less Federal Operating Subsidies	Less State Aid[2]	Less Gas Tax Receipts[3]	Prior Year Credit	Net General Fund
1994[4].....	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.....	25.495	20.139	.000	3.595	0.000	25.433	10.949	2.087	10.750
2004 (est.)	28.011	18.588	.000	4.936	0.000	23.871	10.550	5.574	11.540

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

1 The amounts shown for operating subsidies for FY 1994 through 2003 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.

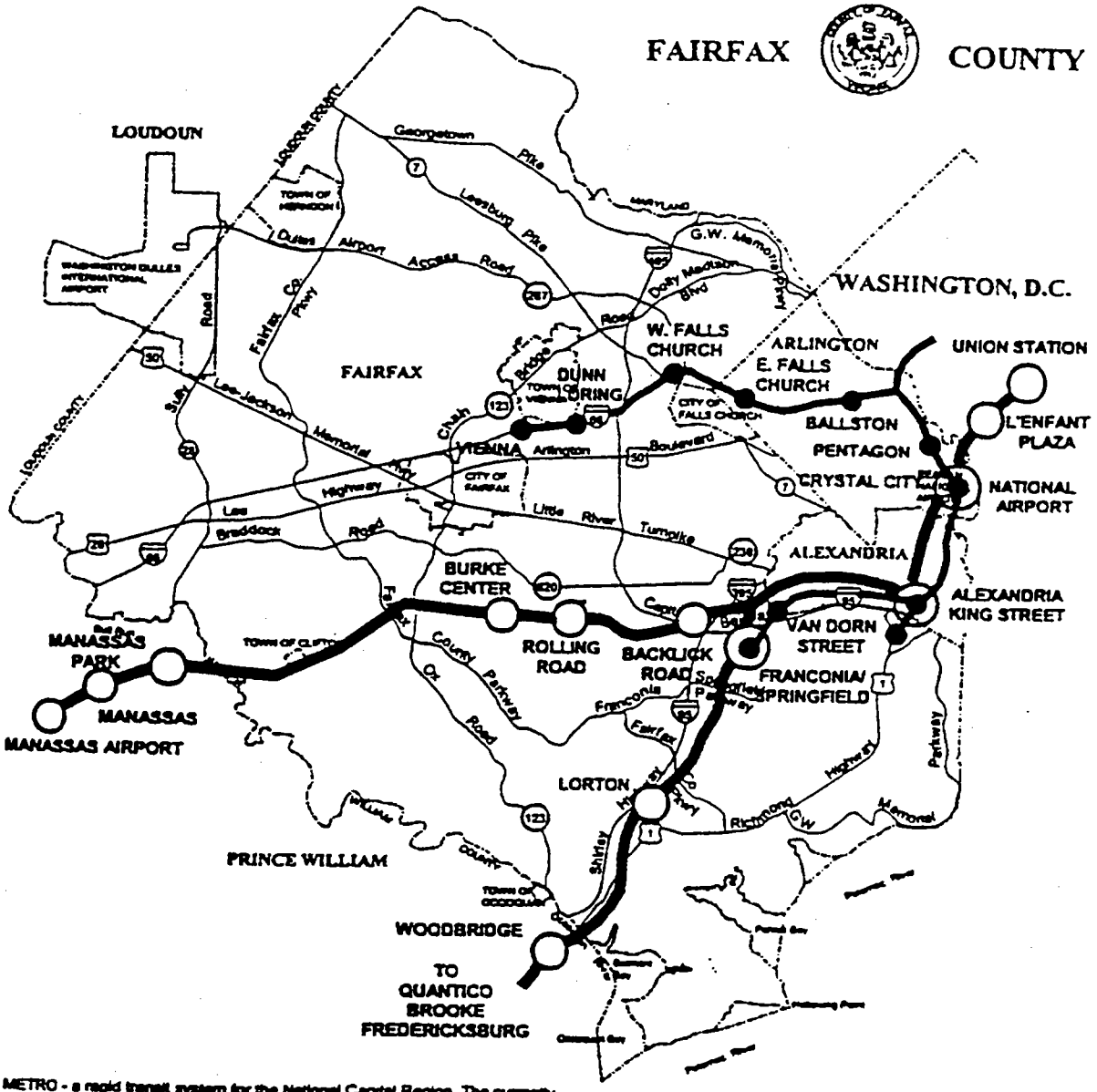
2 In 1983, the Virginia General Assembly enacted legislation permitting the use of State aid for transportation to fund transit program operating costs in addition to transit program capital costs.

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 $219,772 which was paid in FY 1994 with County General Funds.

5 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 2003, Fairfax County's share of the operating deficit was $3.595 million.



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, 33.1 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 and over 7,500 structured and surface parking spaces have been provided at Metrorail stations in the County. In addition another 1,086 spaces were provided through the County's Suburban Mobility Grant Application to the Federal Transportation Administration ("FTA") for three park-and-ride facilities.

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.

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, 2003, 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 peak 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 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. Since 1990 NVTC has sold $ 102.3 million worth of bonds to finance passenger cars, locomotives, yard facilities and stations. Under the terms of the Master Agreement debt service on these bonds will be funded by State and Federal funds and VRE revenues.

The VRE FY 2003 Budget identified its principal sources of revenue as: state and federal aid (58.3 percent), passenger revenues (26.3 percent), jurisdictional subsidies (10.1 percent) and miscellaneous income (5.3 percent). The County's share of the FY 2003 commuter rail operating and capital budget was $2.61 million.

Parks, Recreation and Libraries

Fairfax County provides a variety of recreational, educational, and cultural activities and services to people who live, work and study in Fairfax County. In fiscal year 2003, the Fairfax County Public Library (the "Library")

made more than 11 million loans and recorded more than five million visits to its 21 branches, and reported more than 2.1 million user visits to its Web site. The Library has more than 2.5 million books and other items in its collection, and more than 600,000 registered cardholders. Last year the Library, which was ranked one of the top 10 library systems in the United States, offered more than 4,000 free events and activities for all ages, including puppet shows for toddlers, story time for school-aged children, book discussion groups for teens, live author visits for adults and Internet navigation classes for seniors. The Library also makes library services available and accessible to people who have disabilities or are homebound. The community showed its high regard and strong support for the Library by donating more than 162,000 volunteer hours to the library system last year.

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 wide variety of recreational activities and facilities. The Fairfax County Park Authority ("FCPA"), whose members are appointed by the Board of Supervisors, operates 389 parks encompassing 22,546 acres. Since March 1, 2000, the FCPA has acquired, with County support, over 4,200 acres of lands for park purposes. Facilities operated by FCPA include recreational centers with swimming pools, fitness centers, racquetball courts, golf courses, nature centers, lakefront marinas, miniature golf, amusements such as trains and carousels, tennis and basketball courts, an ice rink, campgrounds, garden plots, extensive trails, historic properties, picnic shelters, playgrounds, open space and other unique facilities. Collectively, the park system is used by 82% of Fairfax County households annually.

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. In June 2003, the EDA issued revenue bonds backed by a contract with the County, a portion of the proceeds, in the amount of $15,530,000, of which were used to finance a new 18-hole public golf course in the southern part of the County.

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 2003, 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 to identify, document and protect significant historic, pre-historic and Civil War resources 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 were established and are now recognized through the Commonwealth's Certified Local Government program. In addition, DPZ maintains the County Inventory of Historic Sites of over 300 sites, buildings and structures established through the Fairfax County History Commission. The Cultural Resource Protection Section of the FCPA identifies and registers county prehistoric and historical archaeological 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.

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 summer of 2004 projected for the construction contract award. The parking structure was completed in January 2003. As part of the 2002 Public Safety Bond Referendum, the voters approved $25 million for the renovation of the older portions of the Judicial Center, originally built in 1981.

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 1,369 sworn police officers and 574 civilian personnel as of July 1, 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 eight 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 nearly 700 Neighborhood Watch groups involving approximately 20,000 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. 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. An eighth police district station located in the western part of the County opened on May 3, 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 approximately 1,200 paid fire fighters, 100 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 ("US&R"). US&R operates under the auspices of the Department of Homeland Security for domestic responses and is sponsored by the United States Agency for International Development/Office of Foreign Disaster Assistance for international deployments. 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. The Fiscal Services Division is responsible for management of the department's finances and budget. Personnel in the Safety and Personnel Services Division 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. In addition, the Safety and Personnel Services Division is responsible for recruiting and testing firefighter applicants and all personnel and payroll functions. 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.

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 3, 1998, the County voters approved bond referenda for public safety projects that included $7.42 million for expansion of two existing Police Stations, reconstruction of a Fire Station, construction of one new Police Station and one new Fire Station.

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 response team 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 draws visitors to the County's historic, cultural and recreational attractions.

The total inventory of office space in the County was estimated at 101.2 million square feet at mid-year 2003. Nearly 5.6 million square feet of office space was leased in Fairfax County during the first six months of 2003. Industrial/hybrid space in the county was estimated at 36.6 million square feet. The direct vacancy rates for

the office market and industrial/hybrid markets were 12.4 percent and 5.9 percent, respectively, as of year end 2003. 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, BearingPoint, Booz Allen Hamilton, Capital One, Federal Home Loan Mortgage Corporation (Freddie Mac), Gannett (USA Today), General Dynamics, Mitre, Mantech International and the SLM Corporation (Sallie Mae) have located their corporate headquarters in Fairfax County.

As of year end 2003, 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 at its 1995 session, the Commonwealth sold $45.2 million in bonds for the construction of two additional lanes (for a total of eight lanes) for the Dulles Toll Road between Interstate 495 in Fairfax County and Route 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. More than seventeen million passengers, including more than 4 million international travelers, flew in and out of Dulles in 2002. A multi-billion dollar 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 December 2003, the Smithsonian Institute opened the new National Air and Space Museum (NASM) Dulles Center for the display and collection of rare and historic aviation and space artifacts. The Steven F. Udvar-Hazy Center, a 761,000 square foot building located on 177 acres at Dulles International Airport, will be home to more than 200 aircraft and 135 spacecraft including the space shuttle Enterprise and the B-29 Superfortress "Enola Gay". The museum estimates that it has already hosted more than a quarter of a million visitors since its opening in December to commemorate the 100th anniversary of the Wright Brothers' first powered flight.

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 29,000 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 second quarter 2003.

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

Industrial Classification	Number of Establishments	Average Payroll Employment for Quarter
Agriculture	14	80
Manufacturing	476	11,944
Utilities	19	1,400
Wholesale Trade	1,500	15,943
Construction	2,424	30,398
Transportation	359	6,705
Retail Trade	2,729	52,324
Services[2]	17,584	274,678
Finance and Insurance	1,494	24,350
Real Estate	1,196	9,683
Information	925	35,394
Local/State/Federal Government	213	68,475
Non-Classified/Other	0	0
Total	28,933	531,374

Source: Virginia Employment Commission (VEC), Covered Employment and Wages in Virginia, Fairfax County, second quarter 2003.

1 Excludes self-employed business owners.

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.

The following is a list of the 25 largest private, base sector (non-retail) employers in Fairfax County as of September 2003.

	Company Name	Type of Business	County Employment Range*
1.	Inova Health System	Health Services	9,000-10,000
2.	Northrop Grumman	Professional, Scientific and Technical Services	6,000-7,000
3.	Science Applications International Corp. (SAIC)	Professional, Scientific and Technical Services	5,000-6,000
4.	Booz Allen Hamilton, Inc.	Professional, Scientific and Technical Services	5,000-6,000
5.	Raytheon Company	Professional, Scientific and Technical Services	4,000-5,000
6.	Computer Sciences Corporation (CSC)	Professional, Scientific and Technical Services	4,000-5,000
7.	Federal Home Loan Mortgage Corporation (Freddie Mac)	Finance and Insurance	3,000-4,000
8.	Navy Federal Credit Union	Finance and Insurance	3,000-4,000
9.	American Management Systems, Inc. (AMS)	Information/Software	3,000-4,000
10.	Exxon Mobil Corporation	Wholesale Trade (Petroleum Products)	2,000-3,000
11.	Accenture	Professional, Scientific and Technical Services	2,000-3,000
12.	General Dynamics	Professional, Scientific and Technical Services	2,000-3,000
13.	Capital One	Finance and Insurance	2,000-3,000
14.	Lockheed Martin Corporation	Professional, Scientific and Technical Services	2,000-3,000
15.	Verizon	Information/ Telecommunications	2,000-3,000
16.	Sprint	Information/ Telecommunications	2,000-3,000
17.	Electronic Data Systems Corporation (EDS)	Information/ Data Processing	2,000-3,000
18.	Gannet Company	Information/ Newspaper Publishing	2,000-3,000
19.	Mitre Corporation	Professional, Scientific and Technical Services	2,000-3,000
20.	Branch Banking and Trust (BB&T)	Finance and Insurance	1,000-2,000
21.	Nextel Communications, Inc.	Information/ Telecommunications	1,000-2,000
22.	PricewaterhouseCoopers	Professional, Scientific and Technical Services	1,000-2,000
23.	MCI	Information/ Telecommunications	1,000-2,000
24.	Oracle	Information/Software	1,000-2,000
25.	BearingPoint	Professional, Scientific and Technical 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 2003 average unemployment rate was 2.4% in the County. State and national 2003 unemployment rates were 3.3% and 5.4%, 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
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	3.0	4.3	6.2
2003	2.4	3.3	5.4

Source: Virginia Employment Commission.

According to the Virginia Employment Commission, the number of jobs in the County averaged 524,232 as of March 2003. 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
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)
1998	464,945	4.8	2003	524,232	0.0

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 and to date has slowed somewhat in Fairfax County; on average, about 15,000 persons per year were added to the population during this period.

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	1,004,435
2003	1,019,000
2004	1,033,600

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:

Household Population Age Distribution, 2002
Fairfax County

Age Group	2002 Number	2002 Percent (%)
Under 20 years	280,544	27.9
20-34	191,951	18.8
35-54	337,638	34.6
55-64	93,575	10.4
65 and Over	80,718	8.2
Total	984,366	100

Source: US Bureau of the Census, 2002 American Community Survey. Household population excludes persons living in group quarters facilities such as nursing homes, barracks, dormitories and correctional facilities.

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 2002, the Bureau of the Census estimated median household income in Fairfax County at $85,310. The following table illustrates the 2002 household and family income distribution in the County.

Annual Household and Family Income Distribution (by Percentage)
Fairfax County, 2002

Income Level	Household	Family
Under $25,000	7.6%	5.1%
$25,000-49,999	16.2	14.3
$50,000-74,999	18.1	16.1
$75,000-99,999	16.6	16.8
$100,000-149,999	23.5	24.9
$150,000 or more	18.0	22.8
Median Income	$85,310	$95,612

Note: In 2002, the US Bureau of the Census estimated that there were 363,100 households and 258,059 families in Fairfax County. "Families" are defined as those households containing two or more persons related by blood, marriage or adoption.

Source: U.S. Bureau of the Census, 2002 American Community Survey.

The following table shows that total taxable retail sales in the County rose in the period 1994-2003, 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 reflected the general economic downturn.

Per Capita Taxable Sales

Calendar Year	Taxable Sales (in Billions)	Population	Per Capita Taxable Sales
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	984,366	11,185
2002	11.13	1,004,435	11,081
2003	11.68	1,019,000	11,462

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
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
2003	19,095	820,046	3,561	306,909	2,577

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 2003:

New or Expanded Commercial Projects

Name of Company	Nature of Operations	Projected New/Additional Employment
Dynamics Research Corporation	Information Technology	150
Mitre Corporation	Information Technology	240
Northrop Grumman	Information Technology	348
Proxtronics	Information Technology	175
UNISYS	Information Technology	350
Veridian	Information Technology	450
AT&T Government Solutions	Telecommunications	450
Covad Communications	Telecommunications	180
Equant	Telecommunications	150
Online Resources	Internet Services	55

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

	1980		1990		2000		2002	
	No.	%	No.	%	No.	%	No.	%
Single-Family: Detached	125,580	59.3	163,029	53.9	181,591	50.6	184,156	49.7
Attached	30,833	14.6	67,306	22.3	87,171	24.3	90,465	24.4
Multi-Family	55,333	26.1	72,129	23.8	90,198	25.1	95,930	25.9
Total	211,746	100.0	302,464	100.0	358,960	100.0	370,551	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. 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, 2003:

Purpose	Total General Obligation Bonds
School	$ 953,986,674
General Government	623,169,326
Total General Obligation Bonded Indebtedness	$1,577,156,000

The County does not rely upon short-term borrowings to fund operating 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, 2004:

Authorized Purpose	Amount Authorized but Unissued
School Improvements	$672,360,000
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	$905,965,000

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. In April 2002, 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.

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 revenue bonds that are not general obligation bonds of the County and issue debt supported directly or contingently by appropriations of tax revenues by the County. The full faith and credit of the County is not pledged to secure such bonds.

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 2003, the EDA issued $85,650,000 of lease revenue refunding bonds, to refund $88,405,000 of the 1994 lease revenue bonds. The County's obligations remain the same for the refunding bonds.

Beginning in 1996, the Fairfax County Redevelopment and Housing Authority ("FCRHA") has issued $15.42 million of lease revenue bonds in four series to finance the construction/renovation of three Community Center buildings, one adult day health care center and one Head Start facility. The County is 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 various 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.

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 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. The Note, together with a portion of the accrued interest, has been renewed annually, most recently on July 31, 2003, and is outstanding in the principal amount of $14,442,740 and, subject to four one-year renewals, is due July 31, 2004. 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.

In June 2003, the EDA issued $70,830,000 of revenue bonds (Laurel Hill Public Facilities Project), backed by a contract with the County. Approximately $55,300,000 of the bonds are allocable to the financing of a new public high school in the southern part of the County and $15,530,000 of the bonds are allocable to the financing of a new 18-hole public golf course in the southern part of the County. The County is obligated by the terms of a 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 by the Board of Supervisors of sufficient funds for such purpose. The coincidental terms of the bonds and the contract extend to June 1, 2033.

On October 29, 2003, the EDA issued $33,375,000 transportation contract revenue bonds to provide $30 million to the CTB for construction of additional interchanges on Route 28 in the Route 28 Highway Transportation District, which is partly in Fairfax County and partly in Loudoun County. The EDA is expected to issue additional bonds in late 2004 or early 2005 to provide an additional $60 million for construction of the interchanges. All of the EDA bonds will be payable, on a parity with approximately $121 million CTB bonds, from revenues derived from a surcharge of $0.20/$100 assessed fair market value on the general real estate property tax levied on commercial and industrial properties within the District. In the event such revenues allocated to the EDA bonds are not sufficient to pay debt service and a funded debt service reserve is exhausted, each of Fairfax County and Loudoun County is, in effect, obligated, subject to annual appropriation by its board of supervisors, to make up one-half of any deficiencies in a second debt service reserve that secures the bonds.

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 EDA 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 was 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 Tax Supported Debt Obligations

Total principal and interest payments on the County's outstanding tax supported debt obligations including general obligation bonds, Literary Fund loans and other tax supported debt obligations are presented in the following table:

Debt Service Schedule – Tax Supported Debt Obligations

Fiscal Year Ending June 30	General Obligation Bonds[1,2]		Other Tax Supported Debt Obligations[3]		
	Principal	Interest	Principal	Interest	Total[4]
2004	$ 132,620,000	$ 73,020,388	$ 4,772,913	$ 10,424,142	$ 220,837,443
2005	128,420,000	67,386,031	5,037,822	10,194,448	211,038,302
2006	123,930,000	61,886,508	5,301,064	9,927,633	201,045,204
2007	124,125,000	56,582,433	5,625,695	9,646,107	195,979,234
2008	118,925,000	50,554,123	8,424,170	9,344,697	187,247,990
2009	113,970,000	45,048,426	9,745,068	8,969,588	177,733,082
2010	103,975,000	39,665,120	10,103,794	8,546,120	162,290,034
2011	98,125,000	34,652,175	10,472,652	8,085,331	151,335,158
2012	90,255,000	30,013,833	10,881,647	7,604,719	138,755,198
2013	82,490,000	25,831,523	11,300,783	7,065,220	126,687,526
2014	77,140,000	21,911,166	11,740,067	6,465,347	117,256,579
2015	69,255,000	18,301,616	12,224,502	5,838,111	105,619,229
2016	64,385,000	14,994,779	12,729,094	5,184,469	97,293,342
2017	58,675,000	11,781,179	13,268,849	4,503,076	88,228,104
2018	51,475,000	8,869,229	13,293,773	3,793,905	77,431,907
2019	44,670,000	6,487,804	13,668,872	2,864,569	67,691,244
2020	36,955,000	4,345,524	5,229,151	2,382,770	48,912,444
2021	28,375,000	2,682,988	5,354,618	2,119,771	38,532,376
2022	19,645,000	1,420,775	5,480,278	1,850,261	28,396,314
2023	9,745,000	462,888	5,626,139	1,574,372	17,408,398
2024-2034			24,553,724	7,011,326	31,566,051
Total[4]	$1,577,155,000	$575,898,505	$204,834,675	$133,395,982	$2,491,285,162

1 Does not include estimated debt service on the 2004 A Bonds.

2 Includes debt that was refunded during FY 2004; excludes refunding bonds issued in FY 2004 (see "Other Tax Supported Debt Obligations").

3 See "Other Tax Supported Debt Obligations".

4 Numbers may not add to totals due to rounding.

See also the discussion of taxes levied by the Route 28 Highway Transportation Improvement District, located partly in the County, to pay debt service on CTB and EDA bonds under "GOVERNMENT SERVICES – Transportation – Transportation Improvement Districts".

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. The Board of Supervisors authorized, and the County called on November 15, 2003, all of the County's $55,330,000 1993 sewer revenue bonds scheduled to mature on and after November 15, 2004; therefore, no debt remains outstanding as of this date for the 1986 or 1993 bonds. The County is currently considering a refunding of the 1996 bonds for debt service savings.

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.

The County has entered into a service agreement with ASA that obligates the County 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. 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.

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. In January 2004, UOSA refunded a portion of this debt for debt service savings and accordingly revised the participating member jurisdictions' debt service schedules. Fairfax County is responsible for approximately 62.8% of the debt service on UOSA's bonds.

The debt service on the County's outstanding sewer revenue bonds and the subordinate obligations payable for capacity under its contract with UOSA as of June 30, 2003 are reflected in the following table.

Fiscal Year Ending June 30	Sewer Revenue Bonds[1] Principal	Interest	Other Sewer Debt Service Obligations SRF/VRA	Subordinate Obligations[2]	Total
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	15,230,084	35,379,963
2006	5,440,000	8,199,653	6,637,073	15,230,225	35,506,950
2007	5,855,000	7,896,081	6,637,073	15,669,315	36,057,468
2008	6,270,000	7,566,204	6,637,073	15,669,695	36,142,972
2009	6,690,000	7,210,413	6,637,073	15,671,326	36,208,811
2010	7,125,000	6,828,830	6,637,073	15,669,762	36,260,665
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	36,869,237
2013	8,435,000	5,536,186	6,637,073	16,244,521	36,852,780
2014	9,175,000	5,048,343	6,637,073	16,245,595	37,106,010
2015	9,630,000	4,521,364	6,637,073	16,245,005	37,033,441
2016	5,300,000	4,097,980	6,637,073	16,244,996	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	16,246,604	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	4,495,000	2,925,930	6,637,073	16,246,106	30,304,109
2022	4,775,000	2,657,100	3,637,788	16,313,757	27,383,645
2023	5,075,000	2,371,450	0	16,311,177	23,757,627
2024-2029	37,860,000	7,064,688	0	97,875,681	142,800,369
Total	$157,135,000	$115,636,778	$123,105,095	$417,570,418	$813,447,291

[1]Includes debt that was defeased during FY 2004 (see "Sewer Revenue Bonds").
[2]Based on the County's share of scheduled UOSA debt service.

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	1,779,461,575	128,927,100,000	1.38

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 EDA Government Center Properties 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. Beginning in FY 2003, the total also includes the Laurel Hill Revenue Bonds.

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	1,779,461,575	1,019,000	1,746	57,231	3.06

1 Source: Fairfax County Department of Management and Budget. Beginning in FY 2002, the total includes General Obligation Bonds and other tax supported debt payable from the General Fund including: Literary Fund loans, the outstanding Revenue bonds for the Economic Development Authority Government Center Properties and Laurel Hill Public Facilities, the outstanding Certificates of Participation for the South County Government Center, and FCRHA lease revenue bonds for community centers.

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

3 Source: Bureau of Economic Analysis, U.S. Department of Commerce, 1994-1999; Fairfax County Department of Management and Budget 2000-2003. Includes Fairfax City and City of Falls Church.

4 The Bureau of Economic Analysis re-benchmarked data back to 1994. 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	2,447,015,916	8.7

Source: Fairfax County Department of Management and Budget. Beginning in FY 2003, the total includes General Obligation Bonds and other tax supported debt payable from the General Fund including: Literary Fund loans, the outstanding Revenue bonds for the Economic Development Authority Government Center Properties and Laurel Hill Public Facilities, the outstanding Certificates of Participation for the South County Government Center, and FCRHA lease revenue bonds for community centers.

Underlying Bonded Indebtedness

As of June 30, 2003, 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	$16,523,333
Town of Herndon	Recreational Complex/Water and Sewer/Recreational Facilities	12,514,596
Small District #1 of Dranesville District	McLean Community Center	450,000
Total Underlying Indebtedness		$29,487,929

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, notes and other obligations 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. 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. For the reassessment effective January 1, 2004, the countywide assessment to sale price ratio was 0.91 and the Russell Index was 6.0. 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 2004 in the main tax book for Fairfax County, increased 12.04% 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	114,155,500	11,610,620	3,161,030	128,927,150
2004	127,892,600	11,699,600	3,256,620	142,848,820
2005 (est.)	142,656,080	11,700,440	3,153,480	157,510,000

Source: Actual values are from the Fairfax County Department of Tax Administration as reported in the FY 2003 CAFR and the FY 2005 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)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Real Estate-Regular and Public Service	$1.16	$1.16	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.21	$1.16
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	1.23	1.23	1.23	1.23	1.23	1.21	1.16
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	1.23	1.23	1.23	1.23	1.23	1.23	1.21	1.16
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 1995-2004.

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]
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
2004	19.14
2005	18.20

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, 2004).

Rank	Property Owner	Property Type	Total Assessment
1	Lehndorff Tysons Property	Tysons Corner Regional Shop Center	$ 485,820,295
2	West Group Properties LLC	Various Offices, Retail, Ind. and Land	453,206,520
3	Prentiss Properties	Office and Land	424,250,515
4	Dominion Virginia Power	Public Utility	358,671,418
5	Smith Property Holdings	Various Commercial	257,888,285
6	Franconia Two LP	Springfield Mall	247,895,865
7	Fairfax Company	Fair Oaks Mall	247,260,135
8	Washington Gas Light Co	Public Utility	202,770,217
9	EOP Reston Town Center	Office, Shop Center and Land	190,398,370
10	Springfield Campus LLC	Continuing Care Retirement Community	178,961,575
11	Gannett Company Inc.	Office	171,686,680
12	Mobil Oil Corp.	HQ Office and Various Commercial	169,940,580
13	PS Business Parks LP	Industrial Park	162,282,450
14	USRP I LLC	Shopping Centers	160,688,865
15	West Mac Associates	Office and Land	158,529,400
16	WRIT LP	Offices, Apartments, Ind. and Shopping Centers	154,448,760
17	Summit Properties	Apartments and Land	148,218,635
18	Mitre Corporation	Office	146,674,540
19	Capital One Bank	Office	141,827,810
20	Campus Point Realty Corp.	Office	140,527,065
21	Navy Federal Credit Union	Various Offices and Land	128,769,755
22	ISTAR NG LP	Office	124,650,780
23	Avalon Properties Inc.	Apartments	121,524,115
24	Pulte Home Corp.	Residential and Land	117,850,745
25	Verizon Virginia Inc.	Public Utility	114,891,764
			$5,209,635,139

Source: Fairfax County Department of Tax Administration. Derived from January 1, 2004 tax rolls.

As of January 1, 2004 the assessed value of the real property of the 25 largest holders of real property in the County represented 3.60% of the total assessed value of all real property in Fairfax County, excluding tax exempt properties. January 1, 2004 assessments generate tax revenue in FY 2005.

Real and Personal Property
Tax Levies and Tax Collections
(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, 1994-2002; financial report of the Department of Tax Administration for the Fiscal Year ended June 30, 2003.

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.

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.

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, 2003 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 accordance with Statement No. 14 of the Governmental Accounting Standards Board, in the comparable, primary government-appropriated funds of the discretely reported component units. The summaries for the five fiscal years ended June 30, 2003 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,				
	1999	2000	2001	2002	2003
Revenues:					
Taxes[1]	$1,640,594,459	$1,690,371,422	$1,785,431,379	$1,898,192,584	$2,054,784,694
Permits, privilege fees and Regulatory licenses	43,044,787	43,835,560	42,277,578	36,939,184	38,625,237
Fines and forfeitures	7,140,533	7,579,871	9,116,533	10,318,703	11,065,873
Revenue from the use of Money and property	58,159,188	64,502,480	71,658,750	36,704,979	28,011,515
Charges for services and Recovered Costs	182,229,862	191,272,823	195,534,961	214,387,258	241,063,748
Intergovernmental	467,462,273	577,583,347	690,134,884	784,912,575	1,948,153,789
Miscellaneous	23,696,684	20,701,792	18,690,822	18,389,201	17,601,692
Total revenues	$2,422,327,786	$2,595,847,295	$2,812,844,907	$2,999,844,484	4,339,306,548
Expenditures and transfers:					
General governmental administration	$ 80,031,244	$ 87,400,231	$ 84,251,292	$ 87,965,570	109,811,931
Judicial administration	19,502,814	21,408,526	24,162,805	26,290,973	34,094,538
Public safety	231,108,675	256,155,919	289,032,001	312,792,426	409,258,168
Public works	113,140,139	124,495,828	137,550,684	143,400,236	155,020,538
Health and welfare	268,726,844	299,285,489	313,287,950	342,474,648	379,242,626
Parks, recreation & cultural	62,777,866	66,582,759	71,666,912	70,015,182	87,313,589
Community development	79,995,482	80,292,124	91,444,337	78,623,344	96,435,266
Education[2,3]	1,192,010,103	1,331,052,353	1,446,628,160	1,518,075,351	2,749,801,585
Debt service	176,262,542	184,970,872	193,211,342	200,941,861	6,779,075
Nondepartmental[2,8]	96,500,551	106,035,082	120,577,637	123,223,719	0
Net transfers to other funds[6]	40,172,221	42,638,858	47,767,640	46,350,886	244,553,518
Total expenditures and transfers	$2,360,228,481	$2,600,318,041	$2,819,580,760	2,950,154,196	4,272,310,834
Excess (deficiency) of revenues over expenditures and transfers	$ 62,099,305	$ (4,470,746)	$ (6,735,853)	$ 49,690,288	66,995,714
Fund balance, beginning of year[5]	321,061,166	383,115,957	377,374,210	371,028,733	421,360,603
Adjustment of fund balance, Beginning of year	0	(1,333,746)[4]	0	10,972,297	0
Increase (Decrease) in Fund Balance Reserves[9]	(44,514)	62,745	390,376	(108,098)	195,642
Residual Equity Transfer	0	0	0	0	0
Fund balance, end of year	$ 383,115,957	$ 377,374,210	$ 371,028,733	$ 431,583,220	$488,551,959

Source: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 1999-2003.

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, 1999 through 2003, were as follows: 1999, $88,898,079; 2000, $91,228,972; 2001, $95,074,645, 2002, $95,789,400, and 2003 $102,441,381.

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, 2003, the unfunded liability was approximately $4.9 million.

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

5 Fund balance includes amounts reserved for inventories of supplies.

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

7 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 Gift Fund which is now included in the General Fund.

8 Effective FY 2003, nondepartmental expenditures are allocated to specific functions.

9 Fiscal years 1999-2002 have been restated for comparison purposes to reflect GAAP basis and Budget basis measurement differences now reported in the functional line items, rather than aggregated and reported in the "Increase (Decrease) in Fund Balance" line item.

Financial Policies

The Board of Supervisors has been guided by long standing financial policies and guidelines in the conduct of financial management. The governing statement of financial policy is contained within the *Ten Principles of Sound Financial Management*. Adopted by the Board of Supervisors in 1975 and amended as needed to address changing economic conditions and management practices, the *Ten Principles* have been reaffirmed and have guided each succeeding Board of Supervisors to establish strong fiscal management tools and practices. The *Ten Principles* provide for the integration of land use planning with capital and operating budgets; establish guidelines for the development of annual balanced budgets; stress the importance of maintaining positive cash balances; establish firm not to exceed limits to debt ratios; provide guidance on cash management, internal controls, and performance measurement; provide guidelines restricting the proliferation of underlying debt and use of moral obligations; and encourage the development of a diversified economy within the County.

Other policies and tools that have been designed to enhance the impact of the *Ten Principles* include annual adoption of budgetary guidelines, formal establishment of various expenditure, revenue and special purpose reserves, capital improvement planning guidelines, policies for risk management, guidelines for acceptance of grant awards, and planning for information technology. Various tools in active use by the County include the annual budget, the Capital Improvement Program, revenue and financial forecasts, and management initiatives such as a performance measurement program, a pay for performance management system, workforce planning and various information technology initiatives.

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 2003 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 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 the end of FY 2003, 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 2003, the County's average portfolio size (which includes investments in the General Fund, Special Revenue Funds and Enterprise Funds) was approximately $1.7 billion. The funds are invested in U.S. Treasury obligations, obligations of the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Association, bankers acceptances, commercial paper (rated A1/P1 or higher), certificates of deposit, money market mutual funds limited to Government Obligations, 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 Fund 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 Projects 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 1999 through FY 2003.

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

	Fiscal Year Ended June 30				
	1999	2000	2001	2002[3]	2003
General Property Taxes	$1,311,289	$1,336,728	$1,403,483	1,516,094	1,667,595
Other Local Taxes	317,893	343,197	360,365	360,263	373,594
Permits, Privilege Fees and Regulatory Licenses	32,874	33,654	31,908	28,609	27,781
Fines and Forfeitures	7,140	7,580	9,117	10,319	11,060
Revenue from the Use of Money and Property	45,970	51,479	57,367	28,212	21,463
Charges for Services & Recovered Costs	35,445	34,293	37,783	40,693	45,921
Intergovernmental	103,449	180,966	239,375	315,653	322,110
Miscellaneous	17	6,361	403	1,237	920
Transfers In and Beginning Fund Balance	94,842	100,796	114,170	110,289	130,931
Adjustment to Beginning Fund Balance	--	--	--	8,046[2]	--
Total	$1,948,919	$2,095,054	$2,253,971	2,419,415	2,601,375

Source: Comprehensive Annual Financial Reports for FY 1999-FY 2003.

1 Beginning fund balance adjusted to reflect reserve for inventory.

2 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 funds which are now included in the General Fund: Gift Fund, Consolidated Community Funding Pool Fund, and Contributory Fund.

3 FY 2002 has been restated for comparison purposes to reflect gross activity in the Gift Fund (included in the General Fund effective FY 2002 - see footnote 2), rather than net activity.

General Fund Expenditures and Transfers
(in thousands)

	Fiscal Year Ended June 30				
	1999	2000	2001	2002[1]	2003
Transfer to School Operating Fund	$ 852,128	$ 897,413	$ 988,001	$1,079,912	$1,168,875
Costs of General County Government	746,337	820,403	877,488	945,879	1,008,151
Transfer to Debt Service Funds	177,649	184,072	189,918	203,539	213,694
Transfer to Capital Project Funds	14,607	23,360	21,996	7,507	7,006
Transfer to Metro Construction and Operations Fund	11,151	7,046	12,673	11,451	12,273
Other Transfers	47,715	50,283	58,259	44,334	37,919
Total	$1,849,587	$1,982,577	$2,148,335	$2,292,622	$2,447,918

Source: Comprehensive Annual Financial Reports for FY 1999-FY 2003.

1 FY 2002 has been restated for comparison purposes to reflect gross activity in the Gift Fund (included in the General Fund effective FY 2002), rather than net activity.

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 67.4% of total General Fund revenues in FY 2003. 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 75.3%. 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 2003 were $466.5 million comprised of $271.1 million paid by taxpayers and $195.4 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 15.1% of total General Fund revenues in FY 2003.

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 1.1% of total General Fund revenues for FY 2003.

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 2003.

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 0.9% of General Fund revenues in FY 2003.

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 1.9% of General Fund revenues in FY 2003.

Intergovernmental Revenue -- Intergovernmental revenue is comprised of revenue from the State and revenue from the Federal government. Revenues in this category represented 13.0% of General Fund revenues in FY 2003. 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 11.1% of total General Fund revenues in the fiscal year ended June 30, 2003. Excluding this reimbursement, revenue from this category represents 3.2% of General Fund revenue in FY 2003. 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 1.9% of General Fund revenues in FY 2003.

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 2003.

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 47.8% of total disbursements from the General Fund in the fiscal year ended June 30, 2003. The transfer to the School Operating Fund was approximately 75.9% 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 41.2% of total General Fund disbursements in FY 2003.

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 8.7% of total General Fund disbursements in FY 2003.

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 2003. 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 2003. 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 1.5% of total General Fund disbursements in FY 2003.

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 4.75 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 $9.38 million or 0.98 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 reflect 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 in excess of $50 million to recurring operating expenses were also made including a net decrease of 75 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.

As a result of actions taken by the Board of Supervisors on September 15, 2003, the FY 2004 Revised Budget Plan totals $5.43 billion, including General Fund disbursements of $2.62 billion. This increase includes a number of administrative adjustments approved by the Board of Supervisors, carryover of certain items approved in FY 2003 but not yet expended, and the carryover of unexpended project and grant balances.

Proposed FY 2005 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 could 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.

On February 23, 2004 the County Executive submitted a proposed FY 2005 budget for public review and comment prior to decision by the Board of Supervisors scheduled on April 26, 2004. The proposed FY 2005 budget conforms to the Board's budget guidelines. Disbursements from all activities total $4.65 billion, including General Fund disbursements of $2.73 billion, a 4.47 percent increase over the FY 2004 Revised Budget Plan. The FY 2005 General Fund budget reflects revenue growth of $168.88 million, or 6.57 percent, entirely from rising real estate assessments. All other sources of revenue are projected at a net decrease of $1 million. Spending increases for County services have been held to a modest increase of 2.5 percent for baseline funding adjustments and requirements associated with new facilities planned to come on-line in FY 2005. In accordance with the Board's budget guidelines the operating transfer increase to the Fairfax County Public Schools is equal to the projected revenue growth of 6.57 percent, or an $81.52 million increase in the School transfer. The FY 2005 budget provides for continuing essential services at current levels, including the cost of doing business, mandates, contractual obligations and other existing commitments, such as compensation and benefits.

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 review thoroughly 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 4, 2003, County voters approved $290,610,000 of additional bonds to finance school facilities. Referenda totaling $412 million are planned for parks, libraries, transportation, and human services in 2004. An additional referendum of approximately $350 million in 2005 to finance school facilities is anticipated. The CIP for Fiscal Years 2005-2009 (with future Fiscal Years to 2014) has been submitted for public review and comment in conjunction with the FY 2005 budget. The proposed CIP provides $1.86 billion over the next five years from various sources for the continuing program as adopted by the Board in FY 2004. The County program includes new construction, renovation and renewal of school facilities, parks, housing development, revitalization, storm water management, public safety and courts, libraries, human services, solid waste, sewers and transportation. Significant capital construction activity totaling $2.18 billion is undertaken within the County of benefit to County residents, but not managed or funded directly by the County, including regional parks, state and federal transportation projects and water supply projects. The total capital construction activity planned within the county totals $4.05 billion over the next five years.

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 2003.

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.

Circular 230

On December 30, 2003, the United States Treasury Department proposed amendments to rules of practice before the Internal Revenue Service contained in Circular 230 ("Circular 230"). In general, Circular 230 requires a written identification, examination and consideration of all relevant facts related to material Federal tax issues with respect to tax shelters. The effect of the proposed amendments would be to remove the exemption from such requirements that presently exists in Circular 230 for obligations, such as the Bonds, the interest on which in the opinion of Bond Counsel, is excluded from gross income of the owners thereof for Federal income tax purposes.

In the event the provisions of Circular 230 take effect on a date subsequent to the award of the Bonds at competitive bidding and prior to the date of delivery of the Bonds to the successful bidder, the official Notice of Sale provides that the successful bidder for the Bonds may terminate its obligation to accept delivery and make payment for the Bonds.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Arlington, Virginia, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

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

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, 2002 and 2003 were timely made with each of the NRMSIRs.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL

The distribution of this Preliminary Official Statement has been duly authorized by the Board of Supervisors of the County. The County deems this Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission except for the omission of certain pricing and other information permitted to be omitted by Rule 15c2-12.

BOARD OF SUPERVISORS OF
FAIRFAX COUNTY, VIRGINIA

By: ,Chairman

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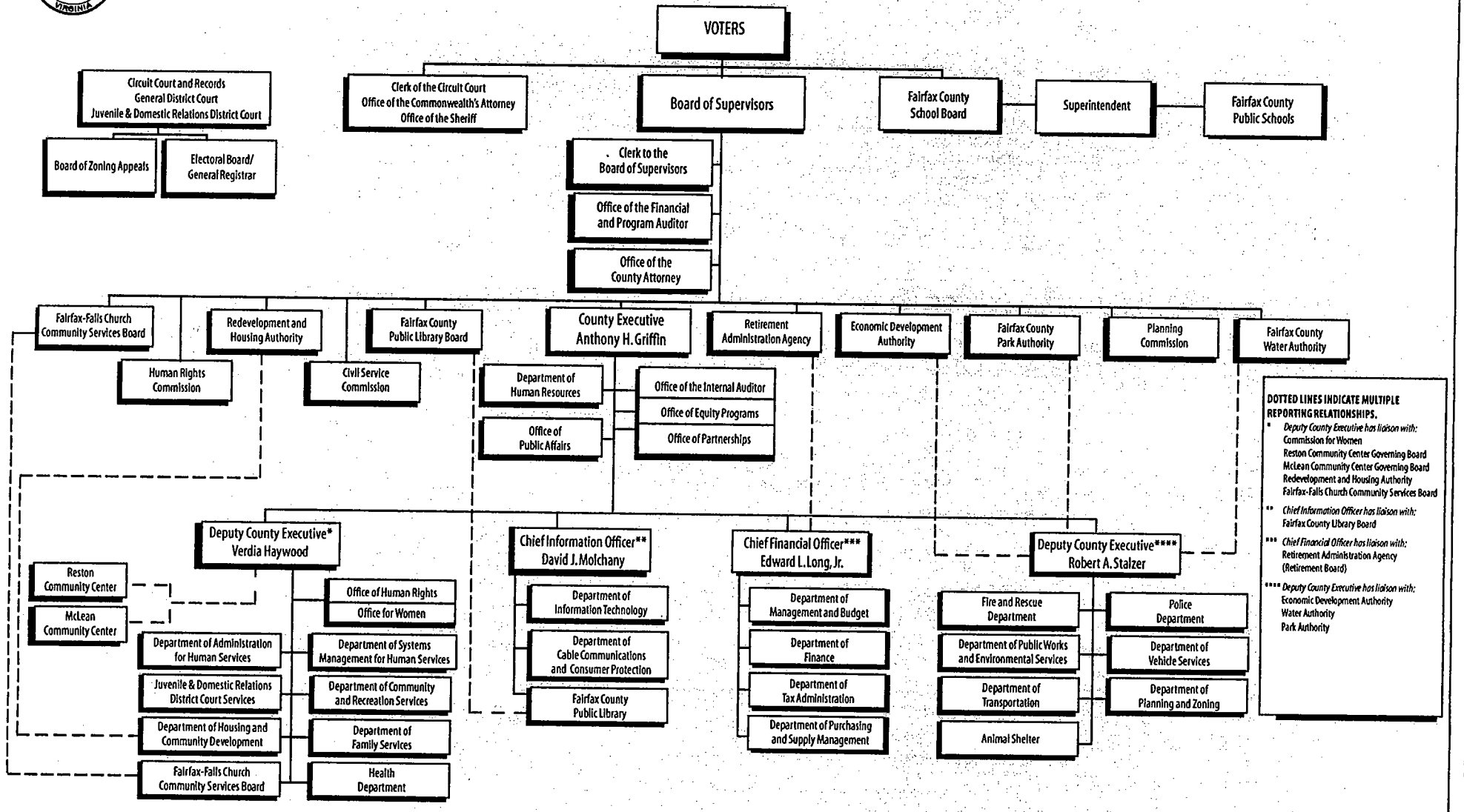
ORGANIZATION OF FAIRFAX COUNTY GOVERNMENT



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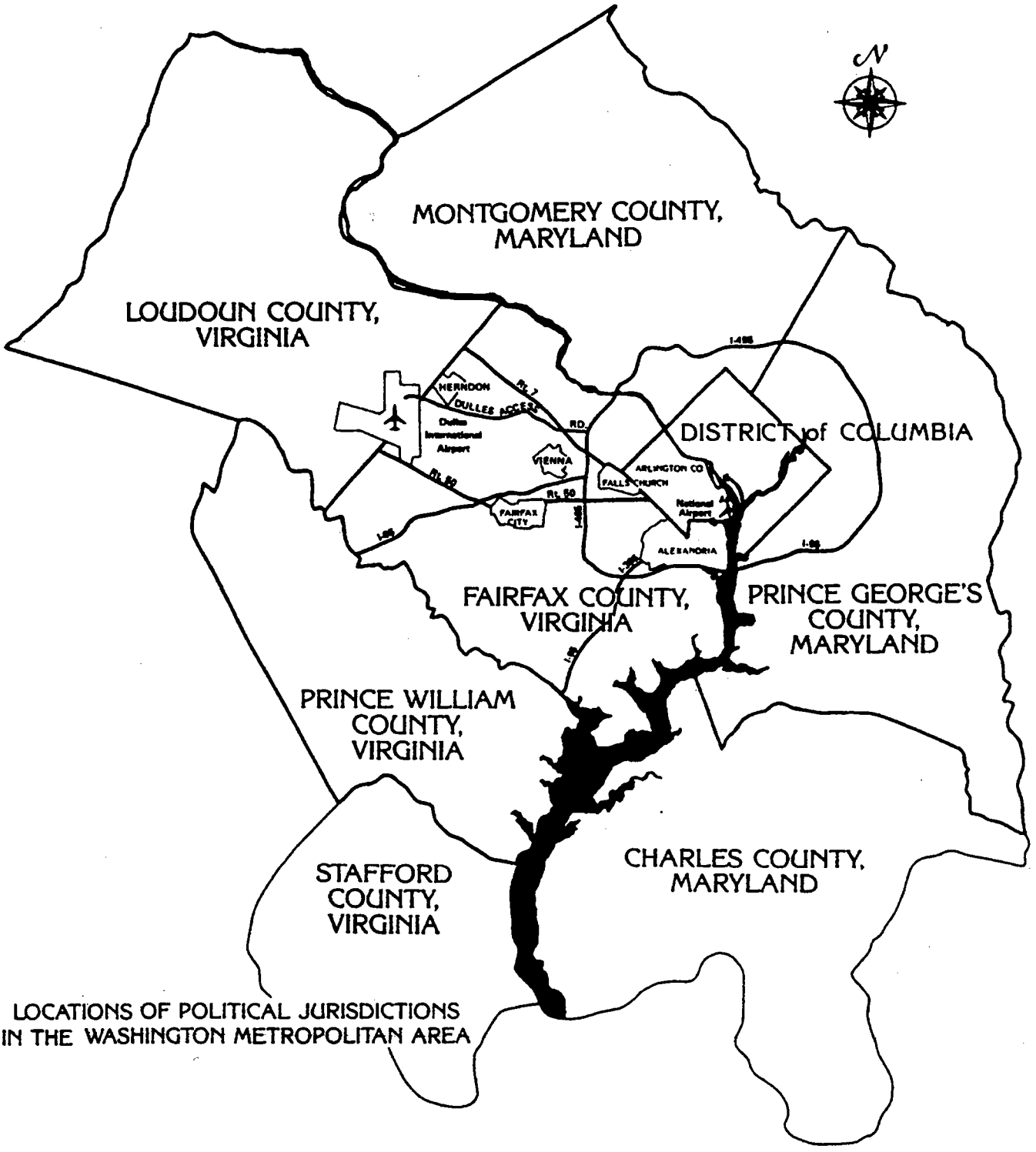

LOCATIONS OF POLITICAL JURISDICTIONS IN THE WASHINGTON METROPOLITAN AREA

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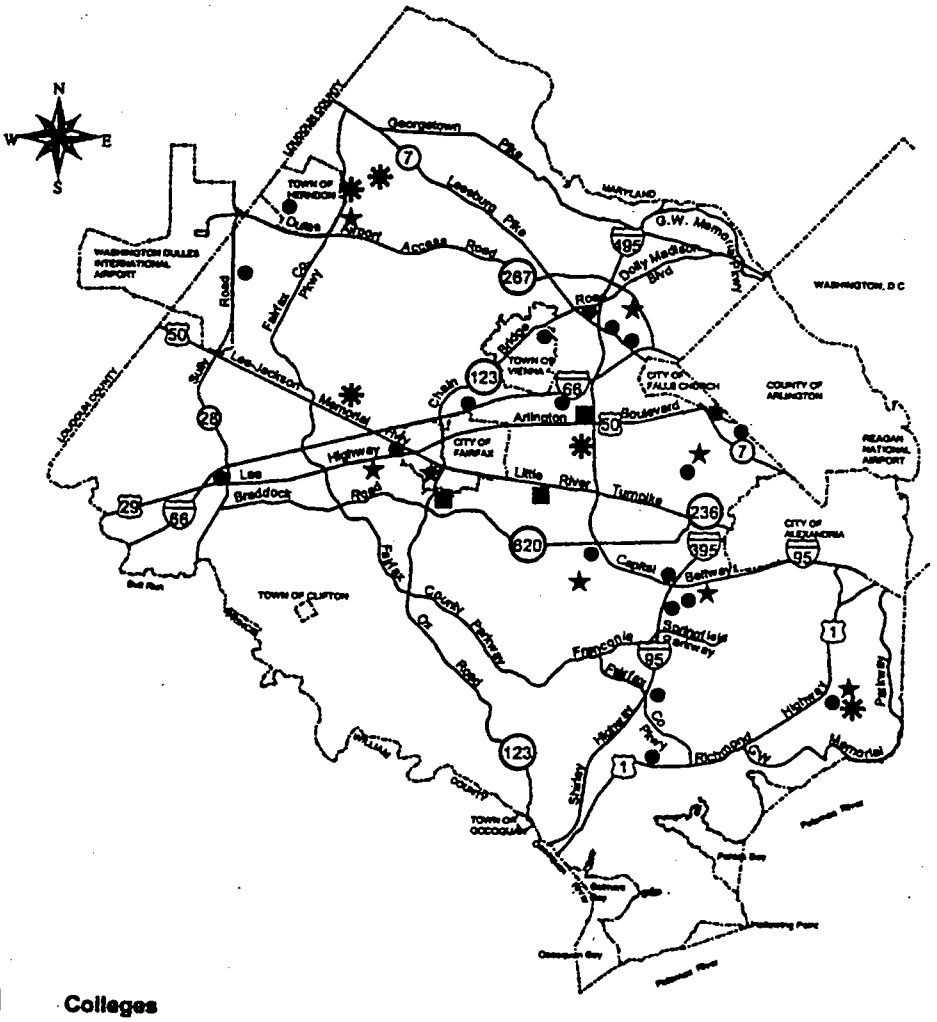

Colleges

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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KPMG LLP
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, 2003, which collectively comprise the County's basic financial statements. These basic financial statements are the responsibility of the County of Fairfax's management. Our responsibility is to express opinions 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 2.26% and .28%, 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. Those standards 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 the FCRHA were audited in accordance with auditing standards generally accepted in the United States of America. 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 31, 2003

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	Primary Government
ASSETS			
Equity in pooled cash and temporary investments	$ 693,718,244	79,253,749	772,971,993
Cash in banks	-	-	-
Investments	-	22,998,597	22,998,597
Receivables (net of allowances):			
Accounts	24,531,053	-	24,531,053
Accrued interest	654,976	61,091	716,067
Property taxes:			
Delinquent	19,492,398	-	19,492,398
Not yet due	1,704,872,746	-	1,704,872,746
Business license taxes - delinquent	2,151,125	-	2,151,125
Loans	15,530,000	-	15,530,000
Notes	4,960,234	-	4,960,234
Other	15,152	-	15,152
Due from intergovernmental units (net of allowances):			
Property tax relief:			
Delinquent	6,507,178	-	6,507,178
Not yet due	176,163,000	-	176,163,000
Other	40,497,443	19,093,271	59,590,714
Due from primary government	-	-	-
Due from component units	1,765,166	-	1,765,166
Interfund receivables	168,664	(168,664)	-
Inventories of supplies	3,021,255	327,813	3,349,068
Other assets	1,581,400	1,549	1,582,949
Restricted assets:			
Equity in pooled cash and temporary investments	41,871,927	140,853,415	182,725,342
Cash with fiscal agents	1,737,032	-	1,737,032
Certificates of deposit - performance bonds	821,199	-	821,199
Investments	76,326,342	24,767,970	101,094,312
Land held for sale	-	-	-
Capital assets:			
Non-depreciable:			
Land	327,546,804	17,511,358	345,058,162
Construction in progress	21,741,560	128,723,901	150,465,461
Depreciable:			
Equipment	223,426,139	9,951,322	233,377,461
Library collections	39,451,246	-	39,451,246
Purchased capacity	-	568,080,954	568,080,954
Buildings and improvements	785,439,035	749,795,061	1,535,234,096
Infrastructure	415,525,167	-	415,525,167
Accumulated depreciation	(458,710,126)	(316,660,990)	(775,371,116)
Accumulated amortization	-	(53,575,391)	(53,575,391)
Deferred bond issuance costs (net of amortization)	1,743,105	1,044,849	2,787,954
Total assets	$ 4,172,549,464	1,392,059,855	5,564,609,319

See accompanying notes to the financial statements.

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
			ASSETS
290,846,269	-	1,063,818,262	Equity in pooled cash and temporary investments
7,057,118	-	7,057,118	Cash in banks
-	-	22,998,597	Investments
			Receivables (net of allowances):
12,253,343	-	36,784,396	Accounts
76,768	-	792,835	Accrued interest
			Property taxes:
-	-	19,492,398	Delinquent
-	-	1,704,872,746	Not yet due
-	-	2,151,125	Business license taxes - delinquent
		15,530,000	Loans
8,295,701	-	13,255,935	Notes
462,918	-	478,070	Other
			Due from intergovernmental units (net of allowances):
			Property tax relief:
-	-	6,507,178	Delinquent
-	-	176,163,000	Not yet due
30,799,528	-	90,390,242	Other
6,730,339	-	6,730,339	Due from primary government
-	-	1,765,166	Due from component units
-	-	-	Interfund receivables
4,563,916	-	7,912,984	Inventories of supplies
618,716	-	2,201,665	Other assets
			Restricted assets:
15,225,912	-	197,951,254	Equity in pooled cash and temporary investments
10,145,396	-	11,882,428	Cash with fiscal agents
652,676	-	1,473,875	Certificates of deposit - performance bonds
18,015,174	-	119,109,486	Investments
2,595,172	-	2,595,172	Land held for sale
			Capital assets:
			Non-depreciable:
331,133,123	-	676,191,285	Land
309,594,921	-	460,060,382	Construction in progress
			Depreciable:
152,484,434	-	385,861,895	Equipment
24,385,069	-	63,836,315	Library collections
-	-	568,080,954	Purchased capacity
1,904,795,887	-	3,440,029,983	Buildings and improvements
-	-	415,525,167	Infrastructure
(780,680,207)	-	(1,556,051,323)	Accumulated depreciation
-	-	(53,575,391)	Accumulated amortization
478,298	-	3,266,252	Deferred bond issuance costs (net of amortization)
2,350,530,471	-	7,915,139,790	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2003

	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
LIABILITIES			
Accounts payable and accrued liabilities	$ 46,758,918	6,441,861	53,200,779
Accrued salaries and benefits	28,142,846	659,991	28,802,837
Contract retainages	2,610,056	3,737,361	6,347,417
Accrued interest payable	9,545,799	4,462,321	14,008,120
Due to primary government	-	-	-
Due to component units	1,866,247	-	1,866,247
Matured bond principal and interest payable	174,455	-	174,455
Deferred revenue:			
Property taxes not yet due	1,905,968,500	-	1,905,968,500
Other	31,155,471	-	31,155,471
Performance and other deposits	73,063,597	-	73,063,597
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds payable, net	136,011,870	-	136,011,870
Revenue bonds payable, net	4,553,476	11,777,985	16,331,461
Notes payable	-	-	-
Compensated absences payable	47,010,116	1,149,396	48,159,512
Landfill closure and postclosure obligation	25,357,048	-	25,357,048
Obligations under capital leases	8,234,068	-	8,234,068
Insurance and benefit claims payable	14,721,454	-	14,721,454
Other	2,842,789	-	2,842,789
Portion due or payable after one year:			
General obligation bonds payable, net	1,464,798,886	-	1,464,798,886
Revenue bonds payable, net	173,692,445	461,633,057	635,325,502
Notes payable	-	-	-
Compensated absences payable	28,812,652	704,468	29,517,120
Landfill closure and postclosure obligation	37,379,250	-	37,379,250
Obligations under capital leases	37,904,218	-	37,904,218
Insurance and benefit claims payable	13,618,677	-	13,618,677
Other	7,841,477	-	7,841,477
Total liabilities	4,102,064,315	490,566,440	4,592,630,755
NET ASSETS			
Invested in capital assets, net of related debt	932,499,218	651,624,011	1,584,123,229
Restricted for:			
Grant programs	5,976,956	-	5,976,956
Sewer improvements and nitrification facilities	-	134,216,343	134,216,343
Repair and replacement	-	-	-
Community centers	5,152,731	-	5,152,731
Housing	-	-	-
Capital projects	18,200,000	-	18,200,000
Debt service	-	10,196,204	10,196,204
Unrestricted (deficit)	(891,343,756)	105,456,857	(785,886,899)
Total net assets	$ 70,485,149	901,493,415	971,978,564

See accompanying notes to the financial statements.

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
			LIABILITIES
49,554,037	-	102,754,816	Accounts payable and accrued liabilities
75,249,165	-	104,052,002	Accrued salaries and benefits
9,973,632	-	16,321,049	Contract retainages
521,250		14,529,370	Accrued interest payable
1,765,166	-	1,765,166	Due to primary government
-	-	1,866,247	Due to component units
-	-	174,455	Matured bond principal and interest payable
			Deferred revenue:
-	-	1,905,968,500	Property taxes not yet due
12,014,572	-	43,170,043	Other
1,345,858	-	74,409,455	Performance and other deposits
			Long-term liabilities:
			Portion due or payable within one year:
-	-	136,011,870	General obligation bonds payable, net
790,154	-	17,121,615	Revenue bonds payable, net
24,806,356	-	24,806,356	Notes payable
17,314,095	-	65,473,607	Compensated absences payable
-	-	25,357,048	Landfill closure and postclosure obligation
9,647,165	-	17,881,233	Obligations under capital leases
21,400,318	-	36,121,772	Insurance and benefit claims payable
133,945	-	2,976,734	Other
			Portion due or payable after one year:
-	-	1,464,798,886	General obligation bonds payable, net
24,025,202	-	659,350,704	Revenue bonds payable, net
56,277,744	-	56,277,744	Notes payable
11,014,536	-	40,531,656	Compensated absences payable
-	-	37,379,250	Landfill closure and postclosure obligation
18,331,888	-	56,236,106	Obligations under capital leases
10,741,077	-	24,359,754	Insurance and benefit claims payable
17,074,839	-	24,916,316	Other
361,980,999	-	4,954,611,754	Total liabilities
			NET ASSETS
1,840,784,373	(1,044,623,708)	2,380,283,894	Invested in capital assets, net of related debt
			Restricted for:
-	-	5,976,956	Grant programs
-	-	134,216,343	Sewer improvements and nitrification facilities
700,000	-	700,000	Repair and replacement
-	-	5,152,731	Community centers
10,821,684	-	10,821,684	Housing
14,525,912	(14,525,912)	18,200,000	Capital projects
1,058,230	-	11,254,434	Debt service
120,659,273	1,059,149,620	393,921,994	Unrestricted (deficit)
1,988,549,472	-	2,960,528,036	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Statement of Activities
For the fiscal year ended June 30, 2003

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	$ 118,511,161	5,112,194	1,941,377	-
Judicial administration	35,243,062	15,968,676	20,762,866	-
Public safety	414,698,922	34,072,120	35,205,772	2,540,565
Public works	132,457,898	66,543,218	9,687,204	14,673,013
Health and welfare	383,744,665	43,281,914	129,981,338	-
Community development	134,530,817	29,420,854	5,210,353	12,345,534
Parks, recreation, and cultural	118,518,084	6,051,431	1,142,845	-
Education - for Public Schools	1,308,402,963	-	-	3,051,984
Interest on long-term debt	81,994,507	-	-	-
Total governmental activities	2,728,102,079	200,450,407	203,931,755	32,611,096
Business-type activities:				
Public works - Sewer	126,953,197	108,149,558	-	7,244,852
Total business-type activities	126,953,197	108,149,558	-	7,244,852
Total primary government	2,855,055,276	308,599,965	203,931,755	39,855,948
Component units:				
Public Schools	1,658,519,296	77,510,685	102,397,834	4,681,750
Redevelopment and Housing Authority	63,365,305	19,058,739	37,604,475	3,012,835
Park Authority	63,500,701	27,165,350	-	92,797
Economic Development Authority	7,035,177	-	-	-
Total component units	$ 1,792,420,479	123,734,774	140,002,309	7,787,382

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
- Revenue from primary government
- Other

Special item - gain on sale of land
Total general revenues and special item
Change in net assets
Net assets, July 1, 2002
Net assets, June 30, 2003

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	**Functions/Programs**
				Primary government:
				Governmental activities:
(111,457,590)	-	(111,457,590)	-	General government administration
1,488,480	-	1,488,480	-	Judicial administration
(342,880,465)	-	(342,880,465)	-	Public safety
(41,554,463)	-	(41,554,463)	-	Public works
(210,481,413)	-	(210,481,413)	-	Health and welfare
(87,554,076)	-	(87,554,076)	-	Community development
(111,323,808)	-	(111,323,808)	-	Parks, recreation, and cultural
(1,305,350,979)	-	(1,305,350,979)	-	Education - for Public Schools
(81,994,507)	-	(81,994,507)	-	Interest on long-term debt
(2,291,108,821)	-	(2,291,108,821)	-	Total governmental activities
				Business-type activities:
-	(11,558,787)	(11,558,787)	-	Public works - Sewer
-	(11,558,787)	(11,558,787)	-	Total business-type activities
(2,291,108,821)	(11,558,787)	(2,302,667,608)	-	Total primary government
				Component units:
-	-	-	(1,473,929,027)	Public Schools
-	-	-	(3,689,256)	Redevelopment and Housing Authority
-	-	-	(36,242,554)	Park Authority
-	-	-	(7,035,177)	Economic Development Authority
-	-	-	(1,520,896,014)	Total component units
				General revenues:
				Taxes:
1,396,210,347	-	1,396,210,347	-	Real property
273,447,219	-	273,447,219	-	Personal property
94,744,725	-	94,744,725	-	Business licenses
143,641,853	-	143,641,853	-	Local sales and use
85,892,727	-	85,892,727	-	Consumers utility
19,052,623	-	19,052,623	-	Motor vehicle decals
27,044,633	-	27,044,633	-	Recordation
17,788,607	-	17,788,607	-	Occupancy, tobacco, and other
197,619,418	-	197,619,418	281,543,994	Grants and contributions not restricted to specific programs
21,841,712	4,365,535	26,207,247	1,226,913	Revenue from the use of money and property
-	-	-	4,773,038	Share of Commonwealth's lottery proceeds
-	-	-	1,362,783,747	Revenue from primary government
-	-	-	9,666,618	Other
17,560,640	-	17,560,640	-	Special item - gain on sale of land
2,294,844,504	4,365,535	2,299,210,039	1,659,994,310	Total general revenues and special item
3,735,683	(7,193,252)	(3,457,569)	139,098,296	Change in net assets
66,749,466	908,686,667	975,436,133	1,849,451,176	Net assets, July 1, 2002
$ 70,485,149	901,493,415	971,978,564	1,988,549,472	Net assets, June 30, 2003

COUNTY OF FAIRFAX, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2003

EXHIBIT A-2

		General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and temporary investments	$	254,375,448	358,682,305	613,057,753
Receivables (net of allowances):				
Accounts		13,296,926	11,095,215	24,392,141
Accrued interest		354,009	290,306	644,315
Property taxes:				
Delinquent		19,492,398	-	19,492,398
Not yet due		1,704,872,746	-	1,704,872,746
Business license taxes - delinquent		2,151,125	-	2,151,125
Loans		-	15,530,000	15,530,000
Notes		-	4,960,234	4,960,234
Due from intergovernmental units (net of allowances):				
Property tax relief:				
Delinquent		6,507,178	-	6,507,178
Not yet due		176,163,000	-	176,163,000
Other		25,561,939	14,935,504	40,497,443
Due from component units		173,463	1,591,703	1,765,166
Interfund receivables		3,658,653	-	3,658,653
Inventories of supplies		1,420,320	-	1,420,320
Other assets		53,900	47,771	101,671
Restricted assets:				
Equity in pooled cash and temporary investments		-	41,871,927	41,871,927
Cash with fiscal agents		584,032	966,000	1,550,032
Certificates of deposit - performance bonds		821,199	-	821,199
Investments		-	76,326,342	76,326,342
Total assets	$	2,209,486,336	526,297,307	2,735,783,643
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$	26,425,211	16,256,815	42,682,026
Accrued salaries and benefits		22,920,261	4,468,058	27,388,319
Contract retainages		-	2,610,056	2,610,056
Accrued interest payable		-	1,028,167	1,028,167
Due to component units		1,771,310	94,937	1,866,247
Interfund payables		-	3,583,846	3,583,846
Matured bond principal and interest payable		-	174,455	174,455
Deferred revenue:				
Property taxes not yet due		1,905,968,500	-	1,905,968,500
Other		36,249,111	33,422,341	69,671,452
Performance and other deposits		62,694,830	10,368,767	73,063,597
Total liabilities		2,056,029,223	72,007,442	2,128,036,665
Fund balances:				
Reserved for:				
Encumbrances		19,032,301	43,501,693	62,533,994
Inventories of supplies		1,420,320	-	1,420,320
Long-term receivables		-	20,490,234	20,490,234
Certain capital projects		-	103,220,585	103,220,585
Unreserved, reported in:				
General fund		133,004,492	-	133,004,492
Special revenue funds		-	181,380,468	181,380,468
Debt service funds		-	16,897,074	16,897,074
Capital projects funds		-	88,799,811	88,799,811
Total fund balances		153,457,113	454,289,865	607,746,978
Total liabilities and fund balances	$	2,209,486,336	526,297,307	2,735,783,643

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, 2003

EXHIBIT A-2
concluded

Fund balances - Total governmental funds		$ 607,746,978
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	$ 325,608,116	
Construction in progress	21,741,560	
Depreciable assets:		
Equipment	161,821,164	
Library collections	39,451,246	
Buildings and improvements	769,836,885	
Infrastructure	415,525,167	
Total capital assets	1,733,984,138	
Less accumulated depreciation	(412,297,905)	1,321,686,233
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	$ 24,685,111	
Business license	2,156,644	
Sales and use taxes	11,202,423	
Other	471,803	38,515,981
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in the funds.		1,478,423
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.		1,743,105
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	$ 82,898,394	
Capital assets	79,145,813	
Less accumulated depreciation	(46,412,221)	
Liabilities	(36,025,203)	79,606,783
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 payable, net	$ (1,600,810,756)	
Revenue bonds payable, net	(178,245,921)	
Compensated absences payable	(73,159,195)	
Landfill closure and postclosure obligation	(62,736,298)	
Obligations under capital leases	(46,138,286)	
Other	(10,684,266)	
Accrued interest on long-term debt	(8,517,632)	(1,980,292,354)
Net assets of governmental activities		$ 70,485,149

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, 2003

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 2,041,189,079	13,595,615	2,054,784,694
Permits, privilege fees, and regulatory licenses	27,781,451	10,843,786	38,625,237
Intergovernmental	322,110,298	93,649,463	415,759,761
Charges for services	40,647,654	116,956,434	157,604,088
Fines and forfeitures	11,059,673	6,200	11,065,873
Developers' contributions	-	5,758,057	5,758,057
Revenue from the use of money and property	21,462,491	3,873,664	25,336,155
Recovered costs	5,273,489	7,207,526	12,481,015
Local matching grants	-	7,597,376	7,597,376
Gifts, donations, and contributions	920,120	294,383	1,214,503
Total revenues	2,470,444,255	259,782,504	2,730,226,759
EXPENDITURES			
Current:			
General government administration	94,946,860	13,965,809	108,912,669
Judicial administration	32,445,476	1,642,065	34,087,541
Public safety	374,718,524	30,875,394	405,593,918
Public works	58,241,853	98,889,251	157,131,104
Health and welfare	237,431,727	143,083,415	380,515,142
Community development	49,793,866	72,271,160	122,065,026
Parks, recreation, and cultural	72,052,471	37,467,072	109,519,543
Education - for Public Schools	1,168,875,267	138,097,076	1,306,972,343
Capital outlay:			
General government administration	241,482	2,194,716	2,436,198
Judicial administration	6,997	411,944	418,941
Public safety	2,734,567	20,820,903	23,555,470
Public works	206,676	3,846,477	4,053,153
Health and welfare	78,573	1,603,049	1,681,622
Community development	21,407	9,912,626	9,934,033
Parks, recreation, and cultural	6,153,375	4,578,204	10,731,579
Education - for Public Schools	-	1,873,190	1,873,190
Debt service:			
Principal retirement	929,360	139,634,724	140,564,084
Interest and other charges	233,385	81,716,065	81,949,450
Total expenditures	2,099,111,866	802,883,140	2,901,995,006
Excess (deficiency) of revenues over (under) expenditures	371,332,389	(543,100,636)	(171,768,247)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,925,732	351,542,120	355,467,852
Transfers out	(349,294,037)	(6,373,815)	(355,667,852)
General obligation bonds issued	-	206,884,788	206,884,788
Lease revenue bonds issued	-	75,625,920	75,625,920
Capital leases	487,929	1,077,364	1,565,293
Refunding bonds issued	-	183,893,333	183,893,333
Payments to refunded bond escrow agent	-	(183,541,600)	(183,541,600)
Total other financing sources (uses)	(344,880,376)	629,108,110	284,227,734
SPECIAL ITEM			
Proceeds from the sale of land	-	18,200,000	18,200,000
Net change in fund balances	26,452,013	104,207,474	130,659,487
Fund balances, July 1, 2002	126,793,442	350,082,391	476,875,833
Increase in reserve for inventories of supplies	211,658	-	211,658
Fund balances, June 30, 2003	$ 153,457,113	454,289,865	607,746,978

See accompanying notes to the financial statements.

continued

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the fiscal year ended June 30, 2003

Net change in fund balances - Total governmental funds			$ 130,659,487
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 capital assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays	$	54,684,186	
Less depreciation expense		(54,276,383)	407,803
In the statement of activities, the gain or 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.			(6,702,888)
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.			17,568,039
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	$	2,062,788	
Business license		(262,260)	
Sales and use taxes and other taxes		1,237,512	
Recovery from contractor		(2,000,000)	
Other		89,798	1,127,838
The issuance of long-term debt is 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 statement of net assets and does not affect the statement of activities. The following were issued:			
Series 2003A Refunding Bonds	$	(183,893,333)	
Series 2003B General Obligation Bonds		(206,884,788)	
EDA Lease Revenue Bonds - Laurel Hill Projects		(75,625,920)	
Principal amounts of new capital leases		(1,565,293)	(467,969,334)
The net amount of 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.			913,112
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 and loans	$	134,179,425	
Payment to escrow agent to refund bonds, less $1,307,225 reported as interest expense		182,234,375	
Principal payments of capital leases		6,384,659	322,798,459
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 and loans	$	(166,906)	
Accrued interest on capital leases		118,358	
Other		307,806	259,258
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	$	3,033,434	
Compensated absences		(3,010,289)	
Other		(1,700,380)	(1,677,235)
Internal service funds are used by management to provide certain goods and services to governmental funds. The change in net assets is reported with governmental activities.			6,351,144
Change in net assets of governmental activities			$ 3,735,683

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Equity in pooled cash and temporary investments	$ 79,253,749	80,660,491
Investments	19,298,597	-
Accounts receivable	-	138,912
Accrued interest receivable	61,091	10,661
Due from intergovernmental units (net of allowance)	19,093,271	-
Interfund receivables	-	299,089
Inventories of supplies	327,813	1,600,935
Other assets	1,549	1,306
Total current assets	118,036,070	82,711,394
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and temporary investments	140,853,415	-
Cash with fiscal agents	-	187,000
Investments	24,767,970	-
Total restricted assets	165,621,385	187,000
Capital assets:		
Land	17,511,358	1,938,688
Construction in progress	128,723,901	-
Equipment	9,951,322	61,604,975
Purchased capacity	568,080,954	-
Buildings and improvements	749,795,061	15,602,150
Accumulated depreciation	(316,660,990)	(46,412,221)
Accumulated amortization	(53,575,391)	-
Total capital assets, net	1,103,826,215	32,733,592
Other noncurrent assets:		
Investments	3,700,000	-
Deferred bond issuance costs (net of amortization)	1,044,849	-
Total other noncurrent assets	4,744,849	-
Total noncurrent assets	1,274,192,449	32,920,592
Total assets	$ 1,392,228,519	115,631,986

See accompanying notes to the financial statements.

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,441,861	4,076,892
Accrued salaries and benefits	659,991	754,527
Contract retainages	3,737,361	-
Interfund payables	168,664	190,080
Accrued interest payable	4,462,321	-
Revenue bonds payable, net	11,777,985	-
Compensated absences payable	1,149,396	1,651,415
Insurance and benefit claims payable	-	14,721,454
Total current liabilities	28,397,579	21,394,368
Noncurrent liabilities:		
Revenue bonds payable, net	461,633,057	-
Compensated absences payable	704,468	1,012,158
Insurance and benefit claims payable	-	13,618,677
Total noncurrent liabilities	462,337,525	14,630,835
Total liabilities	490,735,104	36,025,203
NET ASSETS		
Invested in capital assets, net of related debt	651,624,011	32,733,592
Restricted for:		
Sewer improvements and nitrification facilities	134,216,343	-
Debt service	10,196,204	-
Unrestricted	105,456,857	46,873,191
Total net assets	$ 901,493,415	79,606,783

COUNTY OF FAIRFAX, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2003

EXHIBIT A-5

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Sales of services	$ 81,506,869	-
Charges for services	-	140,333,558
Other	-	172,504
Total operating revenues	81,506,869	140,506,062
OPERATING EXPENSES:		
Personnel services	18,666,356	21,123,809
Materials and supplies	11,649,401	3,029,100
Equipment operation and maintenance	-	31,622,292
Risk financing and benefit payments	-	63,467,509
Depreciation and amortization	32,043,471	9,209,347
Professional consultant and contractual services	40,262,876	6,396,452
Other	-	142,696
Total operating expenses	102,622,104	134,991,205
Operating income (loss)	(21,115,235)	5,514,857
NONOPERATING REVENUES (EXPENSES):		
Availability fees	26,642,689	-
Intergovernmental revenue	481,255	-
Interest revenue	4,319,270	382,669
Interest expense	(24,251,996)	-
Amortization expense for bond issuance costs	(79,097)	-
Gain on disposal of capital assets	46,265	253,618
Total nonoperating revenues (expenses)	7,158,386	636,287
Income (loss) before contributions and transfers	(13,956,849)	6,151,144
Capital contributions	6,763,597	-
Transfers in	-	1,900,000
Transfers out	-	(1,700,000)
Change in net assets	(7,193,252)	6,351,144
Total net assets, July 1, 2002	908,686,667	73,255,639
Total net assets, June 30, 2003	$ 901,493,415	79,606,783

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2003

EXHIBIT A-6

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 81,044,506	-
Receipts from interfund services provided	-	140,567,144
Payments to suppliers and contractors	(50,555,642)	(14,244,248)
Payments to employees	(18,535,324)	(21,008,575)
Claims and benefits paid	-	(60,776,340)
Payments for interfund services used	-	(25,349,452)
Net cash provided by operating activities	11,953,540	19,188,529
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of loan to General Fund	-	(630,809)
Transfers to other funds	-	(1,700,000)
Transfers from other funds	-	1,900,000
Net cash used by noncapital financing activities	-	(430,809)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Availability fees received	26,642,689	-
Intergovernmental revenue received	481,255	-
Principal payments on sewer revenue bonds	(10,249,204)	-
Interest payments on sewer revenue bonds	(23,457,465)	-
Proceeds from sale of capital assets	49,604	780,541
Purchase of capital assets, other than purchased capacity	(14,368,789)	(9,237,271)
Acquisition of purchased capacity	(30,215,213)	-
Net cash used by capital and related financing activities	(51,117,123)	(8,456,730)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of restricted investments (net)	(954,652)	-
Purchases of investments (net)	(1,069,000)	-
Interest received	4,370,577	387,907
Net cash provided by investing activities	2,346,925	387,907
Net increase (decrease) in cash and cash equivalents	(36,816,658)	10,688,897
Cash and cash equivalents, July 1, 2002	256,923,822	69,971,594
Cash and cash equivalents, June 30, 2003	$ 220,107,164	80,660,491
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (21,115,235)	5,514,857
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	32,043,471	9,209,347
Change in assets and liabilities:		
Decrease in accounts receivable	-	172,538
(Increase) in intergovernmental receivables	(460,815)	-
(Increase) in interfund receivables	-	(111,452)
Decrease in inventories of supplies	175,095	834,302
(Increase) in other assets	(1,549)	(1,081)
Increase in accounts payable and accrued liabilities	1,223,247	3,437,121
Increase in accrued salaries and benefits	89,326	86,633
Increase in interfund payables	-	46,264
Total adjustments to operating income (loss)	33,068,775	13,673,672
Net cash provided by operating activities	$ 11,953,540	19,188,529
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines and manholes	$ 6,763,597	-
Increase in fair value of investments	353,957	-

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2003

EXHIBIT A-7

		Pension Trust Funds		Agency Funds
ASSETS				
Equity in pooled cash and temporary investments	$	10,185,689		2,528,980
Cash collateral for securities lending		230,557,553		-
Accounts receivable		2,279,307		76,225
Accrued interest and dividends receivable		12,263,652		793
Receivable from sale of pension investments		67,179,361		-
Investments, at fair value		3,073,812,051		38,225,793
Equipment		-		2,273,200
Total assets		3,396,277,613	$	43,104,991
LIABILITIES				
Accounts payable and accrued liabilities		4,630,680		139,909
Accrued salaries and benefits		46,730		-
Payable for purchase of pension investments		131,666,204		-
Liabilities for collateral received under securities lending agreements		230,557,553		-
Liabilities under reimbursement agreements		-		41,952,139
Interfund payable		10,800		4,352
Obligations under capital leases		-		1,008,591
Total liabilities		366,911,967	$	43,104,991
NET ASSETS				
Held in trust for pension benefits	$	3,029,365,646		

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, 2003

EXHIBIT A-8

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 67,934,751
Plan members	41,887,319
Total contributions	109,822,070
Investment income:	
From investment activities:	
Net appreciation in fair value of investments	55,534,960
Interest	75,664,963
Dividends	27,707,560
Total income from investment activities	158,907,483
Less investment activities expenses:	
Management fees	11,905,221
Other	1,350,316
Total investment activities expenses	13,255,537
Net income from investment activities	145,651,946
From securities lending activities:	
Securities lending income	3,028,684
Less securities lending expenses:	
Borrower rebates	2,156,843
Management fees	258,289
Total securities lending activities expenses	2,415,132
Net income from securities lending activities	613,552
Net investment income	146,265,498
Total additions	256,087,568
DEDUCTIONS	
Benefits	129,109,755
Refunds of contributions	4,210,215
Administrative expenses	1,279,581
Total deductions	134,599,551
Net increase	121,488,017
Net assets, July 1, 2002	2,907,877,629
Net assets, June 30, 2003	$ 3,029,365,646

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2003

	Public Schools	Redevelopment and Housing Authority	Park Authority
ASSETS			
Equity in pooled cash and temporary investments	$ 255,490,249	20,147,838	15,208,182
Cash in banks	-	7,057,118	-
Receivables (net of allowances):			
Accounts	252,529	11,955,680	45,134
Accrued interest	42,131	30,655	3,982
Notes	-	8,295,701	-
Other	-	462,918	-
Due from intergovernmental units	30,799,528	-	-
Due from primary government	5,035,364	-	1,503,003
Inventories of supplies	4,563,916	-	-
Other assets	-	618,716	-
Restricted assets:			
Equity in pooled cash and temporary investments	-	-	15,225,912
Cash with fiscal agents	-	10,145,396	-
Certificates of deposit - performance bonds	-	652,676	-
Investments	-	190,148	17,825,026
Land held for sale	-	2,595,172	-
Capital assets:			
Non-depreciable:			
Land	46,818,517	31,963,418	252,351,188
Construction in progress	291,484,223	2,674,619	15,436,079
Depreciable:			
Equipment	137,821,169	2,689,740	11,959,963
Library collections	24,385,069	-	-
Buildings and improvements	1,574,799,966	148,731,021	181,264,900
Accumulated depreciation	(611,742,783)	(67,625,003)	(101,305,726)
Deferred bond issuance costs (net of amortization)	-	-	478,298
Total assets	$ 1,759,749,878	180,585,813	409,995,941

See accompanying notes to the financial statements.

Economic Development Authority	Total Component Units	
		ASSETS
-	290,846,269	Equity in pooled cash and temporary investments
-	7,057,118	Cash in banks
		Receivables (net of allowances):
-	12,253,343	Accounts
-	76,768	Accrued interest
-	8,295,701	Notes
-	462,918	Other
-	30,799,528	Due from intergovernmental units
191,972	6,730,339	Due from primary government
-	4,563,916	Inventories of supplies
-	618,716	Other assets
		Restricted assets:
-	15,225,912	Equity in pooled cash and temporary investments
-	10,145,396	Cash with fiscal agents
-	652,676	Certificates of deposit - performance bonds
-	18,015,174	Investments
-	2,595,172	Land held for sale
		Capital assets:
		Non-depreciable:
-	331,133,123	Land
-	309,594,921	Construction in progress
		Depreciable:
13,562	152,484,434	Equipment
-	24,385,069	Library collections
-	1,904,795,887	Buildings and improvements
(6,695)	(780,680,207)	Accumulated depreciation
-	478,298	Deferred bond issuance costs (net of amortization)
198,839	2,350,530,471	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2003

	Public Schools	Redevelopment and Housing Authority	Park Authority
LIABILITIES			
Accounts payable and accrued liabilities	$ 37,530,983	9,255,392	2,680,691
Accrued salaries and benefits	72,949,174	318,288	1,876,702
Contract retainages	9,696,960	-	276,672
Accrued interest payable	-	-	521,250
Due to primary government	-	1,656,679	108,487
Deferred revenue	5,155,085	1,093,747	5,765,740
Performance and other deposits	115,290	1,101,004	129,564
Long-term liabilities:			
Portion due or payable within one year:			
Revenue bonds payable, net	-	315,114	475,040
Notes payable	-	10,363,616	14,442,740
Compensated absences payable	14,568,816	392,233	2,248,439
Obligations under capital leases	9,647,165	-	-
Insurance and benefit claims payable	21,400,318	-	-
Other	-	133,945	-
Portion due or payable after one year:			
Revenue bonds payable, net	-	12,204,566	11,820,636
Notes payable	-	56,277,744	-
Compensated absences payable	8,929,274	441,550	1,612,023
Obligations under capital leases	18,331,888	-	-
Insurance and benefit claims payable	10,741,077	-	-
Other	-	1,544,839	15,530,000
Total liabilities	209,066,030	95,098,717	57,487,984
NET ASSETS			
Invested in capital assets, net of related debt	1,447,692,187	59,046,522	334,038,797
Restricted for:			
Repair and replacement	-	-	700,000
Housing	-	10,821,684	-
Capital projects	-	-	14,525,912
Debt service	-	-	1,058,230
Unrestricted (deficit)	102,991,661	15,618,890	2,185,018
Total net assets	$ 1,550,683,848	85,487,096	352,507,957

See accompanying notes to the financial statements.

Economic Development Authority	Total Component Units	
		LIABILITIES
86,971	49,554,037	Accounts payable and accrued liabilities
105,001	75,249,165	Accrued salaries and benefits
-	9,973,632	Contract retainages
-	521,250	Accrued interest payable
-	1,765,166	Due to primary government
-	12,014,572	Deferred revenue
-	1,345,858	Performance and other deposits
		Long-term liabilities:
		Portion due or payable within one year:
-	790,154	Revenue bonds payable, net
-	24,806,356	Notes payable
104,607	17,314,095	Compensated absences payable
-	9,647,165	Obligations under capital leases
-	21,400,318	Insurance and benefit claims payable
-	133,945	Other
		Portion due or payable after one year:
-	24,025,202	Revenue bonds payable, net
-	56,277,744	Notes payable
31,689	11,014,536	Compensated absences payable
-	18,331,888	Obligations under capital leases
-	10,741,077	Insurance and benefit claims payable
-	17,074,839	Other
328,268	361,980,999	Total liabilities
		NET ASSETS
6,867	1,840,784,373	Invested in capital assets, net of related debt
		Restricted for:
-	700,000	Repair and replacement
-	10,821,684	Housing
-	14,525,912	Capital projects
-	1,058,230	Debt service
(136,296)	120,659,273	Unrestricted (deficit)
(129,429)	1,988,549,472	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Activities
Component Units
For the fiscal year ended June 30, 2003

		Program Revenues		
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Schools:				
Education	$1,658,519,296	77,510,685	102,397,834	4,681,750
Redevelopment and Housing Authority:				
Community development	63,365,305	19,058,739	37,604,475	3,012,835
Park Authority:				
Parks, recreation, and cultural	63,500,701	27,600,350	-	92,797
Economic Development Authority:				
Community development	7,035,177	-	-	-
Total component units	$1,792,420,479	124,169,774	140,002,309	7,787,382

General revenues:
Grants and contributions not restricted to specific programs
Revenue from the use of money and property
Share of Commonwealth's lottery proceeds
Revenue from primary government
Other
Total general revenues
Change in net assets
Net assets, July 1, 2002
Net assets, June 30, 2003

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Public Schools	Redevelopment and Housing Authority	Park Authority	Economic Development Authority	Total Component Units
(1,473,929,027)	-	-	-	(1,473,929,027)
-	(3,689,256)	-	-	(3,689,256)
-	-	(35,807,554)	-	(35,807,554)
-	-	-	(7,035,177)	(7,035,177)
(1,473,929,027)	(3,689,256)	(35,807,554)	(7,035,177)	(1,520,461,014)
274,938,165	-	6,170,829	-	281,108,994
467,350	560,240	199,323	-	1,226,913
4,773,038	-	-	-	4,773,038
1,303,653,903	-	52,096,923	7,032,921	1,362,783,747
7,141,029	2,525,589	-	-	9,666,618
1,590,973,485	3,085,829	58,467,075	7,032,921	1,659,559,310
117,044,458	(603,427)	22,659,521	(2,256)	139,098,296
1,433,639,390	86,090,523	329,848,436	(127,173)	1,849,451,176
$ 1,550,683,848	85,487,096	352,507,957	(129,429)	1,988,549,472

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 (the Board), which makes policies for the administration of the County. The Board is comprised of 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 appoints a County Executive to act as the administrative head of the County. The County Executive serves at the pleasure of the Board, carries out the policies established by the Board, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board.

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 on June 29, 1987. The SWA has financed the construction of a solid waste to energy facility, which is contractually owned and operated by a commercial entity in accordance with agreements between the County, the SWA, and the commercial entity. Certain assets of the commercial entity are reported by the SWA in an agency fund, the Resource Recovery Fund.

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 activity is reported in a special revenue fund of the County, the Energy Resource Recovery Facility Fund. Separate financial statements are not prepared for the SWA.

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, 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, 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 columns for the component units 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, 12000 Government Center Parkway, Suite 214, 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 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 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 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) - The 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. The 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. The EDA also operates the Fairfax County Convention and Visitors Bureau, established to attract business travelers, meetings, and conventions to the

County. The Board appoints the seven members of the EDA's commission which appoints the EDA's executive director. The Board appropriates funds annually to the 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 2003, the FCWA collected approximately $63 million on behalf of the County, and as of June 30, 2003, the County has receivables of approximately $13.4 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 fund types:

General 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 developers, welfare recipients, the Commonwealth of Virginia, the recipients of certain bond proceeds, and certain other local governments.

3. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary 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. The agency funds also use the accrual basis of accounting to recognize assets and liabilities. 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 enterprise fund, 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 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. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources. The effect of interfund activity has not been eliminated from the governmental fund financial statements.

4. 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, 2003, 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, 2003, interest earned by certain funds assigned directly to the County's General Fund is as follows:

Primary Government	
Nonmajor Governmental Funds	$ 4,300,968
Internal Service Funds	480,764
Total primary government	4,781,732
Component Units	
Public Schools	2,277,458
FCRHA	33,441
Park Authority	17,545
Total component units	2,328,444
Total reporting entity	$ 7,110,176

5. 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."

6. 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 finalized on the settlement date, which is usually the trade date, but could be as many as 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.

7. Derivatives

The County Retirement Systems (the Systems), which include the Employees' (ERS), Police Officers (PORS), and Uniformed (URS) Retirement Systems, as well as the Educational Retirement System (ERFC) 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 2003, the Systems invested in the following derivative instruments that were not reported in the financial statements as of June 30, 2003: futures contracts, interest rate swaps, options on futures and swaps, and credit spread swaps (spread locks). As of June 30, 2003, the PORS did not have any investments in derivative instruments that were not reported in the financial statements.

An exchange-traded financial futures contract is a legally-binding agreement to buy or sell a financial instrument in a designated future month at a price agreed upon by the buyer and seller at initiation of the contract. Futures contracts provide a means to achieve exposures to the market in a more efficient way and at lower transaction costs. The ERS entered into futures contracts in May and June 2003 with maturity dates of July and September 2003. At June 30, 2003, the ERS had futures contracts with notional and fair market values in S&P 500 and Russell 2000 of $125.2 million; foreign equity of $28.6 million; foreign currency of $26.5 million; U. S. Treasury of negative $41.3 million; and Hang Seng of $1.4 million. The URS entered into futures contracts in May and June 2003, with maturity dates of March and June 2005. At June 30, 2003, the URS had futures contracts with the notional value of $46.0 million and fair market value of $11.2 million. The ERFC entered into futures contracts from August 2002 to June 2003 with maturity dates ranging from September 2003 to April 2005. At June 30, 2003, the ERFC had futures contracts with the notional and fair market values, respectively, in money market futures of $49.0 million and $15.7 million; government swap futures of negative $1.0 million and negative $1.2 million; government futures of negative $5.7 million and negative $5.2 million; and interest rate futures of negative $32.9 million and negative $37.5 million. The market and interest rate risks of holding exchange traded futures contracts arise from adverse changes in market prices and interest rates. These risks are equivalent to holding exposure to the indexes. Counterparty credit risk is modest because the futures clearinghouse becomes the counterparty to all transactions.

An interest rate swap is a binding agreement between counterparties to exchange periodic interest payments on some predetermined dollar principal, which is called the notional principal amount. Interest rate swaps are used as risk-neutral substitutes for physical securities or to obtain non-leveraged exposure in markets where no physical securities are available, such as an interest rate index. The effective date of the swaps for the ERS was June 2003, with a maturity date of June 2004. Payments occur in July and October 2003 and January and April 2004. At June 30, 2003, the notional amount of interest rate swaps for the ERS totaled $51.5 million, and the fair market value totaled negative $219,274. The effective dates of the swaps for the URS range from March to June 2003, with maturity dates from March 2005 to June 2008. At June 30, 2003, the notional amount of interest rate swaps for the URS totaled $17.7 million, and the fair market value totaled $101,537. The counterparty credit risk is controlled by the System's investment guidelines and limited by periodic resets to mark-to-market. The market risk is equivalent to holding the exposure to the index.

An option is a financial instrument that, in exchange for the option price, gives the option buyer the right, but not the obligation, to buy (or sell) a financial asset at the exercise price from (or to) the option seller within a specified time period or on a specified date (expiration date). Options are used to manage interest rate and volatility exposure of the portfolio. The URS had options that were written between January and June 2003, bearing maturities from August to December 2003. Options held in the portfolio at June 30, 2003, had a notional value of negative $22.7 million and a fair market value of negative $234,926. The ERFC had options that were written in January 2002,

bearing a maturity date of April 1, 2005. Options held at June 30, 2003, had a notional value of $3.0 million and a fair market value of $0. Options can cause the effective duration of a portfolio to change with movements in interest rates. To control interest rate risk, the duration change potential of options over a wide range of best and worst case interest rate scenarios is monitored.

A credit spread swap (spread lock) is a swap used to adjust exposure to specific sectors and risks in a portfolio by the most effective means possible. Spread locks are used to reduce risk, enhance portfolio management flexibility, and gain exposure to the interest rate differential between two market rates. PIMCO, on behalf of the URS, has entered into agreements to pay fixed amounts ranging from 12.25 basis points to 13.25 basis points over the reference 20-year U. S. Treasury bond. The spread locks agreements existing at June 30, 2003, were written on April 30, 2003, and matured on August 13, 2003. In addition, there was a mutual collateral agreement which each party could exercise if the market value of the swap exceeded $250,000. The notional value of the spread locks on June 30, 2003, was $5.9 million, while the fair market value totaled $29,602. Counterparty risk is limited by restricting eligible counterparties to the highest credit rating organizations in the industry. Risk is also limited to the exchange of net-interest payments, not the instrument's underlying notional value.

8. Inventories

The purchases method of accounting for inventories is used in the governmental 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 is used in the proprietary fund types. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts in the period to which they apply.

9. 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.

Unspent amounts from the issuance of general obligation bonds are reported as restricted assets in the County's capital projects funds. The County also 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. If the terms of the agreement are not satisfied, the County uses the proceeds from the certificates to correct or complete the project as necessary. 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 M. Cole, Jr. 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, 2003, the Sewer System has cash and investments that are restricted for the following uses:

Restricted Assets of the Sewer System	
Extensions and improvements	$119,216,343
Nitrogen removal facilities	15,000,000
Long-term debt service requirements	21,208,838
Current debt service requirements	10,196,204
Total restricted assets	$165,621,385

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, unspent amounts from general obligation bonds issued by the County, and loan amounts received from the County for certain capital improvements.

10. Capital Assets

Capital assets, including land, buildings, improvements, equipment, library collections, purchased capacity, and infrastructure, that individually cost $5,000 or more, 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 shown in the table on the right.

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, including interest on related debt with respect to the Sewer System, are initially capitalized as construction in progress and are transferred to buildings or improvements when the assets are substantially complete and ready for use.

11. 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 calendar 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.

12. 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 $1,059.1 million 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	$1,584,123,229	1,840,784,373	(954,217,364)	(90,406,344)	2,380,283,894
Restricted for:					
Capital projects	18,200,000	14,525,912	-	(14,525,912)	18,200,000
Other	155,542,234	12,579,914	-	-	168,122,148
Unrestricted	(785,886,899)	120,659,273	954,217,364	104,932,256	393,921,994
Total net assets	$ 971,978,564	1,988,549,472	-	-	2,960,528,036

13. Encumbrances

The County uses encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders are completed. Encumbrances for the capital projects funds do not lapse until the completion of the projects and are reported as reservations of fund balance at year end. Funding for all other encumbrances lapses at year end and requires reappropriation by the Board.

14. Designations of Unreserved Fund Balances

Unreserved fund balances as of June 30, 2003, have the following significant designations:

Designation	Amount
Primary Government	
General Fund:	
Revenue stabilization during periods of economic downturn	$ 29,253,999
Emergency needs and loss of revenue sources through actions of other governments	49,814,959
Nonmajor Governmental Funds:	
Landfill closure and postclosure costs	62,736,298
Solid waste disposal	12,422,388
Total primary government	$ 154,227,644
Component Unit - Park Authority	
E.C. Lawrence Park expenditures	$ 1,600,000

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 in the fund financial statements.

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 F). 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 certain 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 makes payments to the 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 GAAP 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, 2003, 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, 2003, is as follows:

	Carrying Value	Bank Balance
Primary government	$ 137,107,651	160,992,485
Component units	67,783,200	90,317,500
Total reporting entity	$ 204,890,851	251,309,985

The bank balance 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, 2003.

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 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 (the Code), 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 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, 2003. 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, 2003

The reporting entity's investments as of June 30, 2003, are summarized below at carrying value:

INVESTMENTS AT JUNE 30, 2003	
Primary Government	
Pooled Investments:	
Bankers acceptances	$ 175,775,264
Commercial paper	305,259,412
U. S. Treasury securities	265,034,271
Mutual funds	62,171,541
Repurchase agreements	25,622,096
Total pooled investments	$ 833,862,584

INVESTMENTS AT JUNE 30, 2003 (continued)

Nonmajor Governmental Fund - Money market funds	$ 76,326,342
Enterprise Fund - Integrated Sewer System:	
Mutual funds and short-term investments	828,575
Repurchase agreements	7,513,527
U. S. Treasury securities	16,712,970
Obligations of authorities of the Commonwealth of Virginia	22,711,495
Total enterprise fund - Integrated Sewer System	47,766,567
Agency Funds:	
Mutual funds and short-term investments	6,501,889
Repurchase agreements	4,603,884
U. S. Treasury securities	27,120,020
Total agency funds	38,225,793
Pension Trust Funds:	
Uncategorized Investments:	
Mutual funds and short-term investments	920,246,611
Securities lending short-term collateral investment pool	230,557,553
Investments held by broker-dealers under securities loans with cash collateral:	
Short-term investments	12,729,740
Common and preferred stock	48,889,711
U. S. Treasury securities	93,432,509
Asset-backed securities	9,904,512
Other bonds and notes	42,192,971
Category 1 Investments:	
Short-term investments:	
Time deposits	24,000,000
Repurchase agreements	87,325,230
Asset-backed securities	40,484,231
Government bonds	13,387,642
Corporate bonds	26,771,380
Common and preferred stock:	
Not on securities loan	1,121,343,491
On loan for securities collateral	4,963,167
U. S. Treasury securities:	
Not on securities loan	17,880,460
On loan for securities collateral	8,105,381
Asset-backed securities:	
Not on securities loan	373,689,760
On loan for securities collateral	661,185
Other bonds and notes - Not on securities loan	227,804,070
Total pension trust funds	3,304,369,604
Total primary government	$ 4,300,550,890

INVESTMENTS AT JUNE 30, 2003 (continued)

Component Units	
Pooled Investments:	
Bankers acceptances	$ 57,477,690
Commercial paper	99,818,400
U. S. Treasury securities	86,664,967
Mutual funds	20,329,803
Repurchase agreements	8,378,306
Total pooled investments	272,669,166
FCRHA - Repurchase agreements	190,148
Park Authority - Money market funds	17,825,026
Public Schools - Pension Trust Fund:	
Uncategorized Investments:	
Mutual funds	252,618,665
Money market funds	38,800,659
Securities lending short-term collateral investment pool	130,776,104
Investments held by broker-dealers under securities loans with cash collateral:	
Short-term investments	1,113,628
Common stock	37,529,192
U. S. Treasury securities	50,271,357
Asset-backed securities	12,967,473
Other bonds and notes	22,522,904
Category 1 Investments:	
Short-term investments:	
Commercial paper	36,199,394
Asset-backed securities	1,026,815
Corporate bonds	16,923,585
Common stock:	
Not on securities loan	595,749,596
On loan for securities collateral	1,108,469
Preferred stock	1,322,256
U. S. Treasury securities:	
Not on securities loan	8,263,351
On loan for securities collateral	2,359,176
Asset-backed securities	156,644,450
Other bonds and notes	166,259,332
Total Public Schools - Pension trust fund	1,532,456,406
Total component units	$ 1,823,140,746

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-7)	Total Primary Government	Component Units (Exhibit A)	Fiduciary Funds (Exhibit J-7)	Total Component Units
Equity in pooled cash and temporary investments	$ 772,971,993	12,714,669	785,686,662	290,846,269	290,890	291,137,159
Cash in banks	-	-	-	7,057,118	-	7,057,118
Cash with fiscal agents	-	-	-	-	1,607,669	1,607,669
Cash in student activity funds	-	-	-	-	14,626,436	14,626,436
Cash collateral for securities lending	-	230,557,553	230,557,553	-	130,776,104	130,776,104
Investments	22,998,597	3,112,037,844	3,135,036,441	-	1,401,680,302	1,401,680,302
Restricted Assets:						
Equity in pooled cash and temporary investments	182,725,342	-	182,725,342	15,225,912	-	15,225,912
Cash with fiscal agents	1,737,032	-	1,737,032	10,145,396	-	10,145,396
Certificates of deposit - performance bonds	821,199	-	821,199	652,676	-	652,676
Investments	101,094,312	-	101,094,312	18,015,174	-	18,015,174
Total cash and investments	$ 1,082,348,475	3,355,310,066	4,437,658,541	341,942,545	1,548,981,401	1,890,923,946
Total deposits, including performance bonds			137,107,651			67,783,200
Total investments			4,300,550,890			1,823,140,746
Total deposits and investments			$ 4,437,658,541			1,890,923,946

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, 2003, after allowances for uncollectible amounts, is $19,492,398, of which $2,540,308 has been included in tax revenue for fiscal year 2003 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 2003 as receivables (net of taxes collected in advance) and deferred revenue because the County has an enforceable legal claim to these resources at June 30, 2003; however, these resources, which amount to $1,905,968,500, will not be available to the County until fiscal year 2004.

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 2003 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 2003, this revenue from the Commonwealth totaled $195,434,234 and is reported as intergovernmental revenue in the General Fund.

D. RECEIVABLES

Receivables and allowances for uncollectible receivables of the primary government at June 30, 2003, consist of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total (Exhibit A)	Fiduciary Funds	Total Primary Government
Receivables:							
Accounts	$ 13,296,926	11,376,996	-	138,912	24,812,834	2,355,532	27,168,366
Accrued interest	354,009	290,306	61,091	10,661	716,067	12,264,445	12,980,512
Property taxes:							
Delinquent	45,600,797	-	-	-	45,600,797	-	45,600,797
Not yet due	1,711,432,546	-	-	-	1,711,432,546	-	1,711,432,546
Business license taxes - delinquent	6,505,871	-	-	-	6,505,871	-	6,505,871
Receivable from sale of pension investments	-	-	-	-	-	67,179,361	67,179,361
Loans	-	15,530,000	-	-	15,530,000	-	15,530,000
Notes	-	4,960,234	-	-	4,960,234	-	4,960,234
Other	-	-	-	-	15,152 *	-	15,152
Total receivables	1,777,190,149	32,157,536	61,091	149,573	1,809,573,501	81,799,338	1,891,372,839
Allowances for uncollectibles:							
Accounts receivable	-	(281,781)	-	-	(281,781)	-	(281,781)
Property taxes:							
Delinquent	(26,108,399)	-	-	-	(26,108,399)	-	(26,108,399)
Not yet due	(6,559,800)	-	-	-	(6,559,800)	-	(6,559,800)
Business license taxes - delinquent	(4,354,746)	-	-	-	(4,354,746)	-	(4,354,746)
Total allowances for uncollectibles	(37,022,945)	(281,781)	-	-	(37,304,726)	-	(37,304,726)
Total net receivables	$1,740,167,204	31,875,755	61,091	149,573	1,772,268,775	81,799,338	1,854,068,113

* 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, 2003, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2002	$ 5,332,715	10,577,035	15,909,750
2001	1,278,381	8,918,371	10,196,752
2000	591,352	3,448,022	4,039,374
Prior years	1,943,006	7,274,884	9,217,890
Total delinquent taxes	9,145,454	30,218,312	39,363,766
Penalty and interest			6,237,031
Total delinquent taxes, penalty and interest			45,600,797
Allowances for uncollectibles			(26,108,399)
Net delinquent tax receivables			$ 19,492,398

Receivables of the component units, excluding fiduciary funds, at June 30, 2003, consist of the following:

	Public Schools	FCRHA	Park Authority	Total Component Units
Receivables:				
Accounts	$ 252,529	11,955,680	45,134	12,253,343
Accrued interest	42,131	30,655	3,982	76,768
Notes	-	10,664,045	-	10,664,045
Other	-	462,918	-	462,918
Total receivables	294,660	23,113,298	49,116	23,457,074
Allowances for uncollectibles	-	(2,368,344)	-	(2,368,344)
Total net receivables	$ 294,660	20,744,954	49,116	21,088,730

Amounts due to the primary government and component units from other governmental units at June 30, 2003, include the following:

	Primary Government				
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total (Exhibit A)	Component Unit - Public Schools
Federal government	$ 267,013	9,810,479	218,901	10,296,393	15,971,127
State government:					
Property tax relief:					
Delinquent	16,227,824	-	-	16,227,824	-
Allowance for uncollectibles	(9,720,646)	-	-	(9,720,646)	-
Not yet due	182,099,400	-	-	182,099,400	-
Allowance for uncollectibles	(5,936,400)	-	-	(5,936,400)	-
Other	23,672,138	4,967,069	110,700	28,749,907	14,650,902
Local governments	1,622,788	157,956	18,763,670	20,544,414	177,499
Total intergovernmental units	$ 208,232,117	14,935,504	19,093,271	242,260,892	30,799,528

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, 2003, is as shown on the right.

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund	$ 3,658,653	-
Nonmajor Governmental Funds	-	3,583,846
Enterprise Fund	-	168,664
Internal Service Funds	299,089	190,080
Fiduciary Funds	-	15,152
Total primary government	$ 3,957,742	3,957,742
Component Unit		
Public Schools:		
General Fund	$ 7,100,000	-
Major Governmental Funds	-	5,000,000
Internal Service Funds	-	2,100,000
Total component units	$ 7,100,000	7,100,000

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, 2003, are as follows:

Receivable Entity	Payable Entity	Amount
Component Units	**Primary Government**	
Public Schools	Government-wide long-term obligation	$ 4,864,092
Public Schools	General Fund	171,272
Park Authority	General Fund	1,408,066
Park Authority	Nonmajor Governmental Fund	94,937
EDA	General Fund	191,972
Total		$ 6,730,339
Primary Government	**Component Unit**	
General Fund	FCRHA	$ 64,976
Nonmajor Governmental Funds	FCRHA	1,591,703
General Fund	Park Authority	108,487
Total		$ 1,765,166

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2003, are as follows:

	Transfers In	Transfers Out
Primary Government		
General Fund	$ 3,925,732	349,294,037
Nonmajor Governmental Funds	351,542,120	6,373,815
Internal Service Funds	1,900,000	1,700,000
Total primary government	$ 357,367,852	357,367,852
Component Unit		
Public Schools:		
General Fund	$ -	29,153,500
Major Governmental Funds	28,860,258	-
Internal Service Funds	293,242	-
Park Authority:		
Major Governmental Funds	3,163,217	3,163,217
Total component units	$ 32,316,717	32,316,717

F. Capital Assets

Capital assets activity for the primary government for the year ended June 30, 2003, is as follows:

	Balances July 1, 2002	Increases	Decreases	Balances June 30, 2003
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 325,445,841	6,998,307	(4,897,344)	327,546,804
Construction in progress	52,122,448	28,849,776	(59,230,664)	21,741,560
Total capital assets, not being depreciated	377,568,289	35,848,083	(64,128,008)	349,288,364
Capital assets, being depreciated:				
Equipment	213,749,719	23,647,481	(13,971,061)	223,426,139
Library collections	33,458,568	5,992,678	-	39,451,246
Buildings	690,802,643	33,898,023	-	724,700,666
Improvements	58,906,867	1,831,502	-	60,738,369
Infrastructure	376,552,368	38,972,799	-	415,525,167
Total capital assets, being depreciated	1,373,470,165	104,342,483	(13,971,061)	1,463,841,587
Less accumulated depreciation for:				
Equipment	(132,767,591)	(29,302,124)	11,900,961	(150,168,754)
Library collections	(15,190,163)	(5,987,678)	-	(21,177,841)
Buildings	(155,834,851)	(15,943,197)	-	(171,778,048)
Improvements	(23,223,648)	(2,527,144)	-	(25,750,792)
Infrastructure	(80,109,104)	(9,725,587)	-	(89,834,691)
Total accumulated depreciation	(407,125,357)	(63,485,730)	11,900,961	(458,710,126)
Total capital assets, being depreciated, net	966,344,808	40,856,753	(2,070,100)	1,005,131,461
Total capital assets, net - Governmental activities	1,343,913,097	76,704,836	(66,198,108)	1,354,419,825
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	17,346,080	165,278	-	17,511,358
Construction in progress	117,678,608	14,648,472	(3,603,179)	128,723,901
Total capital assets, not being depreciated/amortized	135,024,688	14,813,750	(3,603,179)	146,235,259
Capital assets, being depreciated/amortized:				
Equipment	9,353,179	947,112	(348,969)	9,951,322
Purchased capacity	537,865,741	30,215,213	-	568,080,954
Buildings	55,221,333	-	-	55,221,333
Improvements	685,599,012	8,974,716	-	694,573,728
Total capital assets, being depreciated/amortized	1,288,039,265	40,137,041	(348,969)	1,327,827,337
Less accumulated depreciation/amortization for:				
Equipment	(6,571,343)	(939,245)	345,632	(7,164,956)
Purchased capacity	(39,679,490)	(13,895,901)	-	(53,575,391)
Buildings	(24,270,328)	(1,128,201)	-	(25,398,529)
Improvements	(268,017,381)	(16,080,124)	-	(284,097,505)
Total accumulated depreciation/amortization	(338,538,542)	(32,043,471)	345,632	(370,236,381)
Total capital assets, being depreciated/amortized, net	949,500,723	8,093,570	(3,337)	957,590,956
Total capital assets, net - Business-type activities	1,084,525,411	22,907,320	(3,606,516)	1,103,826,215
Total capital assets, net - Primary government	$ 2,428,438,508	99,612,156	(69,804,624)	2,458,246,040

Capital assets activity for the component units for the year ended June 30, 2003, is as follows:

	Balances July 1, 2002	Increases	Decreases	Balances June 30, 2003
Component Units				
Public Schools				
Capital assets, not being depreciated:				
Land	$ 43,410,537	3,407,980	-	46,818,517
Construction in progress	300,848,525	126,489,907	(135,854,209)	291,484,223
Total capital assets, not being depreciated	344,259,062	129,897,887	(135,854,209)	338,302,740
Capital assets, being depreciated:				
Equipment	129,255,868	12,474,731	(3,909,430)	137,821,169
Library collections	20,678,288	3,706,781	-	24,385,069
Buildings	737,127,063	11,243,491	-	748,370,554
Improvements	701,764,145	124,665,267	-	826,429,412
Total capital assets, being depreciated	1,588,825,364	152,090,270	(3,909,430)	1,737,006,204
Less accumulated depreciation for:				
Equipment	(67,004,347)	(13,064,797)	3,235,904	(76,833,240)
Library collections	(9,670,036)	(3,615,363)	-	(13,285,399)
Buildings	(284,196,877)	(14,859,388)	-	(299,056,265)
Improvements	(195,458,480)	(27,109,399)	-	(222,567,879)
Total accumulated depreciation	(556,329,740)	(58,648,947)	3,235,904	(611,742,783)
Total capital assets, being depreciated, net	1,032,495,624	93,441,323	(673,526)	1,125,263,421
Total capital assets, net - Public Schools	1,376,754,686	223,339,210	(136,527,735)	1,463,566,161
FCRHA				
Capital assets, not being depreciated:				
Land	30,098,466	1,921,251	(56,299)	31,963,418
Construction in progress	10,942,126	1,755,325	(10,022,832)	2,674,619
Total capital assets, not being depreciated	41,040,592	3,676,576	(10,079,131)	34,638,037
Capital assets, being depreciated:				
Equipment	2,351,071	338,669	-	2,689,740
Buildings and improvements	146,448,935	2,496,593	(214,507)	148,731,021
Total capital assets, being depreciated	148,800,006	2,835,262	(214,507)	151,420,761
Less accumulated depreciation for:				
Equipment	(2,391,115)	(93,250)	-	(2,484,365)
Buildings and improvements	(60,007,939)	(5,132,699)	-	(65,140,638)
Total accumulated depreciation	(62,399,054)	(5,225,949)	-	(67,625,003)
Total capital assets, being depreciated, net	86,400,952	(2,390,687)	(214,507)	83,795,758
Total capital assets, net - FCRHA	127,441,544	1,285,889	(10,293,638)	118,433,795
Park Authority				
Capital assets, not being depreciated:				
Land	246,872,703	5,478,485	-	252,351,188
Construction in progress	8,305,807	11,469,573	(4,339,301)	15,436,079
Total capital assets, not being depreciated	255,178,510	16,948,058	(4,339,301)	267,787,267
Capital assets, being depreciated:				
Equipment	11,589,747	702,781	(332,565)	11,959,963
Buildings and improvements	176,925,599	4,339,301	-	181,264,900
Total capital assets, being depreciated	188,515,346	5,042,082	(332,565)	193,224,863
Less accumulated depreciation for:				
Equipment	(8,579,216)	(1,163,440)	289,525	(9,453,131)
Buildings and improvements	(86,610,065)	(5,242,530)	-	(91,852,595)
Total accumulated depreciation	(95,189,281)	(6,405,970)	289,525	(101,305,726)
Total capital assets, being depreciated, net	93,326,065	(1,363,888)	(43,040)	91,919,137
Total capital assets, net - Park Authority	348,504,575	15,584,170	(4,382,341)	359,706,404
EDA				
Capital assets, being depreciated - Equipment	7,002	6,560	-	13,562
Less accumulated depreciation - Equipment	(4,201)	(2,494)	-	(6,695)
Total capital assets, net - EDA	2,801	4,066	-	6,867
Total capital assets, net - Component units	$ 1,852,703,606	240,213,335	(151,203,714)	1,941,713,227

Depreciation and amortization expense for the year ended June 30, 2003, charged to the functions of the primary government and component units is as follows:

	Governmental Activities	Business-type Activities	Component Units
Primary Government			
General government administration	$ 8,420,610	-	-
Judicial administration	1,246,143	-	-
Public safety	9,220,686	-	-
Public works	10,558,238	32,043,471	-
Health and welfare	3,906,827	-	-
Community development	12,755,839	-	-
Parks, recreation, and cultural	8,168,040	-	-
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their usage of the assets.	9,209,347	-	-
Component Units			
Public Schools	-	-	58,648,947
FCRHA	-	-	5,225,949
Park Authority	-	-	6,405,970
EDA	-	-	2,494
Total depreciation and amortization expense	$ 63,485,730	32,043,471	70,283,360

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 contributes at a contractually fixed rate of 6 percent of annual covered payroll. This rate was established by the Board to cover the actuarially-determined normal cost plus administrative expenses of the ERS. In the event the ERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters.

Annual Pension Cost

For the years ended June 30, 2003, 2002, and 2001, the County's and Public Schools' annual pension costs were equal to their annual required contributions (ARC), as follows:

	Annual Pension Costs for Years Ended June 30		
	2003	2002	2001
County	$ 26,707,817	22,800,675	21,993,157
Public Schools	9,700,304	8,283,130	7,967,827
Total	$ 36,408,121	31,083,805	29,960,984

For the year ended June 30, 2003, the actual contributions were $31,983,708 ($23,462,211 by the County and $8,521,497 by Public Schools). For the years ended June 30, 2002 and 2001, the actual contributions were equal to the annual pension costs, respectively.

The ARC for fiscal year 2003 were determined as part of the July 1, 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 4.3 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. Any excess of these assets over actuarial accrued liability is 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, 2002, is 15 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; attain the age of 55 or have completed 20 years of creditable service, or (b) if employed on or after July 1, 1981; attain the age of 55 or have 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 contributes at a fixed rate as determined by an annual actuarial valuation, unless the PORS's funding ratio falls outside of a pre-determined corridor. Once outside the corridor, the rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the corridor. The corridor for the PORS is a minimum funding ratio of 90 percent and a maximum funding ratio of 120 percent. The fiscal year 2003 employer contribution rate is 17.3 percent of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2003, the County's annual pension cost of $14,918,405 was equal to its annual required contributions (ARC), but more than its actual contributions of $12,923,806, resulting in a net pension obligation (NPO) of $1,994,599 reported in the statement of net assets. For each of the years ended June 30, 2002 and 2001, the County's annual pension cost of $15,077,920 and $17,149,427, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2003, was determined as part of the July 1, 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 4.5 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. Any excess of these assets over the actuarial accrued liability is amortized as a level percentage of projected payroll on a fifteen-year basis. On a weighted-average basis, the remaining amortization period, which is closed at July 1, 2002, is 15 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 contributes at a fixed rate as determined by an annual actuarial valuation, unless the URS's funding ratio falls outside of a pre-determined corridor. Once outside the corridor, the rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the corridor. The corridor for the URS is a minimum funding ratio of 90 percent and a maximum funding ratio of 120 percent. The fiscal year 2003 employer contribution rate is 21.65 percent of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2003, the County's annual pension cost of $21,548,814 was equal to its annual required contributions (ARC), but less than its actual contributions of $23,027,237, resulting in a negative net pension obligation (NPO) of $1,478,423 reported as an "other asset" in the statement of net assets. For each of the years ended June 30, 2002 and 2001, the County's annual pension cost of $18,778,608 and $18,818,351, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2003, was determined as part of the July 1, 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 4.1 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 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, 2002, 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 provide for 12 categories 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, 2002. 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 2003, Public Schools is required to contribute 4.0 percent of annual covered payroll for educational employees and civil service employees.

Annual Pension Cost

For each of the years ended June 30, 2003, 2002, and 2001, the Public Schools' annual pension cost of $34,506,630, $30,849,067, and $29,145,883, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2003, 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. Any excess of assets over the actuarial accrued liability is 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, 2002, 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

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 to 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, Public Schools is required to contribute at an actuarially determined rate. The rate for fiscal year 2003 was 3.77 percent of annual creditable compensation. State statute may be amended only by the Commonwealth of Virginia Legislature. Public Schools' contributions to the VRS for the years ended June 30, 2003, 2002, and 2001, were $33,837,799, $30,939,858, and $60,201,616, respectively, equal to the required and actual contributions for each year.

6. Current Plan Membership

At July 1, 2002 (June 30, 2002, for ERFC), the date of the latest actuarial valuations, membership in the reporting entity's plans consisted of:

	Primary Government			Component Unit - Public Schools
	ERS	PORS	URS	ERFC
Retirees and beneficiaries receiving benefits	4,164	657	663	6,375
Terminated employees entitled to, but not yet receiving, benefits	413	9	24	1,362
Active employees	14,185	1,192	1,625	16,074
Total number of plan members	18,762	1,858	2,312	23,811

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 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 FCRHA, Park Authority, and EDA 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, 2003 and 2002, to reflect anticipated investment income. Changes in the balances of claims liabilities during fiscal years 2003 and 2002 are as shown below.

	Internal Service Funds			
	Primary Government		Component Unit - Public Schools	
	Self-Insurance	Health Benefits	Insurance	Health Benefits Trust
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
Claims and changes in estimates	9,391,325	46,882,944	6,275,435	128,036,793
Claims payments	(7,543,626)	(46,087,628)	(6,022,257)	(125,236,001)
Liability balances, June 30, 2003	$ 21,244,546	7,095,585	16,254,537	15,886,858

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 primary government and component units for the year ended June 30, 2003 (in thousands):

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	$1,519,646	366,334	(308,824)	1,577,156	132,620
Premium on bonds payable	5,025	24,444	(494)	28,975	4,178
Deferred amount on refundings	(2,227)	(3,279)	186	(5,320)	(786)
Revenue bonds payable:					
Principal amount of bonds payable	106,650	70,830	(4,030)	173,450	4,240
Premium on bonds payable	-	4,796	-	4,796	314
Compensated absences payable	72,558	48,251	(44,986)	75,823	47,010
Landfill closure and postclosure obligation	65,770	-	(3,034)	62,736	25,357
Obligations under capital leases	50,958	1,565	(6,385)	46,138	8,234
Insurance and benefit claims payable	25,697	56,274	(53,631)	28,340	14,721
Other:					
Obligation to component unit	6,485	-	(1,621)	4,864	1,621
Net pension obligation	-	1,995	-	1,995	-
HUD Section 108 loan	-	2,300	(115)	2,185	115
Obligations for claims and judgments	200	960	(200)	960	960
Special assessment debt with governmental commitment	525	-	(75)	450	75
State Literary Fund loans	320	-	(89)	231	72
Total governmental activities	1,851,607	574,470	(423,298)	2,002,779	238,731
Business-type activities:					
Sewer revenue bonds payable:					
Principal amount of bonds payable	484,522	-	(10,249)	474,273	11,842
Discount on bonds payable	(926)	-	64	(862)	(64)
Compensated absences payable	1,673	1,218	(1,037)	1,854	1,149
Total business-type activities	485,269	1,218	(11,222)	475,265	12,927
Total long-term liabilities - Primary government	$2,336,876	575,688	(434,520)	2,478,044	251,658
Component Units					
Public Schools					
Compensated absences payable	$ 22,496	1,002	-	23,498	14,569
Obligations under capital leases	27,681	9,927	(9,629)	27,979	9,647
Insurance and benefit claims payable	29,087	134,312	(131,258)	32,141	21,400
Total Public Schools	79,264	145,241	(140,887)	83,618	45,616
FCRHA					
Revenue bonds payable	11,972	859	(311)	12,520	315
Notes payable	67,697	6,871	(7,927)	66,641	10,364
Compensated absences payable	840	376	(382)	834	392
Other - Public housing loans	1,803	-	(124)	1,679	134
Total FCRHA	82,312	8,106	(8,744)	81,674	11,205
Park Authority					
Revenue bonds payable:					
Principal amount of bonds payable	13,735	-	(505)	13,230	530
Discount on bonds payable	(94)	-	5	(89)	(5)
Deferred amount on refundings	(895)	-	50	(845)	(50)
Revenue notes payable	16,065	16,667	(18,289)	14,443	14,443
Loans payable	-	15,530	-	15,530	-
Compensated absences payable	3,673	2,121	(1,934)	3,860	2,248
Total Park Authority	32,484	34,318	(20,673)	46,129	17,166
EDA					
Compensated absences payable	130	102	(96)	136	105
Total long-term liabilities - Component units	$ 194,190	187,767	(170,400)	211,557	74,092

Compensated absences payable, obligations under capital leases, obligation to component unit, and obligations for claims and judgments for the primary government are liquidated by the General Fund and other governmental funds. The 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 are issued to provide funding for long-term capital improvements. In addition, they are issued to refund outstanding general obligation bonds when market conditions enable 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, 2003, the amount of general obligation bonds authorized and unissued is summarized as follows (in thousands):

Bond Purpose	Amount
School improvements	$ 381,750
Transportation improvements	56,660
Parks and park facilities	44,830
Commercial and redevelopment area improvements	17,280
Neighborhood improvements	1,820
Human services facilities	1,185
Storm drainage improvements	3,960
Adult detention facilities	6,520
Public safety facilities	100,450
Juvenile detention facilities	900
Total authorized but unissued bonds	$ 615,355

The Commonwealth of Virginia does not impose a legal limit on the amount of general obligation indebtedness that the County can incur or have outstanding. The Board of Supervisors, however, has self-imposed bond limits to provide that the County's net debt may not exceed three percent of the total market value of taxable real and personal property in the County. In addition, the annual debt service may not exceed ten percent of the annual 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, 2003.

On March 5, 2003, the County issued $171,165,000 of Series 2003A General Obligation Refunding Bonds dated February 1, 2003, with an average coupon interest rate of 4.59 percent. These bonds were issued to currently refund $10,300,000 of outstanding Series 1993B Bonds, $132,845,000 of outstanding Series 1993C Bonds, $15,810,000 of outstanding Series 1994A Bonds, and $20,000,000 of outstanding Series 1995A Bonds with average coupon interest rates of 5.00, 5.30, 5.26, and 4.99 percent, respectively. Proceeds of $184,160,351, plus the County's $2,900,000 total equity contribution, 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 1993B Bonds on April 10, 2003, the Series 1993C Bonds on May 1, 2003, and the Series 1994A and 1995A Bonds on June 1, 2003. The reacquisition prices exceeded the net carrying amounts of the refunded bonds by $3,279,375, 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 9 years by approximately $13.2 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 $12.8 million.

In May 2003, the County issued $195,170,000 of Series 2003B General Obligation Public Improvement Bonds dated May 15, 2003 to finance projects related to schools improvements, parks and park facilities, public safety facilities, and other purposes.

Detailed information regarding the general obligation bonds outstanding as of June 30, 2003, is contained in Section 4 of this note.

2. 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.

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. 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 on 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.

In June 2003, the EDA issued $70,830,000 of revenue bonds to finance the development and construction of a public high school and a public golf course and related structures, facilities, and equipment in the Laurel Hill area of the southern part of the County. 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.

None of these revenue bonds nor the related payment responsibilities of the County are 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 revenue bonds outstanding as of June 30, 2003, is contained in Section 4 of this note.

3. 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 consist 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 Series 1996 Sewer Revenue Bonds with an average interest rate of 5.8 percent to fund the plant expansion of the wastewater treatment facilities at the County's Noman M. Cole, Jr. Pollution Control Plant and other system improvements. These Series 1996 bonds consist of $24,335,000 of serial bonds bearing an interest rate of 5.625 percent, $17,705,000 of 5.7 percent term bonds due July 15, 2018, $23,970,000 of 5.8 percent term bonds due

July 15, 2023, and $32,465,000 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 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, 2003, is contained in Section 4 of this note.

4. County Debt and Related Interest to Maturity

The County's outstanding general obligation bonds, State Literary Fund loans, revenue bonds, special assessment bonds, HUD Section 108 loans, Sewer System revenue bonds, and the related interest to maturity as of June 30, 2003, 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:								
General County:								
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	$ 2,511-2,514	50,250	32,638	12,252	44,890
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,450	69,000	48,300	18,741	67,041
Series 1998A Public Improvement	4.50-5.00	05-15-98	06-01-18	2,435	48,710	36,532	14,516	51,048
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	2,710	54,200	43,360	17,097	60,457
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	1,267-8,379	76,043	68,178	19,886	88,064
Series 1999B Public Improvement	5.00-5.50	12-01-99	12-01-19	180	3,600	3,060	1,413	4,473
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	1,900	38,000	32,300	15,098	47,398
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	110-115	2,250	2,020	879	2,899
Series 2001A Public Improvement	4.25-5.00	06-01-01	06-01-21	2,120	42,400	38,160	16,894	55,054
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	3,281-17,009	82,238	81,607	11,850	93,457
Series 2002A Public Improvement	3.50-5.00	06-01-02	06-01-22	3,400	68,000	64,600	30,206	94,806
Series 2002A Refunding	3.50-5.00	06-01-02	06-01-15	1,680-3,421	26,149	23,517	6,722	30,239
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,650-16,203	82,407	82,407	15,556	97,963
Series 2003B Public Improvement	2.00-5.00	05-15-03	06-01-23	3,315-3,330	66,490	66,490	30,560	97,050
Total general obligation bonds - General County					709,737	623,169	211,670	834,839
Schools:								
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	3,194-3,196	63,900	41,542	15,594	57,136
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,750	75,000	52,500	20,364	72,864
Series 1997B Public Improvement	4.50-5.00	12-01-97	12-01-17	3,000	60,000	45,000	16,688	61,688
Series 1998A Public Improvement	4.50-5.00	05-15-98	06-01-18	1,365	27,290	20,469	8,132	28,601
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	5,000	100,000	80,000	31,545	111,545
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	1,053-6,961	63,172	56,637	16,521	73,158
Series 1999B Public Improvement	5.00-5.50	12-01-99	12-01-19	4,000	80,000	68,000	31,407	99,407
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	2,500	50,000	42,500	19,868	62,368
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	2,500	50,000	45,000	19,835	64,835
Series 2001A Public Improvement	4.25-5.00	16-01-01	06-01-21	4,000	80,000	72,000	31,873	103,873
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	2,284-11,836	57,227	56,788	8,246	65,034
Series 2002A Public Improvement	3.50-5.00	06-01-02	06-01-22	6,500	130,000	123,500	57,744	181,244
Series 2002A Refunding	3.50-5.00	06-01-02	06-01-15	1,410-4,474	34,786	32,613	10,454	43,067
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,935-17,447	88,758	88,758	16,757	105,515
Series 2003B Public Improvement	2.00-5.00	05-15-03	06-01-23	6,430-6,435	128,680	128,680	59,194	187,874
Total general obligation bonds - Schools					1,088,813	953,987	364,222	1,318,209
Total general obligation bonds					$ 1,798,550	1,577,156	575,892	2,153,048

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Principal Outstanding (000)	Interest Payable to Maturity (000)	Total Princip Outstanding Interest Paya to Maturity (000)
Revenue Bonds:								
EDA Revenue Bonds:								
Series 1994 (Lease Revenue)	5.25-5.50	03-01-94	11-15-18	$ 3,745-8,550	116,965	92,150	48,248	140,
Series 2003	2.0-5.0	06-01-03	06-01-33	105-4,240	70,830	70,830	47,705	118,
FCRHA Lease Revenue Bonds:								
Series 1996	5.10-5.55	09-15-96	06-01-17	255-505	6,390	5,100	2,341	7,
Series 1998	3.70-4.85	12-01-98	06-01-18	220-390	5,500	4,405	1,784	6,
Series 1999	4.30-5.38	05-27-99	05-01-29	20-65	1,000	965	835	1,
Total revenue bonds					200,685	173,450	100,913	274,
HUD Section 108 Loan	4.15-6.67	07-01-01	08-01-21	115	2,300	2,185	1,289	3,
Special Assessment Bonds - Small District One of the Dranesville District								
(McLean Community Center)	6.90-7.40	07-01-88	07-01-09	75	1,500	450	98	
State Literary Fund Loans - Schools:								
Science Lab #1	3.24	04-01-86	04-01-06	64	1,274	192	12	
Science Lab #2	5.00	10-01-87	10-01-08	8	148	39	7	
Total State Literary Fund loans					1,422	231	19	
Total governmental activities					2,004,457	1,753,472	678,211	2,431,
Business-type activities:								
Sewer Revenue Bonds:								
Series 1993 Refunding	5.00-5.65	05-15-93	11-15-15	3,025-6,505	72,100	58,660	22,453	81,
UOSA Bonds Subordinated	2.90-6.00	01-12-93	07-01-29	3,431-15,574	240,773	230,100	187,129	417,
Series 1996 Sewer Improvements	5.63-5.88	07-01-96	07-15-28	1,510-7,300	104,000	98,475	93,184	191,
Series 2001 Subordinated	4.10	06-01-01	02-01-21	1,401-2,910	40,000	37,919	16,068	53,
Series 2002 Subordinated	3.75	09-01-02	03-01-22	881-3,538	50,000	49,119	19,999	69,
Total business-type activities					506,873	474,273	338,833	813,
Total County bond and loan indebtedness					$ 2,511,330	2,227,745	1,017,044	3,244,

Principal and interest to maturity (in thousands) for the County's general obligation bonds, revenue bonds, other bonds and loans, and Sewer System revenue bonds outstanding at June 30, 2003, are as follows:

	Governmental Activities						Business-Type Activities			
	General Obligation Bonds		Revenue Bonds		Other Bonds and Loans		Sewer System Revenue Bonds		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 132,620	73,019	4,240	8,675	262	163	11,842	23,632	148,964	105,489
2005	128,421	67,386	4,450	8,453	262	151	12,288	23,025	145,421	99,015
2006	123,930	61,886	4,690	8,216	262	136	13,055	22,386	141,937	92,624
2007	124,125	56,582	5,045	7,968	198	123	14,319	21,701	143,687	86,374
2008	118,925	50,553	7,815	7,697	197	111	15,115	20,993	142,052	79,354
2009-2013	488,815	175,206	48,965	32,569	650	417	90,405	92,574	628,835	300,766
2014-2018	320,930	75,860	58,600	19,193	575	244	98,679	68,273	478,784	163,570
2019-2023	139,390	15,400	29,315	5,588	460	61	97,335	44,682	266,500	65,731
2024-2028	-	-	4,735	1,826	-	-	98,361	20,613	103,096	22,439
2029-2033	-	-	5,595	728	-	-	22,874	954	28,469	1,682
Totals	$ 1,577,156	575,892	173,450	100,913	2,866	1,406	474,273	338,833	2,227,745	1,017,044

5. 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.

In November 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 with a first deed of trust on the office building. Proceeds from the new bonds along with other cash resources, 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. 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.

In April 1998, FCRHA issued tax-exempt revenue bonds with a principal amount totaling $1,700,000, an interest rate of 5.25 percent, and final payments due March 1, 2028. In 2001, a principal payment of $825,000 was due, at which time the interest rate was changed to 6.15 percent. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the new bonds. Proceeds from the new bonds were placed in irrevocable escrow accounts to make a loan to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.

In May 1999, the FCRHA issued two multifamily housing revenue bonds in the principal amounts of $225,000 and $1,775,000, bearing interest at the rates of 4.875 percent and 5.5 percent, respectively, and having final payment dates of 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.

To permanently finance certain public housing projects, the FCRHA issued public housing 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.

To permanently finance the Rosedale 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.

FCRHA Public Housing bonds, notes, and loans payable as of June 30, 2003, 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	5,760
Lease revenue bonds	FCRHA revenues	4.71	06-15-98	06-15-18	125	3,630	3,010
Tax-exempt revenue bonds	Herndon Harbor I - rental property	6.10	08-01-97	07-01-27	16-30	2,875	944
Multi-family revenue bonds	Herndon Harbor II - rental property	4.875-5.50	05-01-99	05-01-29	30-40	2,000	1,961
Multi-family revenue bonds	Castellani Meadows	6.15	04-01-98	03-01-28	14-20	1,700	845
Total bonds payable - FCRHA						16,545	12,520
Mortgage Notes Payable:							
United Bank	One University Plaza office building	5.75	11-01-97	01-31-04	13-18	363	278
SunTrust Bank	United Community Ministries	4.71	08-25-98	04-01-13	20-35	400	298
	Creighton Square	7.10	06-25-99	07-01-12	30-40	550	432
	Leland Road Group Home property	5.55	10-06-99	04-01-17	21-31	615	530
Bank of America	Cholster Town, McLean Hills and Springfield Green rental propertie:	8.50	04-01-95	04-01-05	7-12	1,072	796
U.S. Dept. of Housing and Urban Development	Hopkins Glen rental property	3.00	07-12-98	04-01-10	35-49	1,112	302
	Various FCRHA rental properties	6.45-9.15	02-01-92	varies	285	5,690	2,555
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	50	500	150
	Stonegate Village rental property	8.00-9.25	02-01-91	varies	55-205	1,700	555
	Various FCRHA rental properties	3.73-7.90	02-01-93	varies	155	3,100	1,550
	Various FCRHA rental properties	4.75-7.18	08-01-94	varies	195-205	3,775	2,215
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	5	80	45
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	25	500	325
	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	329
	Penderbrook rental property	10.25	09-01-88	10-01-18	16-25	770	639
	Rolling Road Group Home property	8.00	09-21-00	09-01-20	5-20	234	219
	Patrick Street Group Home property	8.00	06-01-02	05-01-22	3-22	239	234
	Mount Vernon Group Home property	8.00	01-01-93	04-01-22	5-15	246	211
	West Ox Group Home property	8.00	01-01-92	11-01-02	15-20	842	728
	First Stop Group Home property	8.00	01-30-95	03-01-05	6-8	453	411
Various note holders within the Home Improvement Loan Program	Various properties owned by note holders	9.00-12.50	varies	varies	5-6	65	52
Sun Trust Bank	Various properties - interim financing	83% of 30 day LIBOR	varies	varies	Int. only	178	178
Sun Trust Bank	Various properties - interim financing	30 day LIBOR plus 0.5%	10-01-02	10-01-05	Int. only	1,263	1,263
	Hopkins Glen rental property	4.33	12-02-02	10-01-16	8	475	471
Midland Loan Services	Cedar Ridge rental property	7.05	07-01-95	07-01-35	77-100	10,131	9,642
Fairfax County Board of Supervisors	Unsecured Bond Anticipation Note	1.27	07-13-01	07-13-03	Int. only	700	700
	Unsecured Bond Anticipation Note	1.27	10-16-01	10-16-03	Int. only	1,000	1,000
	Unsecured Bond Anticipation Note	1.27	02-13-02	02-13-04	Int. only	2,400	2,400
	Unsecured Bond Anticipation Note	1.27	11-17-02	11-17-03	Int. only	200	200
	Unsecured Bond Anticipation Note	1.27	03-07-03	03-07-05	Int. only	400	400
	Unsecured Bond Anticipation Note	1.27	05-06-03	05-06-05	Int. only	500	500
	Unsecured Bond Anticipation Note	1.27	02-21-03	02-21-05	Int. only	500	500
	Unsecured Bond Anticipation Note	1.27	03-20-03	03-20-05	Int. only	500	500
	Unsecured Bond Anticipation Note	1.27	05-06-03	05-06-05	Int. only	800	800
	Unsecured Bond Anticipation Note	1.27	06-26-03	06-26-05	Int. only	1,000	1,000
WMF Huntoon Paige	Cedar Ridge rental property	7.05	11-01-70	09-01-10	90-100	2,850	797
Federal Financing Bank	Property, plant, and equipment	6.60	07-09-82	11-01-12	40-55	1,143	599
Total mortgage notes payable - FCRHA						48,508	35,337
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	1,309
Public housing bonds	Declaration of Trust	5.00	04-01-68	04-01-09	50-60	1,260	370
Total public housing loans payable - FCRHA						3,608	1,679
Total public housing bonds, notes, and loans payable - FCRHA primary government						$ 68,660	49,536

The FCRHA's annual required principal payments on the bonds, notes, and loans payable, excluding its component units, at June 30, 2003, are as follows:

	Component Unit - FCRHA (Primary Government)							
	Housing Bonds Payable		Mortgage Notes Payable		Public Housing Loans Payable		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 315,114	710,278	8,350,683	1,768,777	133,945	105,130	8,799,742	2,584,185
2005	334,214	693,620	4,708,519	1,576,022	143,933	97,392	5,186,666	2,367,034
2006	358,577	675,716	2,164,409	1,400,478	149,695	88,630	2,672,681	2,164,824
2007	368,213	656,785	1,185,647	1,309,279	160,616	79,710	1,714,476	2,045,774
2008	393,143	637,236	1,200,854	1,225,940	166,926	70,149	1,760,923	1,933,325
2009-2013	2,326,247	2,832,662	7,127,672	4,825,212	684,597	210,528	10,138,516	7,868,402
2014-2018	3,065,455	2,105,327	2,546,961	3,316,798	239,072	29,606	5,851,488	5,451,731
2019-2023	2,453,781	1,306,191	1,910,625	2,511,602	-	-	4,364,406	3,817,793
2024-2028	2,795,378	437,906	1,952,846	1,846,680	-	-	4,748,224	2,284,586
2029-2033	109,558	2,757	2,775,293	1,024,233	-	-	2,884,851	1,026,990
2034-2037	-	-	1,413,754	106,161	-	-	1,413,754	106,161
Totals	$ 12,519,680	10,058,478	35,337,263	20,911,182	1,678,784	681,145	49,535,727	31,650,805

6. Park Authority Bonds, Loans, and Notes 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.

In June 2003, the Park Authority received a $15,530,000 loan from the County to fund the development and construction of a public golf course and related structures, facilities, and equipment to be located in the Laurel Hill area of the southern part of the County.

The bonds and loan are solely the obligation of the Park Authority and are payable from the Park Revenue Fund's revenues from operations, earnings on investments, and certain fund balance reserves. The debt service requirements for the outstanding bonds and the loan payable to the County are as follows:

	Component Unit - Park Authority							
	Revenue Bonds			Loan Payable to County			Total	
Fiscal Year	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2004	4.39 %	$ 530,000	537,446	- %	$ -	687,362	530,000	1,224,808
2005	2.95	555,000	515,809	-	-	687,362	555,000	1,203,171
2006	3.10	570,000	498,788	-	-	687,362	570,000	1,186,150
2007	3.20	585,000	480,592	2.00	75,000	687,362	660,000	1,167,954
2008	3.40	605,000	460,948	2.25	80,000	685,863	685,000	1,146,811
2009-2013	3.60-4.10	3,365,000	1,946,538	2.50-5.00	765,000	3,382,863	4,130,000	5,329,401
2014-2018	4.20-4.50	4,095,000	1,175,620	5.00	1,660,000	3,134,563	5,755,000	4,310,183
2019-2023	4.75	2,925,000	212,681	5.00	2,965,000	2,597,063	5,890,000	2,809,744
2024-2028	-	-	-	4.25	4,455,000	1,762,050	4,455,000	1,762,050
2029-2033	-	-	-	4.25	5,530,000	724,625	5,530,000	724,625
Totals		$ 13,230,000	5,828,422		$ 15,530,000	15,036,475	28,760,000	20,864,897

During fiscal year 2000, the Park Authority issued a subordinated park facilities revenue note in the amount of $12,750,000 to finance the acquisition of certain properties for use as park land. The note was redeemed during fiscal year 2002 via the issuance of a new note in the amount of the maturing principal plus the accrued interest. A similar redemption and issuance 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 this note from the County's General Fund. Relevant information pertaining to these notes is as follows:

Issue Dates	Maturity Dates	Principal	Interest Rate
March 30, 2000	July 31, 2001	$ 12,750,000	6.825 %
July 31, 2001	July 31, 2002	13,912,667	3.810
July 31, 2002	July 31, 2003	14,442,740	2.030

7. 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, who 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 guarantees 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, 2003, 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, 2003, the principal amounts outstanding on these IRBs total approximately $546.8 million.

8. Defeasance of Debt

During fiscal year 2003 and in prior years, the County has 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, 2003, the amount of general obligation bonds for the County that are outstanding but considered defeased is $178,955,000.

9. 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 units are filled to capacity; whereas, the ash disposal

units continue to be used. As of June 30, 2003, closure expenditures have been incurred for approximately 55 percent of the area involved. The County holds permits that allow it to continue using the landfill until approximately 2020.

The $62.7 million reported as the landfill closure and postclosure obligation at June 30, 2003, 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. It is expected that the landfill closure and postclosure care costs will be funded from landfill tipping fees and existing resources.

10. Obligations Under Capital Leases

The reporting entity has financed the acquisition of certain capital assets by entering into capital lease agreements. The balance of capital assets, net, and the minimum obligations under these capital lease agreements as of June 30, 2003, are as follows:

	Primary Government - Governmental Activities	Component Unit - Public Schools
Asset Class	Balance at June 30, 2003	Balance at June 30, 2003
Land	$ 3,261,336	-
Buildings	26,956,062	-
Improvements	2,643,193	-
Equipment	32,132,841	21,993,306
Less: Accumulated depreciation	(26,738,819)	(3,886,304)
Total	$ 38,254,613	18,107,002
Fiscal Year	Minimum Obligations	Minimum Obligations
2004	$ 8,234,068	10,700,271
2005	6,697,254	8,427,415
2006	6,692,194	7,265,325
2007	3,790,236	3,805,486
2008	2,903,183	-
2009-2013	11,827,637	-
2014-2018	10,692,205	-
2019-2023	10,692,525	-
2024-2028	10,422,298	-
2029-2033	8,285,443	-
Total minimum obligations	80,237,043	30,198,497
Less: Portion representing interest	34,098,755	2,219,444
Present value of minimum obligations	$ 46,138,288	27,979,053

11. Obligation to Component Unit

The County has a liability of approximately $4.9 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 2003, the County paid the seventh 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 were 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 2003, the County's obligation of approximately $1.3 million was funded with County general obligation bond proceeds. The County's total obligations to date of approximately $238.5 million for Metrorail construction have been funded with $130.3 million of County general obligation bond proceeds, $105.1 million of state aid provided to the County through the Northern Virginia Transportation Commission (NVTC), and $3.1 million of credits available at WMATA. As of June 30, 2003, 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 $8.4 million for fiscal year 2003 was funded with $7.1 million of County general obligation bond proceeds and $1.3 million of state aid provided through the NVTC. It is anticipated that the County's obligations for fiscal year 2004 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 2003, the County's obligation of approximately $52.4 million for operating subsidies and debt service was funded with $10.7 million from the County's Metro Operations and Construction Fund and $41.7 million from state aid for transportation and regional gasoline tax receipts. It is anticipated that the County's expenditures for fiscal year 2004 will be approximately $12.3 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 $6.0 million of the bond proceeds were made available to the County to assist with financing its local stations. The County's fiscal year 2003 contribution to VRE's commuter rail operating, capital, and debt service cost was $2.6 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, 2003, 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 2003, the County's and EDA's total expenditures for these operating leases were $11,091,514 and $861,518, respectively.

At June 30, 2003, 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
2004	$ 9,851,415	787,850
2005	7,953,321	882,058
2006	7,198,739	902,762
2007	5,842,397	929,845
2008	4,499,205	834,528
2009-2013	9,933,804	834,922
2014-2018	3,316,982	-
2019-2023	564,186	-
2024-2028	274,853	-
2029-2032	123,684	-
Total	$ 49,558,586	5,171,965

4. Intermunicipal Agreements

City of Alexandria, Virginia, Sanitation Authority

The Sewer System is 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 its sewage treatment facility. Currently, the Sewer System has a capacity entitlement of 32.4 MGD, which is 60 percent of the facility's total capacity of 54 MGD. 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 facility. In addition, the Sewer System has no direct ongoing equity interest in the assets or liabilities of the ASA.

The ASA facility is currently undergoing major improvements to meet new water quality standards. The Sewer System paid the ASA $13,238,249 in fiscal year 2003 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be $35,350,000, of which $21,600,000 is expected to be incurred in fiscal year 2004 and the balance over fiscal years 2005 to 2009. In addition, the Sewer System made payments of $10,219,480 to the ASA during fiscal year 2003 for its share of the ASA's operating costs.

District of Columbia Water and Sewer Authority

The Sewer System is obligated under an intermunicipal agreement between the County; the District of Columbia (District); Montgomery County, Maryland; Prince George's County, Maryland; and the Washington Suburban Sanitary Commission to share the construction and operating costs of the District's Blue Plains Wastewater Treatment Plant, which is operated by the District of Columbia Water and Sewer Authority (DCWASA). Currently, the Sewer System has a capacity entitlement of 31 MGD, which is approximately 8.4 percent of the Plant's total capacity of 370 MGD. The DCWASA has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from the County. The County has no significant control over plant operations and construction and no ownership interest in the assets of DCWASA.

An expansion of the Blue Plains Plant from 325 MGD to 370 MGD was completed during fiscal year 2003, and the Plant is currently undergoing a major renovation of its chemical additions and sludge disposal systems. The Sewer System paid the DCWASA $14,102,608 during fiscal year 2003 to fund its share of construction costs, and it estimates its share of the remaining construction costs to be $62,900,000, of which $17,200,000 is expected to be incurred in fiscal year 2004 and the balance over fiscal years 2005 to 2010. In addition, the Sewer System made payments of $9,859,558 to the DCWASA during fiscal year 2003 for its share of the Plant's operating costs.

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. An expansion of the capacity of UOSA's treatment facility from 32 MGD to 54 MGD was completed during fiscal year 2003. Each jurisdiction's allocated share of UOSA's capacity as of June 30, 2003, is as shown on the right.

Member Jurisdiction	Capacity (MGD)
Fairfax County	27.5999
Prince William County	15.7971
City of Manassas	7.6893
City of Manassas Park	2.9137
Total	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 2003 of $7,593,754 to pay its share of UOSA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2002 and 2001 (the most recent audited financial information available), is as shown below.

	2002	2001
Total assets	$ 479,614,218	476,454,006
Total liabilities	(389,882,667)	(397,135,178)
Total equity	$ 89,731,551	79,318,828
Total revenue	$ 50,093,649	45,276,862
Total expenses	(29,023,050)	(26,289,560)
Net income	$ 21,070,599	18,987,302

Arlington County, Virginia

The Sewer System is obligated under an agreement with Arlington County, Virginia, to share the construction and operating costs of the sewage treatment facility owned and operated by Arlington County. Currently, the Sewer System has a capacity entitlement of 3 MGD, which is 10 percent of the facility's total capacity of 30 MGD. The Sewer System has no direct on-going equity interest in the facility's assets and liabilities. Furthermore, the Sewer System has no significant influence over the management of the treatment facility.

The Arlington facility is currently undergoing a major upgrade to meet new water quality standards. The Sewer System paid Arlington County $794,356 in fiscal year 2003 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be $24,200,000, of which $1,700,000 is expected to be incurred in fiscal year 2004 and the balance over fiscal years 2005 to 2009. In addition, the Sewer System made payments of $960,888 to Arlington County during fiscal year 2003 for its share of Arlington's operating costs.

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 tons-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, 2003, $150,405,000 of the 1998 Series A Refunding Bonds are outstanding. Unspent bond proceeds in the amount of $31,381,553, 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, 2003, the primary government had contractual commitments of $24,331,476 in the capital projects funds and $146,351,000 in the Sewer System for construction of various sewer projects. At June 30, 2003, the component units had contractual commitments of $71,960,622 and

$17,470,630 in the capital projects funds of the Public Schools and the Park Authority, respectively, for construction of various projects.

7. Other 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 1,819 participants currently eligible and receiving benefits in the program. For fiscal year 2003, the cost of this program to the County was $2,197,557.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost on a pay-as-you-go basis. There are approximately 2,500 participating retirees, and the cost of this program to the County for fiscal year 2003 was approximately $200,000.

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. Special Item

In June 2003, the County sold 46.8 acres of land located in the Laurel Hill area of the southern part of the County to a private developer for development as a senior living campus and graduated care facility. The sale proceeds of $18.2 million will be used to fund a portion of the cost of the public high school being constructed on adjacent land.

COUNTY OF FAIRFAX
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VIRGINIA

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.

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TOKYO
WASHINGTON, D.C.

_____ _, 2004

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 and Refunding Bonds, Series 2004 A

The bonds are dated the date of their delivery, mature in annual installments on April 1 in each of the years 2005 to 2024, inclusive, bear interest payable semiannually on the 1st days of April and October in each year, commencing October 1, 2004, and are subject to redemption prior to their respective maturities in the manner and upon the terms and conditions set forth in the resolution authorizing the issuance of the bonds adopted by the Board of Supervisors of Fairfax County on March 15, 2004.

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 $_____ aggregate principal amount of its Public Improvement and Refunding Bonds, Series 2004 A (the "Bonds" or "2004 A Bonds") pursuant to the provisions of a resolution (the "Resolution") adopted on March 15, 2004, by the Board of Supervisors of the County. The proceeds of the 2004 A 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 2004 A 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 2004 A 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 2004 A Bonds

modifications to rights of holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the 2004 A 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 2004 A 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, 2004). 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 2004 A 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 2004 A 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: April _, 2004

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 AND REFUNDING BONDS,
SERIES 2004 A

CUSIP NOS.: 303820

Dated: _____ __, 2004

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 March 15, 2004 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 $329,110,000 PUBLIC IMPROVEMENT AND REFUNDING, SERIES 2004 A, 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 March 15, 2004 (the "Authorizing Resolution") to (i) accept the lowest bid for the Public Improvement and Refunding Bonds, Series 2004 A (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, March 31, 2004 for the purchase of $330,825,000 Public Improvement and Refunding Bonds, Series 2004 A, of Fairfax County, Virginia, dated April 14, 2004, maturing, subject to the right of prior redemption, April 1, in annual installments in each of the years 2005 to 2024, 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, March 31, 2004, 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 March 31, 2004 bidding was closed and the following bids for the bid aggregate principal amount of $330,825,000 were found to have been submitted and to accord in all respects with the terms of the advertisement, each bid posting a Financial Surety Bond for $3,839,150 payable to the order of the Director of the Department of Finance of Fairfax County, Virginia:

A. Goldman, Sachs & Co. and associates offering to pay $360,637,615.74 for the bonds bearing interest at the rates set forth below in Column I resulting in a true interest cost rate of 3.541162%.

B. Morgan Stanley & Co. Incorporated and associates offering to pay $360,128,303.94 for the bonds bearing interest at the rates set forth below in Column II resulting in a true interest cost rate of 3.542700%.

C. Citigroup Global Markets Inc. and associates offering to pay $360,265,369.35 for the bonds bearing interest at the rates set forth below in Column III resulting in a true interest cost rate of 3.550577%.

D. Lehman Brothers Inc. and associates offering to pay $360,010,530.50 for the bonds bearing interest at the rates set forth below in Column IV resulting in a true interest cost rate of 3.554821%.

E. Merrill Lynch & Co. and associates offering to pay $359,023,890.49 for the bonds bearing interest at the rates set forth below in Column V resulting in a true interest cost rate of 3.564776%.

		Interest Rate Columns				
Maturity Date	Principal Amount	I	II	III	IV	V
April 1, 2005	$14,850,000	2.000%	3.000%	5.000%	2.000%	2.000%
April 1, 2006	21,690,000	5.000	5.000	5.000	5.000	4.000
April 1, 2007	21,665,000	5.000	5.000	5.000	5.000	5.000
April 1, 2008	21,635,000	5.250	5.000	5.000	5.000	5.000
April 1, 2009	21,605,000	5.250	5.000	5.000	5.000	5.000
April 1, 2010	21,565,000	5.250	5.000	5.000	5.000	5.000
April 1, 2011	21,520,000	5.250	5.000	5.000	5.000	5.000
April 1, 2012	21,465,000	5.250	5.000	5.000	5.000	5.000
April 1, 2013	21,400,000	5.250	5.000	5.000	5.000	5.000
April 1, 2014	21,320,000	5.250	5.000	5.000	5.000	5.000
April 1, 2015	21,230,000	5.000	5.000	5.000	5.000	5.000
April 1, 2016	21,140,000	5.000	5.000	5.000	5.000	4.500
April 1, 2017	15,340,000	4.500	4.500	4.500	5.000	4.500
April 1, 2018	9,200,000	4.500	4.500	4.500	4.500	5.000
April 1, 2019	9,200,000	4.000	4.500	4.000	4.500	5.000
April 1, 2020	9,200,000	4.000	4.500	4.500	4.500	4.500
April 1, 2021	9,200,000	4.125	4.500	4.750	4.500	4.500
April 1, 2022	9,200,000	4.250	4.375	4.750	4.125	4.500
April 1, 2023	9,200,000	4.250	4.375	4.250	4.250	4.250
April 1, 2024	9,200,000	4.500	4.375	4.375	4.375	4.375

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 April 14, 2004 is the bid of Goldman, Sachs & Co. and associates offering to pay $360,637,615.74 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 Goldman, Sachs & Co. and associates is accepted, and the Bonds are awarded to Goldman, Sachs & Co. and associates at the adjusted purchase price of $358,745,002.20, 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 April 14, 2004 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 Public Improvement Bonds otherwise authorized by Section 1(a) of the Authorizing Resolution were reduced as follows:

Purpose	Original Authorization	Adjusted Amount
School Improvements	$130,000,000	$120,215,000
Parks and Park Facilities	33,380,000	30,910,000
Neighborhood Improvements	1,820,000	1,820,000
Transportation Improvements and Facilities	21,020,000	21,020,000
Adult Detention Facilities	770,000	770,000
Juvenile Detention Facilities	900,000	900,000
Commercial and Redevelopment Area Improvements	4,150,000	4,150,000
Storm Drainage Improvements	3,960,000	3,960,000
Total	$196,000,000	$183,745,000

Section 5. Final Terms of the Bonds. The revisions to the Bid Maturity Schedule have been communicated to Goldman, Sachs & 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 $329,110,000. The Bonds shall be dated April 14, 2004 and consist of $329,110,000 serial bonds that will mature on April 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
2005	$14,730,000	2.000 %
2006	21,500,000	5.000
2007	21,465,000	5.000
2008	21,430,000	5.250
2009	21,420,000	5.250
2010	21,400,000	5.250
2011	21,380,000	5.250
2012	21,345,000	5.250
2013	21,310,000	5.250
2014	21,250,000	5.250
2015	21,190,000	5.000
2016	21,100,000	5.000
2017	15,295,000	4.500
2018	9,185,000	4.500
2019	9,185,000	4.000
2020	9,185,000	4.000
2021	9,185,000	4.125
2022	9,185,000	4.250
2023	9,185,000	4.250
2024	9,185,000	4.500

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 March 31, 2004.

By: _____
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 $329,110,000 aggregate principal amount of its Public Improvement and Refunding Bonds, Series 2004 A (the "Bonds" or "2004 A Bonds") pursuant to the provisions of a resolution (the "Resolution") adopted on March 15, 2004, by the Board of Supervisors of the County. The proceeds of the 2004 A 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 2004 A 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 2004 A 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 2004 A Bonds

modifications to rights of holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the 2004 A 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 2004 A 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, 2004). 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 2004 A 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 2004 A 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: April 14, 2004

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 AND REFUNDING BONDS,
SERIES 2004 A

CUSIP NOS.: 303820 ___

Dated: _____ __, 2004

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 March 15, 2004 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 _____

Moody's Investors Service

99 Church Street
New York, New York 10007

Bill Leech
Vice President/Senior Credit Officer
Public Finance Group
Tel: 1.212.553.4132
Fax: 1.212.553.1390
E-mail: william.leech@moodys.com

April 06, 2004

Mr. Len Wales
Assistant Director of Finance
Fairfax (County of) VA
12000 Government Center Parkway
Suite 561
Fairfax, VA 22035-0074

Dear Mr. Wales:

We wish to inform you that on March 19, 2004, Moody's Rating Committee reviewed and assigned a rating of Aaa to Fairfax (County of) VA's Public Improvement and Refunding Bonds, Series 2004A.

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 me or the analyst assigned to this transaction, Patrick Mispagel, at 212-553-7463.

Sincerely,

Mr. Bill Leech
Vice President/Senior Credit Officer

cc: Ms. JoAnne Carter
Public Financial Management, Inc., Suite 1130
4601 North Fairfax Drive
Arlington, VA 22203

FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

April 14, 2004

Mr. Leonard P. Wales, Ass't Dir, OMB
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/jh
Enc: Notice of Rating Action
(Doc ID: 1803)

FitchRatings

Notice of Rating Action

Bond Description	Par Amount	Rating Type	Rating	Action	Eff Date	Notes
Fairfax County, VA Public Improvement and Refunding Bonds, Series 2004A	$364,900,000	Long Term	AAA	New Rating	17-Mar-2004	
Fairfax County, VA Outstanding General Obligation Bonds	$1,600,000,000	Long Term	AAA	Affirmed	17-Mar-2004	

The Rating Outlook is Stable.

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 March 31, 2004 relating to the issuance of **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**, 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 March 15, 2004 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 14th day of April, 2004.

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
Moody's.....Aaa
Standard & Poor's.....AAA

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

Dated: Date of Delivery

Due: April 1, as shown below

Interest on the Bonds will be payable semi-annually on each April 1 and October 1, commencing October 1, 2004.

The Bonds are subject to redemption prior to maturity in whole or in part at any time on or after April 1, 2014 at a redemption price of par plus accrued interest.

The Bonds are being issued for the purpose of financing various public improvements and, subject to favorable market conditions, to refund certain outstanding bonds.

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 PRICE/YIELDS*

Maturity Date	Principal Amount	Interest Rate	Yield	Maturity Date	Principal Amount	Interest Rate	Price or Yield
2005	$14,730,000	2.00%	0.998%	2015	$21,190,000	5.00%	3.54%[c]
2006	21,500,000	5.00	1.35	2016	21,100,000	5.00	3.63[c]
2007	21,465,000	5.00	1.66	2017	15,295,000	4.50	3.91[c]
2008	21,430,000	5.25	2.03	2018	9,185,000	4.50	4.02[c]
2009	21,420,000	5.25	2.34	2019	9,185,000	4.00	4.13
2010	21,400,000	5.25	2.63	2020	9,185,000	4.00	4.21
2011	21,380,000	5.25	2.88	2021	9,185,000	4.125	4.29
2012	21,345,000	5.25	3.11	2022	9,185,000	4.25	4.37
2013	21,310,000	5.25	3.26	2023	9,185,000	4.25	4.44
2014	21,250,000	5.25	3.41	2024	9,185,000	4.50	100

[c] Yield to first par call on April 1, 2014.

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 April 14, 2004.

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.

March 31, 2004

---

* Initial reoffering price/yields were furnished by the successful bidder.

Fairfax County, Virginia

BOARD OF SUPERVISORS

Gerald E. Connolly, *Chairman*
Sharon Bulova, *Vice Chairman*
Joan M. DuBois
Michael R. Frey
Penelope A. Gross
Catherine M. Hudgins
Gerald W. Hyland
T. Dana Kauffman
Elaine McConnell
Linda Q. Smyth

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*
Leonard P. Wales, *County Debt Manager*

FINANCIAL ADVISOR
Public Financial Management, Inc.
4601 North Fairfax Drive
Suite 1130
Arlington, Virginia 22203-1547
(703) 741-0175

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

For information relating to this Official Statement please contact:
Edward L. Long, Jr., Chief Financial Officer
Fairfax County, Virginia
12000 Government Center Parkway, Suite 552
Fairfax, Virginia 22035-0074
(703) 324-2531

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

$329,110,000

Public Improvement and Refunding Bonds, Series 2004 A

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 $329,110,000 Public Improvement and Refunding Bonds, Series 2004 A (the "Bonds").

THE BONDS

Authorization And Purposes; Refunding Plan

The Bonds will be issued under a resolution (the "Resolution") adopted by the Board of Supervisors of Fairfax County (the "Board of Supervisors") on March 15, 2004 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").

A portion of the proceeds of the Bonds will provide funds in the following amounts for the following purposes:

School Improvements	$ 130,000,000
Parks and Park Facilities	33,380,000
Neighborhood Improvements	1,820,000
Transportation Improvements and Facilities	21,020,000
Adult Detention Facilities	770,000
Juvenile Detention Facilities	900,000
Commercial and Redevelopment Area Improvements	4,150,000
Storm Drainage Improvements	3,960,000
Total	$ 196,000,000

A portion of the proceeds of the Bonds will be applied, with other available funds, to refund and to redeem prior to their respective maturities the following outstanding bonds of the County referred to hereafter as the "1996 A Refunded Bonds" and the "1997 A Refunded Bonds", and collectively as the "Refunded Bonds":

Series of Refunded Bonds	Principal Amount	Maturities	Redemption Date	Redemption Price	CUSIP Nos.
1996 A	$68,470,000	2005-2016	June 1, 2004	102%	303820 QE7-QR8
1997 A	86,400,000	2006-2017	June 1, 2005	102	303820 TE4-TR5

The purpose of the refunding is to achieve present value debt service savings.

Upon delivery and issuance of the Bonds by the County, proceeds thereof will be used to provide for the payment and redemption of the Refunded Bonds by depositing with Wachovia Bank, N.A., as escrow agent, pursuant to an escrow deposit agreement, cash and non-callable, direct obligations of the United States of America the maturing principal of and interest on which, together with such cash, will be sufficient to pay all principal,

applicable redemption premiums, and interest on the Refunded Bonds to their respective redemption dates. The sufficiency of the cash and securities deposited with the escrow agent to pay this principal of, applicable redemption premiums, and interest on the Refunded Bonds will be verified by McGladrey & Pullen LLP, Minneapolis, Minnesota.

The sources and uses of the proceeds of the Bonds and other available funds are summarized as set forth below.

Sources	
Par amount of the Bonds	$ 329,110,000
County contribution	2,741,923
Net offering premium	30,424,524
Total Sources	$ 362,276,447
Uses	
Public Improvements	$ 196,000,000
Deposit with Escrow Agent	165,008,528
Underwriters' discount	789,521
Other issuance expenses	478,398
Total Uses	$ 362,276,447

Description

The Bonds will be dated the date of their delivery, will bear interest from their date, payable semi-annually on each April 1 and October 1, commencing October 1, 2004, at rates, and will mature, in amounts on April 1 in each of the years 2005 through 2024, 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".

Optional Redemption

The Bonds maturing on or before April 1, 2014, are not subject to optional redemption before their maturity. The Bonds maturing after April 1, 2014, are subject to redemption prior to maturity, at the option of the County, from any moneys available for such purpose on any date not earlier than April 1, 2014, in whole or in part (in integral multiples of $5,000) at any time, at a redemption price equal to the principal amount thereof, together with the interest accrued to the redemption date on the principal amount to be redeemed.

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.

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 5, 2000. Mr. Stalzer previously served as Town Manager for the Town of Herndon, VA from 1988 until June 2000. He was Director of Planning and Zoning for Roanoke County, Virginia from 1983 until 1988. Mr. Stalzer holds a Bachelor of Arts degree from Clark University, a Master of Regional and City Planning degree from the University of Oklahoma and a Master of Business Administration degree from Syracuse University. Mr. Stalzer is President-elect of the Virginia Local Government Management Association.

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 in June 2004 will become the 66th president of the Virginia State Bar. 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 and Chief Financial Officer in 1997. 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. Mr. Long serves as an adjunct professor at George Mason University and on the Government Finance Officers Association (GFOA) Standards Committee on Governmental Budgeting and Management. In 1993 Mr. Long was recognized by the Washington Metropolitan GFOA 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. In 2003 Mr. Molchany was recognized by *Governing* Magazine as one of the top ten Public Officials of the Year. He 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 Treasurer of the Board of Trustees of the Fairfax County Employees' Retirement System (FCERS), Chairman of the Investment Committee of FCERS, 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.

Leonard P. Wales, County Debt Manager, joined the County as a Budget Analyst in 1981 and served as Assistant Budget Director from 1989 to 2003. He was appointed to the newly created position of County Debt Manager in December 2003. Mr. Wales has been responsible for coordinating the debt management program and capital construction financing for the County and affiliated subdivisions since 1986. He has been active in the

community and has served in various volunteer positions including Chairman of the Supervisory Committee for the Fairfax County Employees Credit Union. Mr. Wales holds a commission as a Captain in the United States Naval Reserve, maintaining continuous active and inactive service since 1976. Mr. Wales is a graduate of the University of Virginia and holds a Master of Urban Affairs degree from the Virginia Polytechnic and State University.

County Employees

As of December 2003, there were 32,865 full and part time positions authorized for the County. Of this total, 21,422 were authorized by the County School Board; 10,603 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. 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 Water and Sewer Authority's Blue Plains Facility, and plants operated by the Upper Occoquan Sewage Authority ("UOSA"), Arlington County and the Alexandria Sanitation Authority ("ASA"). The private treatment facility is the Harbor View Wastewater Treatment Plant. The County's treatment capacity in the six facilities totals 148 million gallons per day ("mgd").

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.

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 were assigned docket numbers 02-40826 through 02-40949.

On March 5, 2004, the Bankruptcy Court entered an order confirming The Debtors' Second Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Reorganization Plan"). The Reorganization Plan provides, among other things, that Covanta would assume the Covanta Contract on the Effective Date (as defined in the Reorganization Plan). On March 11, 2004, Covanta filed a notice with the Bankruptcy Court stating that the Effective Date of the Reorganization Plan occurred on March 10, 2004. Pursuant to the terms of the Reorganization Plan and the order of the Bankruptcy Court confirming it, Covanta is deemed to have assumed the Covanta Contract and is legally obligated to continue to operate the E/RRF in accordance with the Covanta Contract.

During FY 2002, the E/RRF processed nearly 1,028,000 tons of material, and in FY 2003, nearly 1,094,000 tons, exceeding the guaranteed requirements by 97,250 tons and 163,250 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 2004 and FY 2005. Covanta Fairfax, Inc. is expected to exceed 1 million tons processed for FY 2004.

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 2003 the County recycled approximately 32 percent of the waste stream. In calendar year 2004 the County estimates that the amount recycled will again be at least 32 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 2004, the School Board operates 20 special education centers and 185 schools including 136 elementary, 22 middle, 21 high and 3 secondary schools (grades 7-12) and 3 alternative high schools. Among the 205 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 or middle focus schools with specific curricular approaches, ten modified calendar schools, 26 foreign language partial-immersion schools, and 11 International Baccalaureate programs at the middle and high school level. Approximately 19,143 employees are assigned to work in schools and 1,641 positions are non-school based. These positions provide support in areas such as personnel, payroll, and maintenance of facilities. There are 513 grant funded positions.

In FY 2004, the average elementary class size was estimated to be 21.1 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 24.2 students, with an average of 24.5 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, 22 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, full day kindergarten 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 Summit Program is designed to help chronically disruptive students change their behaviors and attitudes. These programs are operated at 12 sites throughout the County.

As shown below, the number of students attending Fairfax County Public Schools increased between 1994 and 2003. Enrollment for FY 2003 was 163,386, an increase of 25,891 students over the FY 1994 enrollment. It is projected that enrollment will increase through 2009.

Fiscal Year	Number of Public School Students
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
2003	163,386
	Enrollment Projections
2004	164,667
2005	166,780
2006	168,959
2007	171,126
2008	173,207

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 2004 approved budget operating costs for several Washington metropolitan area jurisdictions are as follows:

Jurisdiction	Per-Pupil Expenditures
Arlington County	$13,950
City of Falls Church	13,377
City of Alexandria	12,198
Montgomery County (Md.)	10,644
Fairfax County	10,113
Loudoun County	9,604
City of Manassas	9,038
Prince William County	8,205
Prince George's County (Md.)	8,014

Source: FY 2004 Metropolitan Area Boards of Education Guide, December 2003.

FCPS compares favorably with other area school systems. In the 2004 National Merit Scholarship program, 210 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.

2003 Average Scholastic Aptitude Test Scores

	Verbal	Math	Total
United States	507	519	1026
Virginia	514	510	1024
Fairfax County	546	564	1110

Source: Educational Testing Service

FCPS was rated as a Gold Medal school district, the highest rating possible, by Expansion Management magazine in its 2002 rankings. In its twelfth annual survey, the magazine's Educational Quotient ("EQ") ranked over 1,500 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 97 points out of a possible 99 points, receiving the highest rating in the metropolitan Washington area. In 2002, FCPS was ranked in the top 20 districts nationally.

In the last ten years more than $1.5 billion in general obligation bonds have been authorized by County voters for school construction projects. In November 2003, Fairfax County voters authorized the Board of Supervisors to issue bonds in the aggregate amount of $290.61 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. In June 2003, the lease was extended to 2067.

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.

Since 1993, the Virginia General Assembly has authorized a series of transportation bond authorization bills for projects in Northern Virginia. The legislation has authorized over $540 million in bonds that would be serviced individually from a variety of sources including recordation tax revenues that are collected by the Commonwealth on property transactions, toll road revenues, and right of way fees. Projects supported by these bonds have included very significant projects benefiting Fairfax County including the Fairfax County Parkway, the County's share of capital costs for the Washington Metropolitan Area Transit Authority Metrorail system, the Dulles toll road and other smaller projects in addition to significant projects in neighboring Arlington, Prince William and Loudoun Counties that support the regional transportation network.

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.

Highway Improvements

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 voters in 1985, 1988 and 1992 County 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

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 (the "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 initial 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 Dulles Airport.

The District is administered by a Commission appointed by the Boards of Supervisors of the two counties. The District Commission 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 provide funds for transportation improvements within the District. The District currently imposes a tax of 20 cents per $100 of assessed value. Taxes collected on property within the District located in Fairfax County are currently applied to debt service on the outstanding bonds of the Commonwealth Transportation Board ("CTB") and the Fairfax County Economic Development Authority ("EDA") in respect of the Route 28 project.

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 a financing plan to provide funding for these interchanges through the issuance of bonds by the Fairfax County 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 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.

The EDA completed the issuance of the first series of its bonds in October, 2003, to produce $30 million toward the cost of the interchanges. CTB has advised the Counties that CTB expects to request the EDA to issue the second series some time in 2004 depending upon the progress of construction of 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. With respect to the outstanding CTB bonds, in the event District annual revenues are insufficient to pay annual debt service, the difference between the CTB 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.

Under the terms of the original petition, an additional four interchanges and widening of a portion of the highway from six to eight 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 scheduled to be retired by 2032.

During its 2001 session, the Virginia General Assembly approved legislation that allows for the creation of one or more special transportation taxing districts located between the West Falls Church Metrorail station and the Dulles Airport area to provide a means of financing an extension of rail service in the Dulles Corridor. The structure of any such district is modeled after the existing Route 28 District. On February 23, 2004, pursuant to a petition submitted by landowners representing approximately 67 percent of the assessed value of commercial and industrial property in the Tysons Corner and Reston commercial districts, the Board of Supervisors formed the Phase I Dulles Rail Transportation Improvement District to provide funds to support the County's share of Phase I of a proposed expansion of the Metrorail system to Dulles Airport and beyond. Phase I will construct approximately 11 miles of rail line through the County's primary urban center, Tysons Corner, to Reston, and will tie the region's second largest commercial center to the regional rail system.

The County's share for Phase I construction is estimated to be $366.5 million, or 25 percent of a projected total of $1.5 billion required for the project. The current plan of finance calls for the federal government to provide up to 50 percent of the funding through federal New Starts legislation to be approved later this year. The Virginia Department of Rail and Public Transportation is expected to provide the remaining 25 percent. Funds for financing the County share are to be provided from a real estate tax levy on all property zoned for commercial and industrial use in the new district. Phase II of the project which will complete the 23 mile line to Dulles Airport and beyond into Loudoun County is expected to cost $1.8 billion of which the County's share is expected to be approximately $172 million, or approximately 9 percent. The plan of finance will be similar to that of Phase I; however, the local 25 percent share will be shared between Fairfax County, Loudoun County and the Washington Metropolitan Airports Authority. The County expects to receive another petition in the near future from interested landowners to form another tax district comprising the Reston-Herndon-Dulles commercial districts in order to provide funds for Phase II financing. The Board of Supervisors has not assessed a levy or provided for final approval of the County's participation in this project pending federal and state action to provide for full funding and project management. 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 could be levied. However, under the terms of the petition the Board may not assess a tax greater than $0.22 per $100 of assessed value prior to the issuance of any bonds, and may not construct a plan of finance that would require greater than $0.29 per $100 assuming growth in value of 1.5 percent per year. However, once debt is incurred the Board will be bound only by the statutory limit of $0.40 per $100. The local

plan of finance anticipates a tax levy prior to bond issuance so as to build adequate reserves for debt service requirements.

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 55 routes to 9 Metrorail Stations, including the Huntington, Pentagon, West Falls Church, Van Dorn, Vienna-Fairfax-GMU, Dunn Loring-Merrifield, Franconia-Springfield, 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 7.6 million passengers in FY 2003. FAIRFAX CONNECTOR System expenditures totaled $23,915,922 in FY 2003 including capital expenditures. The County runs two permanent maintenance and garage facilities for the FAIRFAX CONNECTOR.

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, reflected 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 last 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 million 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.

Funding sources for Fairfax County's Metrorail construction contributions are: general obligation bond proceeds, State bond proceeds and State aid. Through June 30, 2003 Fairfax County had contributed approximately $235.8 million toward Metrorail construction, consisting of $130 million of County general obligation bond proceeds, $102.7 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. Since 1993, the Commonwealth has authorized over $93 million of State transportation bonds to be allocated for use in Fairfax County for support of Metrorail construction, replacement of rolling stock and parking expansion. ICCA-V local requirements are reallocated every two years to reflect current conditions.

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 1994-2003, and the estimate for FY 2004 are shown in the following table:

Fairfax County WMATA Operating Subsidies
(Millions of Dollars)

Fiscal Year	Bus Operations[1,5]	Rail Operations[1]	Rail Const. Manage-ment[1]	ADA Para-transit[1]	Less Federal Operating Subsidies	Less State Aid[2]	Less Gas Tax Receipts[3]	Prior Year Credit	Net General Fund
1994[4].....	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.....	25.495	20.139	.000	3.595	0.000	25.433	10.949	2.087	10.750
2004 (est.)	28.011	18.588	.000	4.936	0.000	23.871	10.550	5.574	11.540

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

1 The amounts shown for operating subsidies for FY 1994 through 2003 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.

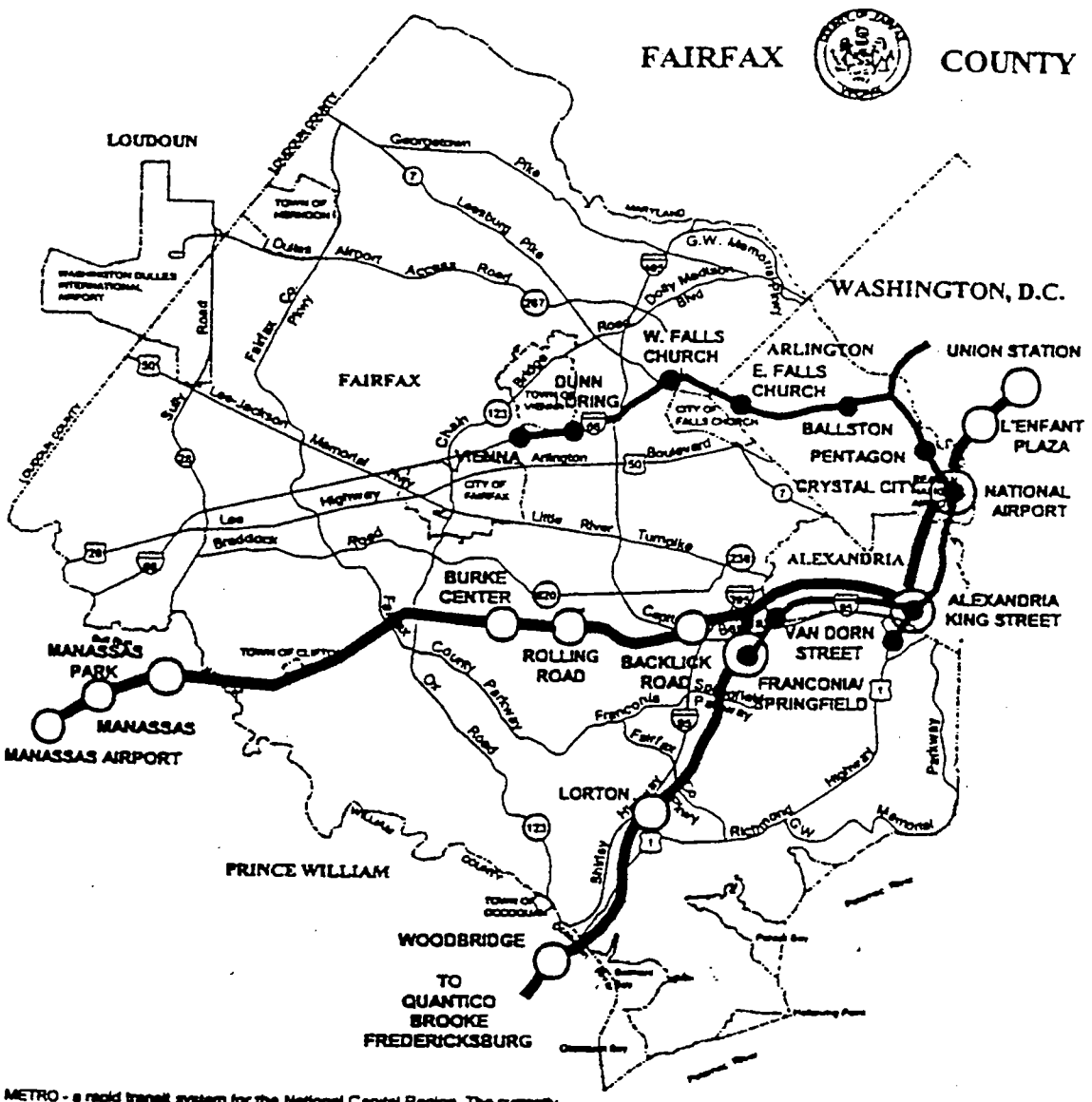
2 In 1983, the Virginia General Assembly enacted legislation permitting the use of State aid for transportation to fund transit program operating costs in addition to transit program capital costs.

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 $219,772 which was paid in FY 1994 with County General Funds.

5 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 2003, Fairfax County's share of the operating deficit was $3.595 million.



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 and over 7,500 structured and surface parking spaces have been provided at Metrorail stations in the County. In addition another 1,086 spaces were provided through the County's Suburban Mobility Grant Application to the Federal Transportation Administration ("FTA") for three park-and-ride facilities.

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.

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, 2003, 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 peak 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 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. Since 1990 NVTC has sold $ 102.3 million worth of bonds to finance passenger cars, locomotives, yard facilities and stations. Under the terms of the Master Agreement debt service on these bonds will be funded by State and Federal funds and VRE revenues.

The VRE FY 2003 Budget identified its principal sources of revenue as: state and federal aid (58.3 percent), passenger revenues (26.3 percent), jurisdictional subsidies (10.1 percent) and miscellaneous income (5.3 percent). The County's share of the FY 2003 commuter rail operating and capital budget was $2.61 million.

Parks, Recreation and Libraries

Fairfax County provides a variety of recreational, educational, and cultural activities and services to people who live, work and study in Fairfax County. In fiscal year 2003, the Fairfax County Public Library (the "Library")

made more than 11 million loans and recorded more than five million visits to its 21 branches, and reported more than 2.1 million user visits to its Web site. The Library has more than 2.5 million books and other items in its collection, and more than 600,000 registered cardholders. Last year the Library, which was ranked one of the top 10 library systems in the United States, offered more than 4,000 free events and activities for all ages, including puppet shows for toddlers, story time for school-aged children, book discussion groups for teens, live author visits for adults and Internet navigation classes for seniors. The Library also makes library services available and accessible to people who have disabilities or are homebound. The community showed its high regard and strong support for the Library by donating more than 162,000 volunteer hours to the library system last year.

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 wide variety of recreational activities and facilities. The Fairfax County Park Authority ("FCPA"), whose members are appointed by the Board of Supervisors, operates 389 parks encompassing 22,546 acres. Since March 1, 2000, the FCPA has acquired, with County support, over 4,200 acres of lands for park purposes. Facilities operated by FCPA include recreational centers with swimming pools, fitness centers, racquetball courts, golf courses, nature centers, lakefront marinas, miniature golf, amusements such as trains and carousels, tennis and basketball courts, an ice rink, campgrounds, garden plots, extensive trails, historic properties, picnic shelters, playgrounds, open space and other unique facilities. Collectively, the park system is used by 82% of Fairfax County households annually.

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. In June 2003, the EDA issued revenue bonds backed by a contract with the County, a portion of the proceeds, in the amount of $15,530,000, of which were used to finance a new 18-hole public golf course in the southern part of the County.

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 2003, 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 to identify, document and protect significant historic, pre-historic and Civil War resources 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 were established and are now recognized through the Commonwealth's Certified Local Government program. In addition, DPZ maintains the County Inventory of Historic Sites of over 300 sites, buildings and structures established through the Fairfax County History Commission. The Cultural Resource Protection Section of the FCPA identifies and registers county prehistoric and historical archaeological 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.

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 summer of 2004 projected for the construction contract award. The parking structure was completed in January 2003. As part of the 2002 Public Safety Bond Referendum, the voters approved $25 million for the renovation of the older portions of the Judicial Center, originally built in 1981.

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 1,369 sworn police officers and 574 civilian personnel as of July 1, 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 eight 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 nearly 700 Neighborhood Watch groups involving approximately 20,000 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. 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. An eighth police district station located in the western part of the County opened on May 3, 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 approximately 1,200 paid fire fighters, 100 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 ("US&R"). US&R operates under the auspices of the Department of Homeland Security for domestic responses and is sponsored by the United States Agency for International Development/Office of Foreign Disaster Assistance for international deployments. 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. The Fiscal Services Division is responsible for management of the department's finances and budget. Personnel in the Safety and Personnel Services Division 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. In addition, the Safety and Personnel Services Division is responsible for recruiting and testing firefighter applicants and all personnel and payroll functions. 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.

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 3, 1998, the County voters approved bond referenda for public safety projects that included $7.42 million for expansion of two existing Police Stations, reconstruction of a Fire Station, construction of one new Police Station and one new Fire Station.

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 response team 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 draws visitors to the County's historic, cultural and recreational attractions.

The total inventory of office space in the County was estimated at 101.2 million square feet at mid-year 2003. Nearly 5.6 million square feet of office space was leased in Fairfax County during the first six months of 2003. Industrial/hybrid space in the county was estimated at 36.6 million square feet. The direct vacancy rates for

the office market and industrial/hybrid markets were 12.4 percent and 5.9 percent, respectively, as of year end 2003. 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, BearingPoint, Booz Allen Hamilton, Capital One, Federal Home Loan Mortgage Corporation (Freddie Mac), Gannett (USA Today), General Dynamics, Mitre, Mantech International and the SLM Corporation (Sallie Mae) have located their corporate headquarters in Fairfax County.

As of year end 2003, 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 at its 1995 session, the Commonwealth sold $45.2 million in bonds for the construction of two additional lanes (for a total of eight lanes) for the Dulles Toll Road between Interstate 495 in Fairfax County and Route 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. More than seventeen million passengers, including more than 4 million international travelers, flew in and out of Dulles in 2002. A multi-billion dollar 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 December 2003, the Smithsonian Institute opened the new National Air and Space Museum (NASM) Dulles Center for the display and collection of rare and historic aviation and space artifacts. The Steven F. Udvar-Hazy Center, a 761,000 square foot building located on 177 acres at Dulles International Airport, will be home to more than 200 aircraft and 135 spacecraft including the space shuttle Enterprise and the B-29 Superfortress "Enola Gay". The museum estimates that it has already hosted more than a quarter of a million visitors since its opening in December to commemorate the 100th anniversary of the Wright Brothers' first powered flight.

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 29,000 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 second quarter 2003.

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

Industrial Classification	Number of Establishments	Average Payroll Employment for Quarter
Agriculture	14	80
Manufacturing	476	11,944
Utilities	19	1,400
Wholesale Trade	1,500	15,943
Construction	2,424	30,398
Transportation	359	6,705
Retail Trade	2,729	52,324
Services[2]	17,584	274,678
Finance and Insurance	1,494	24,350
Real Estate	1,196	9,683
Information	925	35,394
Local/State/Federal Government	213	68,475
Non-Classified/Other	0	0
Total	28,933	531,374

Source: Virginia Employment Commission (VEC), Covered Employment and Wages in Virginia, Fairfax County, second quarter 2003.

1 Excludes self-employed business owners.

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.

The following is a list of the 25 largest private, base sector (non-retail) employers in Fairfax County as of September 2003.

	Company Name	Type of Business	County Employment Range*
1.	Inova Health System	Health Services	9,000-10,000
2.	Northrop Grumman	Professional, Scientific and Technical Services	6,000-7,000
3.	Science Applications International Corp. (SAIC)	Professional, Scientific and Technical Services	5,000-6,000
4.	Booz Allen Hamilton, Inc.	Professional, Scientific and Technical Services	5,000-6,000
5.	Raytheon Company	Professional, Scientific and Technical Services	4,000-5,000
6.	Computer Sciences Corporation (CSC)	Professional, Scientific and Technical Services	4,000-5,000
7.	Federal Home Loan Mortgage Corporation (Freddie Mac)	Finance and Insurance	3,000-4,000
8.	Navy Federal Credit Union	Finance and Insurance	3,000-4,000
9.	American Management Systems, Inc. (AMS)	Information/Software	3,000-4,000
10.	Exxon Mobil Corporation	Wholesale Trade (Petroleum Products)	2,000-3,000
11.	Accenture	Professional, Scientific and Technical Services	2,000-3,000
12.	General Dynamics	Professional, Scientific and Technical Services	2,000-3,000
13.	Capital One	Finance and Insurance	2,000-3,000
14.	Lockheed Martin Corporation	Professional, Scientific and Technical Services	2,000-3,000
15.	Verizon	Information/ Telecommunications	2,000-3,000
16.	Sprint	Information/ Telecommunications	2,000-3,000
17.	Electronic Data Systems Corporation (EDS)	Information/ Data Processing	2,000-3,000
18.	Gannet Company	Information/ Newspaper Publishing	2,000-3,000
19.	Mitre Corporation	Professional, Scientific and Technical Services	2,000-3,000
20.	Branch Banking and Trust (BB&T)	Finance and Insurance	1,000-2,000
21.	Nextel Communications, Inc.	Information/ Telecommunications	1,000-2,000
22.	PricewaterhouseCoopers	Professional, Scientific and Technical Services	1,000-2,000
23.	MCI	Information/ Telecommunications	1,000-2,000
24.	Oracle	Information/Software	1,000-2,000
25.	BearingPoint	Professional, Scientific and Technical 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 2003 average unemployment rate was 2.4% in the County. State and national 2003 unemployment rates were 3.3% and 5.4%, 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
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	3.0	4.3	6.2
2003	2.4	3.3	5.4

Source: Virginia Employment Commission.

According to the Virginia Employment Commission, the number of jobs in the County averaged 524,232 as of March 2003. 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
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)
1998	464,945	4.8	2003	524,232	0.0

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 and to date has slowed somewhat in Fairfax County; on average, about 15,000 persons per year were added to the population during this period.

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	1,004,435
2003	1,019,000
2004	1,033,600

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:

Household Population Age Distribution, 2002
Fairfax County

Age Group	2002 Number	2002 Percent (%)
Under 20 years	280,544	27.9
20-34	191,951	18.8
35-54	337,638	34.6
55-64	93,575	10.4
65 and Over	80,718	8.2
Total	984,366	100

Source: US Bureau of the Census, 2002 American Community Survey. Household population excludes persons living in group quarters facilities such as nursing homes, barracks, dormitories and correctional facilities.

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 2002, the Bureau of the Census estimated median household income in Fairfax County at $85,310. The following table illustrates the 2002 household and family income distribution in the County.

Annual Household and Family Income Distribution (by Percentage)
Fairfax County, 2002

Income Level	Household	Family
Under $25,000	7.6%	5.1%
$25,000-49,999	16.2	14.3
$50,000-74,999	18.1	16.1
$75,000-99,999	16.6	16.8
$100,000-149,999	23.5	24.9
$150,000 or more	18.0	22.8
Median Income	$85,310	$95,612

Note: In 2002, the US Bureau of the Census estimated that there were 363,100 households and 258,059 families in Fairfax County. "Families" are defined as those households containing two or more persons related by blood, marriage or adoption.

Source: U.S. Bureau of the Census, 2002 American Community Survey.

The following table shows that total taxable retail sales in the County rose in the period 1994-2003, 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 reflected the general economic downturn.

Per Capita Taxable Sales

Calendar Year	Taxable Sales (in Billions)	Population	Per Capita Taxable Sales
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	984,366	11,185
2002	11.13	1,004,435	11,081
2003	11.68	1,019,000	11,462

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
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
2003	19,095	820,046	3,561	306,909	2,577

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 2003:

New or Expanded Commercial Projects

Name of Company	Nature of Operations	Projected New/Additional Employment
Dynamics Research Corporation	Information Technology	150
Mitre Corporation	Information Technology	240
Northrop Grumman	Information Technology	348
Proxtronics	Information Technology	175
UNISYS	Information Technology	350
Veridian	Information Technology	450
AT&T Government Solutions	Telecommunications	450
Covad Communications	Telecommunications	180
Equant	Telecommunications	150
Online Resources	Internet Services	55

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

	1980		1990		2000		2002	
	No.	%	No.	%	No.	%	No.	%
Single-Family: Detached	125,580	59.3	163,029	53.9	181,591	50.6	184,156	49.7
Attached	30,833	14.6	67,306	22.3	87,171	24.3	90,465	24.4
Multi-Family	55,333	26.1	72,129	23.8	90,198	25.1	95,930	25.9
Total	211,746	100.0	302,464	100.0	358,960	100.0	370,551	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. 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, 2003:

Purpose	Total General Obligation Bonds
School	$ 953,968,674
General Government	623,186,326
Total General Obligation Bonded Indebtedness	$1,577,155,000

The County does not rely upon short-term borrowings to fund operating 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, 2004:

Authorized Purpose	Amount Authorized but Unissued
School Improvements	$672,360,000
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	$905,965,000

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. In April 2002, 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.

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 revenue bonds that are not general obligation bonds of the County and issue debt supported directly or contingently by appropriations of tax revenues by the County. The full faith and credit of the County is not pledged to secure such bonds.

In March 1994, the Fairfax County Economic Development Authority (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 2003, the EDA issued $85,650,000 of lease revenue refunding bonds, to refund $88,405,000 of the 1994 lease revenue bonds. The County's obligations remain the same for the refunding bonds.

Beginning in 1996, the Fairfax County Redevelopment and Housing Authority ("FCRHA") has issued $15,420,000 of lease revenue bonds in four series to finance the construction/renovation of three community center buildings, one adult day health care center and one Head Start facility. The County is 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 various 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.

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 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 June 2003, the EDA issued $70,830,000 of revenue bonds (Laurel Hill Public Facilities Project), backed by a contract with the County. Approximately $55,300,000 of the bonds are allocable to the financing of a new public high school in the southern part of the County and $15,530,000 of the bonds are allocable to the financing of a new 18-hole public golf course in the southern part of the County. The County is obligated by the terms of a 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 by the Board of Supervisors of sufficient funds for such purpose. The coincidental terms of the bonds and the contract extend to June 1, 2033.

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 EDA 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 1989 and 1990, 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 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 was 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.

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. The Note, together with a portion of the accrued interest, has been renewed annually, most recently on July 31, 2003, and is outstanding in the principal amount of $14,442,740 and, subject to four one-year renewals, is due July 31, 2004. 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 October 29, 2003, the EDA issued $33,375,000 transportation contract revenue bonds to provide $30 million to the CTB for construction of additional interchanges on Route 28 in the Route 28 Highway Transportation District, which is partly in Fairfax County and partly in Loudoun County. The EDA is expected to issue additional bonds in late 2004 or early 2005 to provide an additional $60 million for construction of the interchanges. All of the EDA bonds will be payable, on a parity with approximately $121 million CTB bonds, from revenues derived from a surcharge of $0.20/$100 assessed fair market value on the general real estate property tax levied on commercial and industrial properties within the District. In the event such revenues allocated to the EDA bonds are not sufficient to pay debt service and a funded debt service reserve is exhausted, each of Fairfax County and Loudoun County is, in effect, obligated, subject to annual appropriation by its board of supervisors, to make up one-half of any deficiencies in a second debt service reserve that secures the bonds.

Debt Service on Tax Supported Debt Obligations

Total principal and interest payments on the County's outstanding tax supported debt obligations including general obligation bonds, Literary Fund loans and other tax supported debt obligations are presented in the following table:

Debt Service Schedule – Tax Supported Debt Obligations

Fiscal Year Ending June 30	General Obligation Bonds[1]		Other Tax Supported Debt Obligations[2]		
	Principal	Interest	Principal	Interest	Total[3]
2004	$ 132,620,000	$ 69,000,510	$ 6,337,913	$ 8,187,248	$ 216,145,671
2005	137,440,000	74,592,366	5,057,822	9,486,693	226,576,881
2006	132,520,000	69,643,501	5,226,064	9,313,838	216,703,403
2007	132,685,000	63,909,926	5,530,695	9,052,682	211,178,303
2008	127,450,000	57,460,748	8,299,170	8,777,922	201,987,840
2009	122,485,000	51,482,358	9,590,068	8,432,163	191,989,588
2010	112,470,000	45,634,014	9,918,794	8,040,820	176,063,628
2011	106,600,000	40,157,081	10,252,652	7,615,006	164,624,739
2012	98,695,000	35,071,933	10,621,647	7,172,519	151,561,098
2013	90,895,000	30,444,654	11,000,783	6,674,645	139,015,082
2014	85,485,000	26,097,298	11,395,067	6,119,972	129,097,336
2015	77,540,000	22,063,898	11,829,502	5,541,836	116,975,236
2016	72,580,000	18,389,335	12,284,094	4,941,544	108,194,973
2017	66,770,000	14,812,510	12,763,849	4,317,851	98,664,211
2018	60,660,000	11,590,285	12,723,773	3,671,330	88,645,388
2019	53,855,000	8,795,535	13,003,872	2,837,256	78,491,663
2020	46,140,000	6,285,855	5,229,151	2,382,770	60,037,776
2021	37,560,000	4,255,919	5,354,618	2,119,771	49,290,307
2022	28,830,000	2,614,825	5,480,278	1,850,261	38,775,364
2023	18,930,000	1,266,575	5,626,139	1,574,372	27,397,086
2024-2034	9,185,000	413,325	24,553,724	7,011,326	41,163,376
Total	$1,751,395,000	$653,982,450	$202,079,675	$125,121,826	$2,732,578,950

1 Includes debt service on the 2004 A Bonds; excludes bonds refunded with 2004 A Bonds.

2 See "Other Tax Supported Debt Obligations".

3 Totals may not add due to rounding.

See also the discussion of taxes levied by the Route 28 Highway Transportation Improvement District, located partly in the County, to pay debt service on CTB and EDA bonds under "GOVERNMENT SERVICES – Transportation – Transportation Improvement Districts".

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. The Board of Supervisors authorized, and the County called on November 15, 2003, all of the County's $55,330,000 1993 sewer revenue bonds scheduled to mature on and after November 15, 2004; therefore, no debt remains outstanding as of this date for the 1986 or 1993 bonds. The County is currently considering a refunding of the 1996 bonds for debt service savings.

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.

The County has entered into a service agreement with ASA that obligates the County 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. 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.

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. In January 2004, UOSA refunded a portion of this debt for debt service savings and accordingly revised the participating member jurisdictions' debt service schedules. Fairfax County is responsible for approximately 62.8% of the debt service on UOSA's bonds.

The debt service on the County's outstanding sewer revenue bonds and the subordinate obligations payable for capacity under its contract with UOSA as of June 30, 2003 are reflected in the following table.

Fiscal Year Ending June 30	Sewer Revenue Bonds Principal	Sewer Revenue Bonds Interest	Other Sewer Debt Service Obligations SRF/VRA	Other Sewer Debt Service Obligations Subordinate Obligations[1]	Total
2004	$ 4,935,000	$ 5,721,743	$ 6,637,073	$ 15,228,504	$ 32,522,320
2005	1,705,000	5,545,399	6,637,073	15,230,084	29,117,556
2006	1,810,000	5,446,540	6,637,073	15,230,225	29,123,838
2007	1,925,000	5,341,493	6,637,073	15,669,315	29,572,881
2008	2,045,000	5,229,837	6,637,073	15,669,695	29,581,604
2009	2,170,000	5,111,290	6,637,073	15,671,326	29,589,689
2010	2,310,000	4,985,290	6,637,073	15,669,762	29,602,125
2011	2,450,000	4,851,415	6,637,073	16,247,107	30,185,595
2012	2,605,000	4,709,243	6,637,073	16,245,794	30,197,110
2013	2,770,000	4,558,071	6,637,073	16,244,521	30,209,665
2014	2,940,000	4,397,478	6,637,073	16,245,595	30,220,145
2015	3,125,000	4,225,728	6,637,073	16,245,005	30,232,805
2016	3,320,000	4,042,045	6,637,073	16,244,996	30,244,114
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	16,246,604	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	4,495,000	2,925,930	6,637,073	16,246,106	30,304,109
2022	4,775,000	2,657,100	3,637,788	16,313,757	27,383,645
2023	5,075,000	2,371,450	0	16,311,177	23,757,627
2024-2034	37,860,000	7,064,688	0	97,875,681	142,800,369
Total	$101,805,000	$93,266,899	$123,105,095	$417,570,418	$735,747,413

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

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	1,779,461,575	128,927,100,000	1.38

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 EDA Government Center Properties 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. Beginning in FY 2003, the total also includes the Laurel Hill Revenue Bonds.

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]	Estimated Population[2]	Net Bonded Indebtedness Per Capita	Fairfax County Per Capita Income[3]	Debt Per Capita as Percentage of Per Capita Income[4]
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	1,779,461,575	1,019,000	1,746	57,231	3.06

1 Source: Fairfax County Department of Management and Budget. Beginning in FY 2002, the total includes General Obligation Bonds and other tax supported debt payable from the General Fund including: Literary Fund loans, the outstanding Revenue bonds for the Economic Development Authority Government Center Properties and Laurel Hill Public Facilities, the outstanding Certificates of Participation for the South County Government Center, and FCRHA lease revenue bonds for community centers.

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

3 Source: Bureau of Economic Analysis, U.S. Department of Commerce, 1994-1999; Fairfax County Department of Management and Budget 2000-2003. Includes Fairfax City and City of Falls Church.

4 The Bureau of Economic Analysis re-benchmarked data back to 1994. 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	2,447,015,916	8.7

Source: Fairfax County Department of Management and Budget. Beginning in FY 2003, the total includes General Obligation Bonds and other tax supported debt payable from the General Fund including: Literary Fund loans, the outstanding Revenue bonds for the Economic Development Authority Government Center Properties and Laurel Hill Public Facilities, the outstanding Certificates of Participation for the South County Government Center, and FCRHA lease revenue bonds for community centers.

Underlying Bonded Indebtedness

As of June 30, 2003, 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	$16,523,333
Town of Herndon	Recreational Complex/Water and Sewer/Recreational Facilities	12,514,596
Small District #1 of Dranesville District	McLean Community Center	450,000
Total Underlying Indebtedness		$29,487,929

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, notes and other obligations 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. 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. For the reassessment effective January 1, 2004, the countywide assessment to sale price ratio was 0.91 and the Russell Index was 6.0. 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 2004 in the main tax book for Fairfax County, increased 12.04% 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	114,155,500	11,610,620	3,161,030	128,927,150
2004	127,892,600	11,699,600	3,256,620	142,848,820
2005 (est.)	142,656,080	11,700,440	3,153,480	157,510,000

Source: Actual values are from the Fairfax County Department of Tax Administration as reported in the FY 2003 CAFR and the FY 2005 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)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Real Estate-Regular and Public Service	$1.16	$1.16	$1.23	$1.23	$1.23	$1.23	$1.23	$1.23	$1.21	$1.16
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	1.23	1.23	1.23	1.23	1.23	1.21	1.16
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	1.23	1.23	1.23	1.23	1.23	1.23	1.21	1.16
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 1995-2004.

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]
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
2004	19.14
2005	18.20

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, 2004).

Rank	Property Owner	Property Type	Total Assessment
1	Lehndorff Tysons Property	Tysons Corner Regional Shop Center	$ 485,820,295
2	West Group Properties LLC	Various Offices, Retail, Ind. and Land	453,206,520
3	Prentiss Properties	Office and Land	424,250,515
4	Dominion Virginia Power	Public Utility	358,671,418
5	Smith Property Holdings	Various Commercial	257,888,285
6	Franconia Two LP	Springfield Mall	247,895,865
7	Fairfax Company	Fair Oaks Mall	247,260,135
8	Washington Gas Light Co	Public Utility	202,770,217
9	EOP Reston Town Center	Office, Shop Center and Land	190,398,370
10	Springfield Campus LLC	Continuing Care Retirement Community	178,961,575
11	Gannett Company Inc.	Office	171,686,680
12	Mobil Oil Corp.	HQ Office and Various Commercial	169,940,580
13	PS Business Parks LP	Industrial Park	162,282,450
14	USRP I LLC	Shopping Centers	160,688,865
15	West Mac Associates	Office and Land	158,529,400
16	WRIT LP	Offices, Apartments, Ind. and Shopping Centers	154,448,760
17	Summit Properties	Apartments and Land	148,218,635
18	Mitre Corporation	Office	146,674,540
19	Capital One Bank	Office	141,827,810
20	Campus Point Realty Corp.	Office	140,527,065
21	Navy Federal Credit Union	Various Offices and Land	128,769,755
22	ISTAR NG LP	Office	124,650,780
23	Avalon Properties Inc.	Apartments	121,524,115
24	Pulte Home Corp.	Residential and Land	117,850,745
25	Verizon Virginia Inc.	Public Utility	114,891,764
			$5,209,635,139

Source: Fairfax County Department of Tax Administration. Derived from January 1, 2004 tax rolls.

As of January 1, 2004 the assessed value of the real property of the 25 largest holders of real property in the County represented 3.60% of the total assessed value of all real property in Fairfax County, excluding tax exempt properties. January 1, 2004 assessments generate tax revenue in FY 2005.

Real and Personal Property
Tax Levies and Tax Collections
(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, 1994-2002; financial report of the Department of Tax Administration for the Fiscal Year ended June 30, 2003.

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.

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.

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, 2003 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 accordance with Statement No. 14 of the Governmental Accounting Standards Board, in the comparable, primary government-appropriated funds of the discretely reported component units. The summaries for the five fiscal years ended June 30, 2003 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,				
	1999	2000	2001	2002	2003
Revenues:					
Taxes[1]	$1,640,594,459	$1,690,371,422	$1,785,431,379	$1,898,192,584	$2,054,784,694
Permits, privilege fees and Regulatory licenses	43,044,787	43,835,560	42,277,578	36,939,184	38,625,237
Fines and forfeitures	7,140,533	7,579,871	9,116,533	10,318,703	11,065,873
Revenue from the use of Money and property	58,159,188	64,502,480	71,658,750	36,704,979	28,011,515
Charges for services and Recovered Costs	182,229,862	191,272,823	195,534,961	214,387,258	241,063,748
Intergovernmental	467,462,273	577,583,347	690,134,884	784,912,575	779,306,409
Miscellaneous	23,696,684	20,701,792	18,690,822	19,003,244	17,601,692
Total revenues	$2,422,327,786	$2,595,847,295	$2,812,844,907	$3,000,458,527	$3,170,459,168
Expenditures and transfers:					
General governmental administration	$ 80,031,244	$ 87,400,231	$ 84,251,292	$ 101,949,179	$ 109,811,931
Judicial administration	19,502,814	21,408,526	24,162,805	30,891,025	34,094,538
Public safety	231,108,675	256,155,919	289,032,001	379,702,367	409,258,168
Public works	113,140,139	124,495,828	137,550,684	142,189,150	155,020,538
Health and welfare	268,726,844	299,285,489	313,287,950	365,273,360	379,242,626
Parks, recreation & cultural	62,777,866	66,582,759	71,666,912	87,121,981	87,313,589
Community development	79,995,482	80,292,124	91,444,337	91,906,803	96,435,266
Education[2,3]	1,192,010,103	1,331,052,353	1,446,628,160	1,518,075,351	1,580,926,318
Debt service	176,262,542	184,970,872	193,211,342	207,678,254	221,968,932
Nondepartmental[2,8]	96,500,551	106,035,082	120,577,637	0	0
Net transfers to other funds[6]	40,172,221	42,638,858	47,767,640	25,980,769	7,187,091
Total expenditures and transfers	$2,360,228,481	$2,600,318,041	$2,819,580,760	$2,950,768,239	$3,081,258,997
Excess (deficiency) of revenues over expenditures and transfers	$ 62,099,305	$ (4,470,746)	$ (6,735,853)	$ 49,690,288	$ 89,200,171
Fund balance, beginning of year[5]	321,061,166	383,115,957	377,374,210	371,028,733	431,583,220
Adjustment of fund balance, Beginning of year	0	(1,333,746)[4]	0	10,972,297[7]	0
Increase (Decrease) in Fund Balance Reserves[9]	(44,514)	62,745	390,376	(108,098)	195,642
Fund balance, end of year	$ 383,115,957	$ 377,374,210	$ 371,028,733	$ 431,583,220	$ 520,979,033

Source: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 1999-2003.

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 for 1999-2001 and allocated to the appropriate functions for 2002-2003, for each of the five fiscal years ended June 30, 1999 through 2003, were as follows: 1999, $88,898,079; 2000, $91,228,972; 2001, $95,074,645, 2002, $95,789,400, and 2003 $102,441,381.

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, 2003, the unfunded liability was approximately $4.9 million.

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

5 Fund balance includes amounts reserved for inventories of supplies.

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

7 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 Gift Fund which is now included in the General Fund.

8 Effective FY 2002, nondepartmental expenditures are allocated to specific functions.

9 Fiscal years 1999-2002 have been restated for comparison purposes to reflect GAAP basis and Budget basis measurement differences now reported in the functional line items, rather than aggregated and reported in the "Increase (Decrease) in Fund Balance Reserves" line item.

Financial Policies

The Board of Supervisors has been guided by long standing financial policies and guidelines in the conduct of financial management. The governing statement of financial policy is contained within the *Ten Principles of Sound Financial Management.* Adopted by the Board of Supervisors in 1975 and amended as needed to address changing economic conditions and management practices, the *Ten Principles* have been reaffirmed and have guided each succeeding Board of Supervisors to establish strong fiscal management tools and practices. The *Ten Principles* provide for the integration of land use planning with capital and operating budgets; establish guidelines for the development of annual balanced budgets; stress the importance of maintaining positive cash balances; establish firm not to exceed limits to debt ratios; provide guidance on cash management, internal controls, and performance measurement; provide guidelines restricting the proliferation of underlying debt and use of moral obligations; and encourage the development of a diversified economy within the County.

Other policies and tools that have been designed to enhance the impact of the *Ten Principles* include annual adoption of budgetary guidelines, formal establishment of various expenditure, revenue and special purpose reserves, capital improvement planning guidelines, policies for risk management, guidelines for acceptance of grant awards, and planning for information technology. Various tools in active use by the County include the annual budget, the Capital Improvement Program, revenue and financial forecasts, and management initiatives such as a performance measurement program, a pay for performance management system, workforce planning and various information technology initiatives.

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 2003 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 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 the end of FY 2003, 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 2003, the County's average portfolio size (which includes investments in the General Fund, Special Revenue Funds and Enterprise Funds) was approximately $1.7 billion. The funds are invested in U.S. Treasury obligations, obligations of the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Association, bankers acceptances, commercial paper (rated A1/P1 or higher), certificates of deposit, money market mutual funds limited to Government Obligations, 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 Fund 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 Projects 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 1999 through FY 2003.

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

	Fiscal Year Ended June 30				
	1999	2000	2001	2002[2]	2003
General Property Taxes	$1,311,289	$1,336,728	$1,403,483	$1,516,094	$1,667,595
Other Local Taxes	317,893	343,197	360,365	360,263	373,594
Permits, Privilege Fees and Regulatory Licenses	32,874	33,654	31,908	28,609	27,781
Fines and Forfeitures	7,140	7,580	9,117	10,319	11,060
Revenue from the Use of Money and Property	45,970	51,479	57,367	28,212	21,463
Charges for Services & Recovered Costs	35,445	34,293	37,783	40,693	45,921
Intergovernmental	103,449	180,966	239,375	315,653	322,110
Miscellaneous	17	6,361	403	1,237	920
Transfers In and Beginning Fund Balance	94,842	100,796	114,170	110,289	130,931
Adjustment to Beginning Fund Balance	--	--	--	8,046[1]	--
Total	$1,948,919	$2,095,054	$2,253,971	$2,419,415	$2,601,375

Source: Comprehensive Annual Financial Reports for FY 1999-FY 2003.

1 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 funds which are now included in the General Fund: Gift Fund, Consolidated Community Funding Pool Fund, and Contributory Fund.

2 FY 2002 has been restated for comparison purposes to reflect gross activity in the Gift Fund (included in the General Fund effective FY 2002 - see footnote 1), rather than net activity.

General Fund Expenditures and Transfers
(in thousands)

	Fiscal Year Ended June 30				
	1999	2000	2001	2002[1]	2003
Transfer to School Operating Fund	$ 852,128	$ 897,413	$ 988,001	$ 1,079,912	$ 1,168,875
Costs of General County Government	746,337	820,403	877,488	945,879	1,008,151
Transfer to Debt Service Funds	177,649	184,072	189,918	203,539	213,694
Transfer to Capital Project Funds	14,607	23,360	21,996	7,507	7,006
Transfer to Metro Construction and Operations Fund	11,151	7,046	12,673	11,451	12,273
Other Transfers	47,715	50,283	58,259	44,334	37,919
Total	$1,849,587	$1,982,577	$2,148,335	$2,292,622	$2,447,918

Source: Comprehensive Annual Financial Reports for FY 1999-FY 2003.

1 FY 2002 has been restated for comparison purposes to reflect gross activity in the Gift Fund (included in the General Fund effective FY 2002), rather than net activity.

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 67.4% of total General Fund revenues in FY 2003. 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 75.3%. 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 2003 were $466.5 million comprised of $271.1 million paid by taxpayers and $195.4 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 15.1% of total General Fund revenues in FY 2003.

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 1.1% of total General Fund revenues for FY 2003.

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 2003.

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 0.9% of General Fund revenues in FY 2003.

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 1.9% of General Fund revenues in FY 2003.

Intergovernmental Revenue -- Intergovernmental revenue is comprised of revenue from the State and revenue from the Federal government. Revenues in this category represented 13.0% of General Fund revenues in FY 2003. 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 11.1% of total General Fund revenues in the fiscal year ended June 30, 2003. Excluding this reimbursement, revenue from this category represents 3.2% of General Fund revenue in FY 2003. 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 1.9% of General Fund revenues in FY 2003.

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 2003.

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 47.8% of total disbursements from the General Fund in the fiscal year ended June 30, 2003. The transfer to the School Operating Fund was approximately 75.9% 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 41.2% of total General Fund disbursements in FY 2003.

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 8.7% of total General Fund disbursements in FY 2003.

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 2003. 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 2003. 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 1.5% of total General Fund disbursements in FY 2003.

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 4.75 percent and 2.77 percent, respectively, over the FY 2003 Revised Budget

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 review thoroughly 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 4, 2003, County voters approved $290,610,000 of additional bonds to finance school facilities. Referenda totaling $412 million are planned for parks, libraries, transportation, and human services in 2004. An additional referendum of approximately $350 million in 2005 to finance school facilities is anticipated. The CIP for Fiscal Years 2005-2009 (with future Fiscal Years to 2014) has been submitted for public review and comment in conjunction with the FY 2005 budget. The proposed CIP provides $1.86 billion over the next five years from various sources for the continuing program as adopted by the Board in FY 2004. The County program includes new construction, renovation and renewal of school facilities, parks, housing development, revitalization, storm water management, public safety and courts, libraries, human services, solid waste, sewers and transportation. Significant capital construction activity totaling $2.18 billion is undertaken within the County of benefit to County residents, but not managed or funded directly by the County, including regional parks, state and federal transportation projects and water supply projects. The total capital construction activity planned within the county totals $4.05 billion over the next five years.

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 2003.

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.

Circular 230

On December 30, 2003, the United States Treasury Department proposed amendments to rules of practice before the Internal Revenue Service contained in Circular 230 ("Circular 230"). In general, Circular 230 requires a written identification, examination and consideration of all relevant facts related to material Federal tax issues with respect to tax shelters. The effect of the proposed amendments would be to remove the exemption from such requirements that presently exists in Circular 230 for obligations, such as the Bonds, the interest on which in the opinion of Bond Counsel, is excluded from gross income of the owners thereof for Federal income tax purposes.

On March 24, 2004, the United States Treasury Department and the Internal Revenue Service announced that any such proposed amendments to Circular 230 will not apply, if at all, to written advice concerning obligations, such as the Bonds, rendered less than 120 days after any such proposed amendments to Circular 230 go into effect. Consequently, Circular 230 will not apply to the opinion of Bond Counsel, the form of which appears as Appendix VI, delivered with respect to the Bonds.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Arlington, Virginia, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

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

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, 2002 and 2003 were timely made with each of the NRMSIRs.

APPROVAL OF OFFICIAL STATEMENT

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

BOARD OF SUPERVISORS OF
FAIRFAX COUNTY, VIRGINIA

By: /s/ Gerald E. Connolly, Chairman

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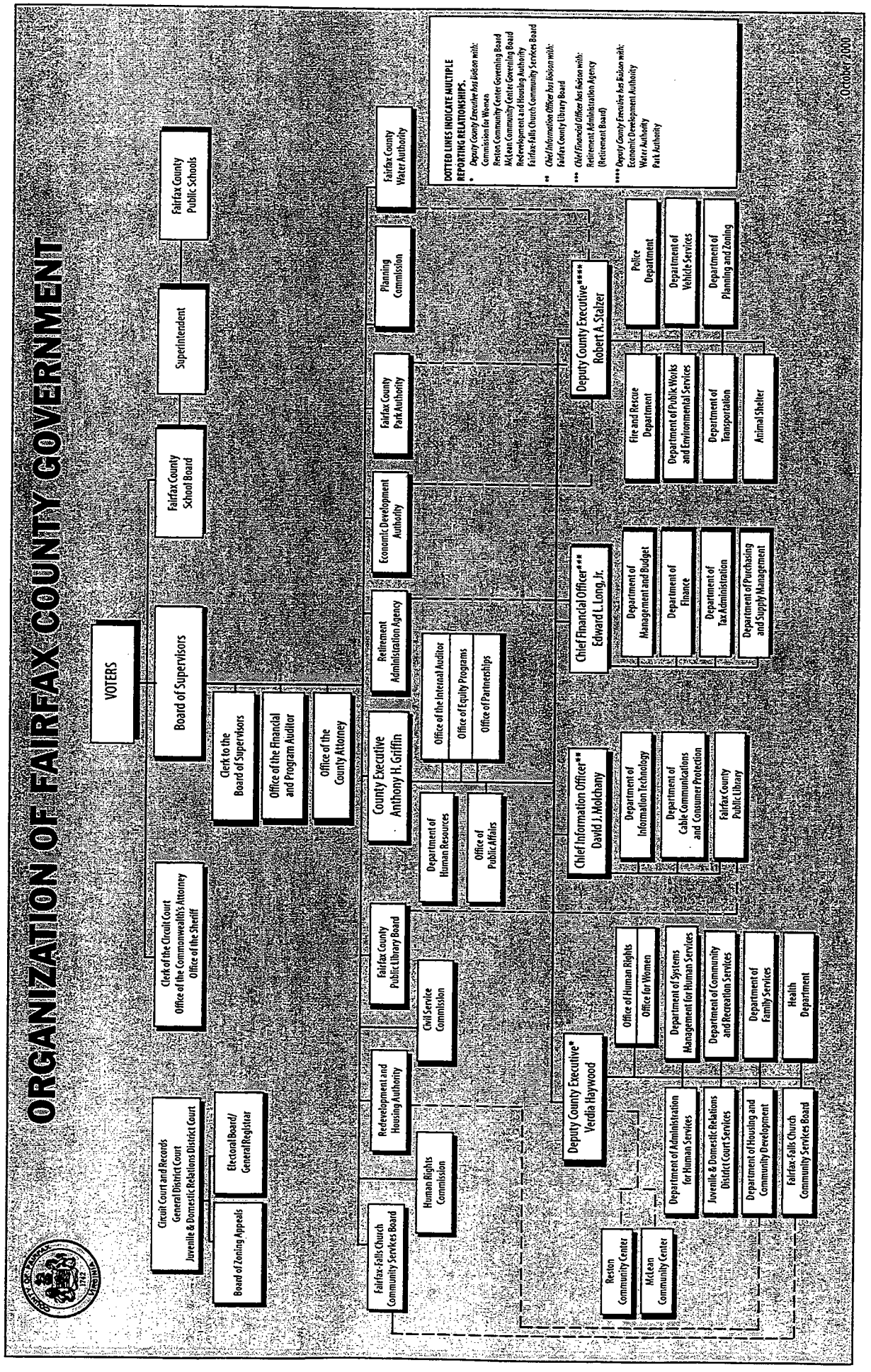
ORGANIZATION OF FAIRFAX COUNTY GOVERNMENT
VOTERS
Board of Supervisors
Clerk to the Board of Supervisors
Office of the Financial and Program Auditor
Office of the County Attorney
Fairfax County School Board
Superintendent
Fairfax County Public Schools
Circuit Court and Records
General District Court
Juvenile & Domestic Relations District Court
Electoral Board / General Registrar
Board of Zoning Appeals
Clerk of the Circuit Court
Office of the Commonwealth's Attorney
Office of the Sheriff
Fairfax-Falls Church Community Services Board
Human Rights Commission
Redevelopment and Housing Authority
Fairfax County Public Library Board
Civil Service Commission
Reston Community Center
McLean Community Center
Department of Administration for Human Services
Juvenile & Domestic Relations District Court Services
Department of Housing and Community Development
Fairfax-Falls Church Community Services Board
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
County Executive
Anthony H. Griffin
Department of Human Resources
Office of Public Affairs
Office of the Internal Auditor
Office of Equity Programs
Office of Partnerships
Retirement Administration Agency
Economic Development Authority
Fairfax County Park Authority
Planning Commission
Fairfax County Water Authority
Chief Information Officer**
David J. Molchany
Department of Information Technology
Department of Cable Communications and Consumer Protection
Fairfax County Public Library
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
Deputy County Executive****
Robert A. Stalzer
Fire and Rescue Department
Department of Public Works and Environmental Services
Department of Transportation
Animal Shelter
Police Department
Department of Vehicle Services
Department of Planning and Zoning
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
October 2000

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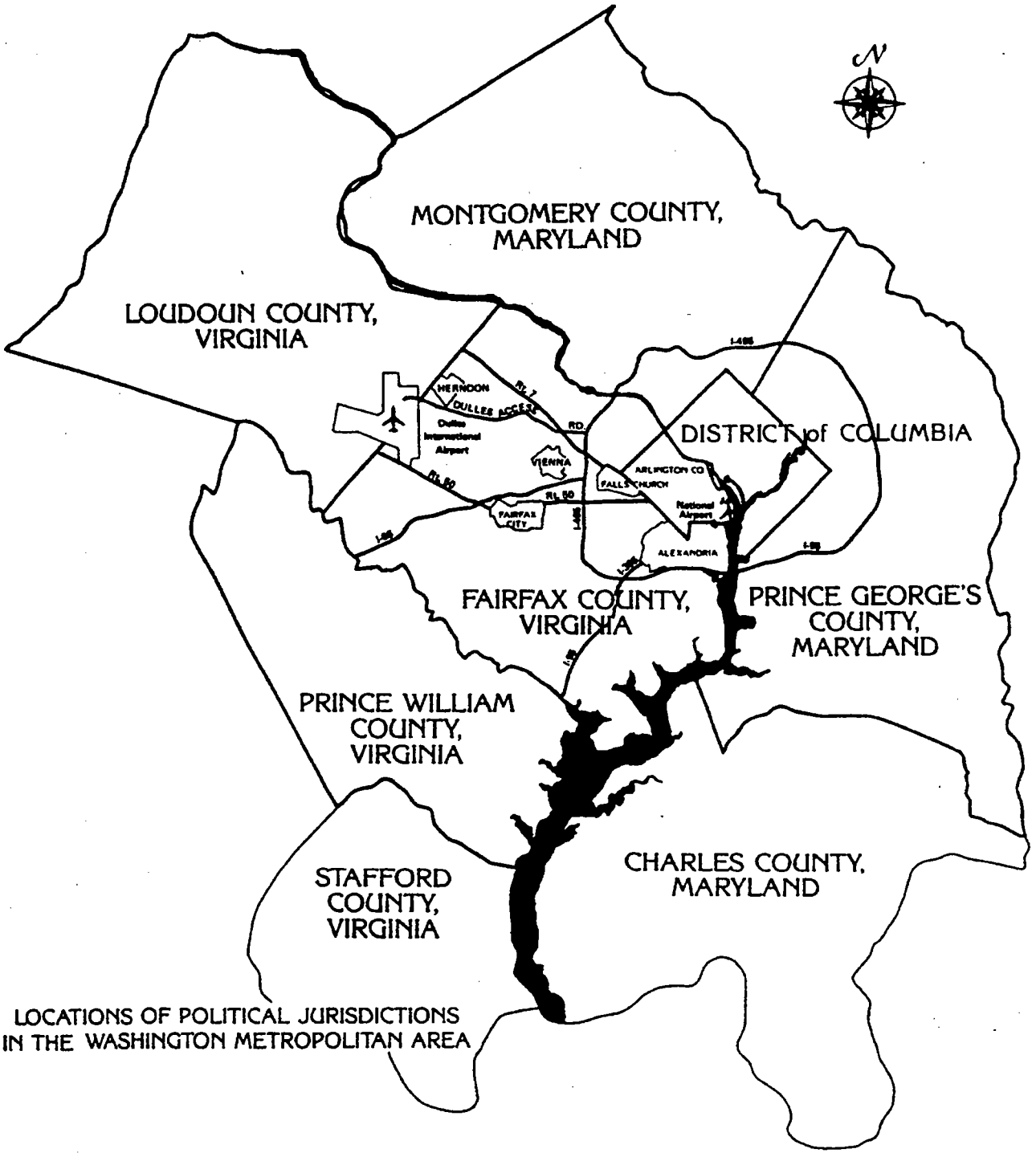

LOCATIONS OF POLITICAL JURISDICTIONS IN THE WASHINGTON METROPOLITAN AREA

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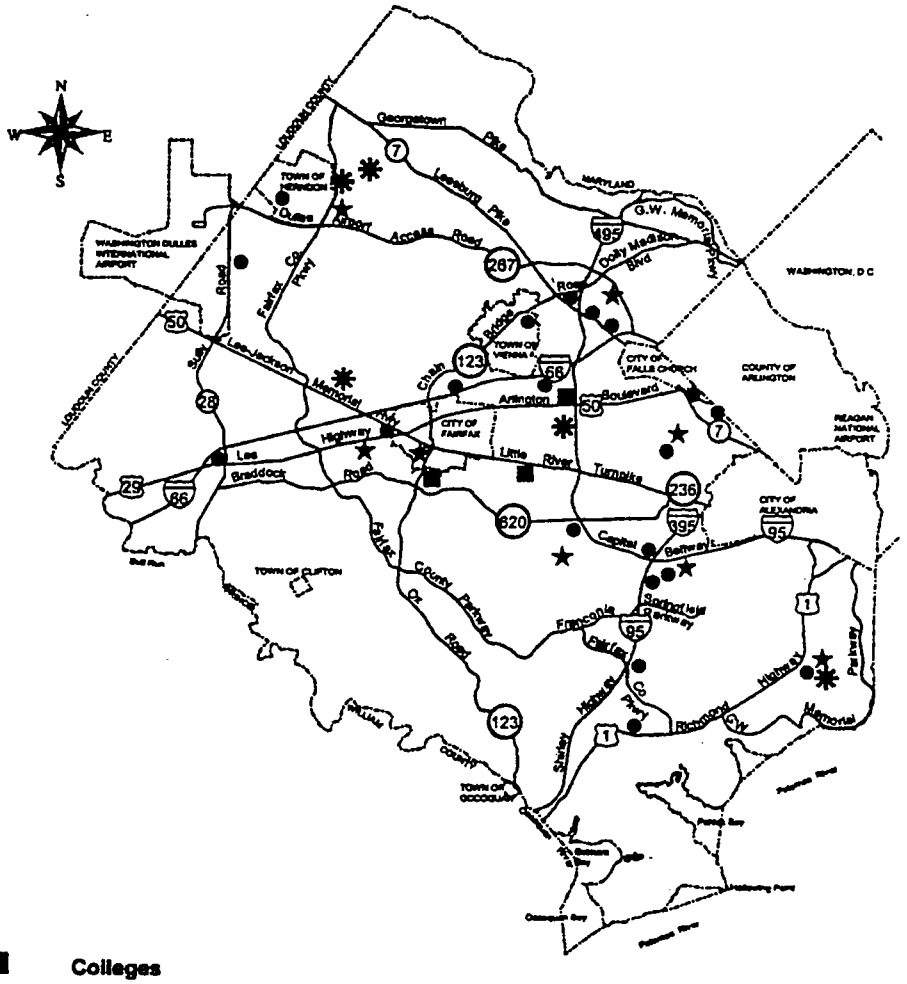

Colleges

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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KPMG LLP
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, 2003, which collectively comprise the County's basic financial statements. These basic financial statements are the responsibility of the County of Fairfax's management. Our responsibility is to express opinions 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 2.26% and .28%, 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. Those standards 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 the FCRHA were audited in accordance with auditing standards generally accepted in the United States of America. 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 31, 2003

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	Primary Government
ASSETS			
Equity in pooled cash and temporary investments	$ 693,718,244	79,253,749	772,971,993
Cash in banks	-	-	-
Investments	-	22,998,597	22,998,597
Receivables (net of allowances):			
Accounts	24,531,053	-	24,531,053
Accrued interest	654,976	61,091	716,067
Property taxes:			
Delinquent	19,492,398	-	19,492,398
Not yet due	1,704,872,746	-	1,704,872,746
Business license taxes - delinquent	2,151,125	-	2,151,125
Loans	15,530,000	-	15,530,000
Notes	4,960,234	-	4,960,234
Other	15,152	-	15,152
Due from intergovernmental units (net of allowances):			
Property tax relief:			
Delinquent	6,507,178	-	6,507,178
Not yet due	176,163,000	-	176,163,000
Other	40,497,443	19,093,271	59,590,714
Due from primary government	-	-	-
Due from component units	1,765,166	-	1,765,166
Interfund receivables	168,664	(168,664)	-
Inventories of supplies	3,021,255	327,813	3,349,068
Other assets	1,581,400	1,549	1,582,949
Restricted assets:			
Equity in pooled cash and temporary investments	41,871,927	140,853,415	182,725,342
Cash with fiscal agents	1,737,032	-	1,737,032
Certificates of deposit - performance bonds	821,199	-	821,199
Investments	76,326,342	24,767,970	101,094,312
Land held for sale	-	-	-
Capital assets:			
Non-depreciable:			
Land	327,546,804	17,511,358	345,058,162
Construction in progress	21,741,560	128,723,901	150,465,461
Depreciable:			
Equipment	223,426,139	9,951,322	233,377,461
Library collections	39,451,246	-	39,451,246
Purchased capacity	-	568,080,954	568,080,954
Buildings and improvements	785,439,035	749,795,061	1,535,234,096
Infrastructure	415,525,167	-	415,525,167
Accumulated depreciation	(458,710,126)	(316,660,990)	(775,371,116)
Accumulated amortization	-	(53,575,391)	(53,575,391)
Deferred bond issuance costs (net of amortization)	1,743,105	1,044,849	2,787,954
Total assets	$ 4,172,549,464	1,392,059,855	5,564,609,319

See accompanying notes to the financial statements.

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
			ASSETS
290,846,269	-	1,063,818,262	Equity in pooled cash and temporary investments
7,057,118	-	7,057,118	Cash in banks
-	-	22,998,597	Investments
			Receivables (net of allowances):
12,253,343	-	36,784,396	Accounts
76,768	-	792,835	Accrued interest
			Property taxes:
-	-	19,492,398	Delinquent
-	-	1,704,872,746	Not yet due
-	-	2,151,125	Business license taxes - delinquent
		15,530,000	Loans
8,295,701	-	13,255,935	Notes
462,918	-	478,070	Other
			Due from intergovernmental units (net of allowances):
			Property tax relief:
-	-	6,507,178	Delinquent
-	-	176,163,000	Not yet due
30,799,528	-	90,390,242	Other
6,730,339	-	6,730,339	Due from primary government
-	-	1,765,166	Due from component units
-	-	-	Interfund receivables
4,563,916	-	7,912,984	Inventories of supplies
618,716	-	2,201,665	Other assets
			Restricted assets:
15,225,912	-	197,951,254	Equity in pooled cash and temporary investments
10,145,396	-	11,882,428	Cash with fiscal agents
652,676	-	1,473,875	Certificates of deposit - performance bonds
18,015,174	-	119,109,486	Investments
2,595,172	-	2,595,172	Land held for sale
			Capital assets:
			Non-depreciable:
331,133,123	-	676,191,285	Land
309,594,921	-	460,060,382	Construction in progress
			Depreciable:
152,484,434	-	385,861,895	Equipment
24,385,069	-	63,836,315	Library collections
-	-	568,080,954	Purchased capacity
1,904,795,887	-	3,440,029,983	Buildings and improvements
-	-	415,525,167	Infrastructure
(780,680,207)	-	(1,556,051,323)	Accumulated depreciation
-	-	(53,575,391)	Accumulated amortization
478,298	-	3,266,252	Deferred bond issuance costs (net of amortization)
2,350,530,471	-	7,915,139,790	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2003

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
LIABILITIES			
Accounts payable and accrued liabilities	$ 46,758,918	6,441,861	53,200,779
Accrued salaries and benefits	28,142,846	659,991	28,802,837
Contract retainages	2,610,056	3,737,361	6,347,417
Accrued interest payable	9,545,799	4,462,321	14,008,120
Due to primary government	-	-	-
Due to component units	1,866,247	-	1,866,247
Matured bond principal and interest payable	174,455	-	174,455
Deferred revenue:			
Property taxes not yet due	1,905,968,500	-	1,905,968,500
Other	31,155,471	-	31,155,471
Performance and other deposits	73,063,597	-	73,063,597
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds payable, net	136,011,870	-	136,011,870
Revenue bonds payable, net	4,553,476	11,777,985	16,331,461
Notes payable	-	-	-
Compensated absences payable	47,010,116	1,149,396	48,159,512
Landfill closure and postclosure obligation	25,357,048	-	25,357,048
Obligations under capital leases	8,234,068	-	8,234,068
Insurance and benefit claims payable	14,721,454	-	14,721,454
Other	2,842,789	-	2,842,789
Portion due or payable after one year:			
General obligation bonds payable, net	1,464,798,886	-	1,464,798,886
Revenue bonds payable, net	173,692,445	461,633,057	635,325,502
Notes payable	-	-	-
Compensated absences payable	28,812,652	704,468	29,517,120
Landfill closure and postclosure obligation	37,379,250	-	37,379,250
Obligations under capital leases	37,904,218	-	37,904,218
Insurance and benefit claims payable	13,618,677	-	13,618,677
Other	7,841,477	-	7,841,477
Total liabilities	4,102,064,315	490,566,440	4,592,630,755
NET ASSETS			
Invested in capital assets, net of related debt	932,499,218	651,624,011	1,584,123,229
Restricted for:			
Grant programs	5,976,956	-	5,976,956
Sewer improvements and nitrification facilities	-	134,216,343	134,216,343
Repair and replacement	-	-	-
Community centers	5,152,731	-	5,152,731
Housing	-	-	-
Capital projects	18,200,000	-	18,200,000
Debt service	-	10,196,204	10,196,204
Unrestricted (deficit)	(891,343,756)	105,456,857	(785,886,899)
Total net assets	$ 70,485,149	901,493,415	971,978,564

See accompanying notes to the financial statements.

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
			LIABILITIES
49,554,037	-	102,754,816	Accounts payable and accrued liabilities
75,249,165	-	104,052,002	Accrued salaries and benefits
9,973,632	-	16,321,049	Contract retainages
521,250		14,529,370	Accrued interest payable
1,765,166	-	1,765,166	Due to primary government
-	-	1,866,247	Due to component units
-	-	174,455	Matured bond principal and interest payable
			Deferred revenue:
-	-	1,905,968,500	Property taxes not yet due
12,014,572	-	43,170,043	Other
1,345,858	-	74,409,455	Performance and other deposits
			Long-term liabilities:
			Portion due or payable within one year:
-	-	136,011,870	General obligation bonds payable, net
790,154	-	17,121,615	Revenue bonds payable, net
24,806,356	-	24,806,356	Notes payable
17,314,095	-	65,473,607	Compensated absences payable
-	-	25,357,048	Landfill closure and postclosure obligation
9,647,165	-	17,881,233	Obligations under capital leases
21,400,318	-	36,121,772	Insurance and benefit claims payable
133,945	-	2,976,734	Other
			Portion due or payable after one year:
-	-	1,464,798,886	General obligation bonds payable, net
24,025,202	-	659,350,704	Revenue bonds payable, net
56,277,744	-	56,277,744	Notes payable
11,014,536	-	40,531,656	Compensated absences payable
-	-	37,379,250	Landfill closure and postclosure obligation
18,331,888	-	56,236,106	Obligations under capital leases
10,741,077	-	24,359,754	Insurance and benefit claims payable
17,074,839	-	24,916,316	Other
361,980,999	-	4,954,611,754	Total liabilities
			NET ASSETS
1,840,784,373	(1,044,623,708)	2,380,283,894	Invested in capital assets, net of related debt
			Restricted for:
-	-	5,976,956	Grant programs
-	-	134,216,343	Sewer improvements and nitrification facilities
700,000	-	700,000	Repair and replacement
-	-	5,152,731	Community centers
10,821,684	-	10,821,684	Housing
14,525,912	(14,525,912)	18,200,000	Capital projects
1,058,230	-	11,254,434	Debt service
120,659,273	1,059,149,620	393,921,994	Unrestricted (deficit)
1,988,549,472	-	2,960,528,036	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Statement of Activities
For the fiscal year ended June 30, 2003

		Program Revenues		
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government administration	$ 118,511,161	5,112,194	1,941,377	-
Judicial administration	35,243,062	15,968,676	20,762,866	-
Public safety	414,698,922	34,072,120	35,205,772	2,540,565
Public works	132,457,898	66,543,218	9,687,204	14,673,013
Health and welfare	383,744,665	43,281,914	129,981,338	-
Community development	134,530,817	29,420,854	5,210,353	12,345,534
Parks, recreation, and cultural	118,518,084	6,051,431	1,142,845	-
Education - for Public Schools	1,308,402,963	-	-	3,051,984
Interest on long-term debt	81,994,507	-	-	-
Total governmental activities	2,728,102,079	200,450,407	203,931,755	32,611,096
Business-type activities:				
Public works - Sewer	126,953,197	108,149,558	-	7,244,852
Total business-type activities	126,953,197	108,149,558	-	7,244,852
Total primary government	2,855,055,276	308,599,965	203,931,755	39,855,948
Component units:				
Public Schools	1,658,519,296	77,510,685	102,397,834	4,681,750
Redevelopment and Housing Authority	63,365,305	19,058,739	37,604,475	3,012,835
Park Authority	63,500,701	27,165,350	-	92,797
Economic Development Authority	7,035,177	-	-	-
Total component units	$ 1,792,420,479	123,734,774	140,002,309	7,787,382

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
- Revenue from primary government
- Other

Special item - gain on sale of land
Total general revenues and special item
Change in net assets
Net assets, July 1, 2002
Net assets, June 30, 2003

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government				
Governmental Activities	Business-Type Activities	Total Primary Government	Total Component Units	**Functions/Programs**
				Primary government:
				Governmental activities:
(111,457,590)	-	(111,457,590)	-	General government administration
1,488,480	-	1,488,480	-	Judicial administration
(342,880,465)	-	(342,880,465)	-	Public safety
(41,554,463)	-	(41,554,463)	-	Public works
(210,481,413)	-	(210,481,413)	-	Health and welfare
(87,554,076)	-	(87,554,076)	-	Community development
(111,323,808)	-	(111,323,808)	-	Parks, recreation, and cultural
(1,305,350,979)	-	(1,305,350,979)	-	Education - for Public Schools
(81,994,507)	-	(81,994,507)	-	Interest on long-term debt
(2,291,108,821)	-	(2,291,108,821)	-	Total governmental activities
				Business-type activities:
-	(11,558,787)	(11,558,787)	-	Public works - Sewer
-	(11,558,787)	(11,558,787)	-	Total business-type activities
(2,291,108,821)	(11,558,787)	(2,302,667,608)	-	Total primary government
				Component units:
-	-	-	(1,473,929,027)	Public Schools
-	-	-	(3,689,256)	Redevelopment and Housing Authority
-	-	-	(36,242,554)	Park Authority
-	-	-	(7,035,177)	Economic Development Authority
-	-	-	(1,520,896,014)	Total component units
				General revenues:
				Taxes:
1,396,210,347	-	1,396,210,347	-	Real property
273,447,219	-	273,447,219	-	Personal property
94,744,725	-	94,744,725	-	Business licenses
143,641,853	-	143,641,853	-	Local sales and use
85,892,727	-	85,892,727	-	Consumers utility
19,052,623	-	19,052,623	-	Motor vehicle decals
27,044,633	-	27,044,633	-	Recordation
17,788,607	-	17,788,607	-	Occupancy, tobacco, and other
197,619,418	-	197,619,418	281,543,994	Grants and contributions not restricted to specific programs
21,841,712	4,365,535	26,207,247	1,226,913	Revenue from the use of money and property
-	-	-	4,773,038	Share of Commonwealth's lottery proceeds
-	-	-	1,362,783,747	Revenue from primary government
-	-	-	9,666,618	Other
17,560,640	-	17,560,640	-	Special item - gain on sale of land
2,294,844,504	4,365,535	2,299,210,039	1,659,994,310	Total general revenues and special item
3,735,683	(7,193,252)	(3,457,569)	139,098,296	Change in net assets
66,749,466	908,686,667	975,436,133	1,849,451,176	Net assets, July 1, 2002
$ 70,485,149	901,493,415	971,978,564	1,988,549,472	Net assets, June 30, 2003

COUNTY OF FAIRFAX, VIRGINIA **EXHIBIT A-2**

Balance Sheet
Governmental Funds
June 30, 2003

		General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and temporary investments	$	254,375,448	358,682,305	613,057,753
Receivables (net of allowances):				
Accounts		13,296,926	11,095,215	24,392,141
Accrued interest		354,009	290,306	644,315
Property taxes:				
Delinquent		19,492,398	-	19,492,398
Not yet due		1,704,872,746	-	1,704,872,746
Business license taxes - delinquent		2,151,125	-	2,151,125
Loans		-	15,530,000	15,530,000
Notes		-	4,960,234	4,960,234
Due from intergovernmental units (net of allowances):				
Property tax relief:				
Delinquent		6,507,178	-	6,507,178
Not yet due		176,163,000	-	176,163,000
Other		25,561,939	14,935,504	40,497,443
Due from component units		173,463	1,591,703	1,765,166
Interfund receivables		3,658,653	-	3,658,653
Inventories of supplies		1,420,320	-	1,420,320
Other assets		53,900	47,771	101,671
Restricted assets:				
Equity in pooled cash and temporary investments		-	41,871,927	41,871,927
Cash with fiscal agents		584,032	966,000	1,550,032
Certificates of deposit - performance bonds		821,199	-	821,199
Investments		-	76,326,342	76,326,342
Total assets	$	2,209,486,336	526,297,307	2,735,783,643
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$	26,425,211	16,256,815	42,682,026
Accrued salaries and benefits		22,920,261	4,468,058	27,388,319
Contract retainages		-	2,610,056	2,610,056
Accrued interest payable		-	1,028,167	1,028,167
Due to component units		1,771,310	94,937	1,866,247
Interfund payables		-	3,583,846	3,583,846
Matured bond principal and interest payable		-	174,455	174,455
Deferred revenue:				
Property taxes not yet due		1,905,968,500	-	1,905,968,500
Other		36,249,111	33,422,341	69,671,452
Performance and other deposits		62,694,830	10,368,767	73,063,597
Total liabilities		2,056,029,223	72,007,442	2,128,036,665
Fund balances:				
Reserved for:				
Encumbrances		19,032,301	43,501,693	62,533,994
Inventories of supplies		1,420,320	-	1,420,320
Long-term receivables		-	20,490,234	20,490,234
Certain capital projects		-	103,220,585	103,220,585
Unreserved, reported in:				
General fund		133,004,492	-	133,004,492
Special revenue funds		-	181,380,468	181,380,468
Debt service funds		-	16,897,074	16,897,074
Capital projects funds		-	88,799,811	88,799,811
Total fund balances		153,457,113	454,289,865	607,746,978
Total liabilities and fund balances	$	2,209,486,336	526,297,307	2,735,783,643

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, 2003

EXHIBIT A-2
concluded

Fund balances - Total governmental funds		$ 607,746,978
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	$ 325,608,116	
Construction in progress	21,741,560	
Depreciable assets:		
Equipment	161,821,164	
Library collections	39,451,246	
Buildings and improvements	769,836,885	
Infrastructure	415,525,167	
Total capital assets	1,733,984,138	
Less accumulated depreciation	(412,297,905)	1,321,686,233
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	$ 24,685,111	
Business license	2,156,644	
Sales and use taxes	11,202,423	
Other	471,803	38,515,981
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in the funds.		1,478,423
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.		1,743,105
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	$ 82,898,394	
Capital assets	79,145,813	
Less accumulated depreciation	(46,412,221)	
Liabilities	(36,025,203)	79,606,783
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 payable, net	$ (1,600,810,756)	
Revenue bonds payable, net	(178,245,921)	
Compensated absences payable	(73,159,195)	
Landfill closure and postclosure obligation	(62,736,298)	
Obligations under capital leases	(46,138,286)	
Other	(10,684,266)	
Accrued interest on long-term debt	(8,517,632)	(1,980,292,354)
Net assets of governmental activities		$ 70,485,149

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, 2003

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 2,041,189,079	13,595,615	2,054,784,694
Permits, privilege fees, and regulatory licenses	27,781,451	10,843,786	38,625,237
Intergovernmental	322,110,298	93,649,463	415,759,761
Charges for services	40,647,654	116,956,434	157,604,088
Fines and forfeitures	11,059,673	6,200	11,065,873
Developers' contributions	-	5,758,057	5,758,057
Revenue from the use of money and property	21,462,491	3,873,664	25,336,155
Recovered costs	5,273,489	7,207,526	12,481,015
Local matching grants	-	7,597,376	7,597,376
Gifts, donations, and contributions	920,120	294,383	1,214,503
Total revenues	2,470,444,255	259,782,504	2,730,226,759
EXPENDITURES			
Current:			
General government administration	94,946,860	13,965,809	108,912,669
Judicial administration	32,445,476	1,642,065	34,087,541
Public safety	374,718,524	30,875,394	405,593,918
Public works	58,241,853	98,889,251	157,131,104
Health and welfare	237,431,727	143,083,415	380,515,142
Community development	49,793,866	72,271,160	122,065,026
Parks, recreation, and cultural	72,052,471	37,467,072	109,519,543
Education - for Public Schools	1,168,875,267	138,097,076	1,306,972,343
Capital outlay:			
General government administration	241,482	2,194,716	2,436,198
Judicial administration	6,997	411,944	418,941
Public safety	2,734,567	20,820,903	23,555,470
Public works	206,676	3,846,477	4,053,153
Health and welfare	78,573	1,603,049	1,681,622
Community development	21,407	9,912,626	9,934,033
Parks, recreation, and cultural	6,153,375	4,578,204	10,731,579
Education - for Public Schools	-	1,873,190	1,873,190
Debt service:			
Principal retirement	929,360	139,634,724	140,564,084
Interest and other charges	233,385	81,716,065	81,949,450
Total expenditures	2,099,111,866	802,883,140	2,901,995,006
Excess (deficiency) of revenues over (under) expenditures	371,332,389	(543,100,636)	(171,768,247)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,925,732	351,542,120	355,467,852
Transfers out	(349,294,037)	(6,373,815)	(355,667,852)
General obligation bonds issued	-	206,884,788	206,884,788
Lease revenue bonds issued	-	75,625,920	75,625,920
Capital leases	487,929	1,077,364	1,565,293
Refunding bonds issued	-	183,893,333	183,893,333
Payments to refunded bond escrow agent	-	(183,541,600)	(183,541,600)
Total other financing sources (uses)	(344,880,376)	629,108,110	284,227,734
SPECIAL ITEM			
Proceeds from the sale of land	-	18,200,000	18,200,000
Net change in fund balances	26,452,013	104,207,474	130,659,487
Fund balances, July 1, 2002	126,793,442	350,082,391	476,875,833
Increase in reserve for inventories of supplies	211,658	-	211,658
Fund balances, June 30, 2003	$ 153,457,113	454,289,865	607,746,978

See accompanying notes to the financial statements.

continued

COUNTY OF FAIRFAX, VIRGINIA **EXHIBIT A-3**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances concluded

to the Statement of Activities

Governmental Funds

For the fiscal year ended June 30, 2003

Net change in fund balances - Total governmental funds		$ 130,659,487
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 capital assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 54,684,186	
Less depreciation expense	(54,276,383)	407,803
In the statement of activities, the gain or 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.		(6,702,888)
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.		17,568,039
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	$ 2,062,788	
Business license	(262,260)	
Sales and use taxes and other taxes	1,237,512	
Recovery from contractor	(2,000,000)	
Other	89,798	1,127,838
The issuance of long-term debt is 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 statement of net assets and does not affect the statement of activities. The following were issued:		
Series 2003A Refunding Bonds	$ (183,893,333)	
Series 2003B General Obligation Bonds	(206,884,788)	
EDA Lease Revenue Bonds - Laurel Hill Projects	(75,625,920)	
Principal amounts of new capital leases	(1,565,293)	(467,969,334)
The net amount of 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.		913,112
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 and loans	$ 134,179,425	
Payment to escrow agent to refund bonds, less $1,307,225 reported as interest expense	182,234,375	
Principal payments of capital leases	6,384,659	322,798,459
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 and loans	$ (166,906)	
Accrued interest on capital leases	118,358	
Other	307,806	259,258
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	$ 3,033,434	
Compensated absences	(3,010,289)	
Other	(1,700,380)	(1,677,235)
Internal service funds are used by management to provide certain goods and services to governmental funds. The change in net assets is reported with governmental activities.		6,351,144
Change in net assets of governmental activities		$ 3,735,683

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Equity in pooled cash and temporary investments	$ 79,253,749	80,660,491
Investments	19,298,597	-
Accounts receivable	-	138,912
Accrued interest receivable	61,091	10,661
Due from intergovernmental units (net of allowance)	19,093,271	-
Interfund receivables	-	299,089
Inventories of supplies	327,813	1,600,935
Other assets	1,549	1,306
Total current assets	118,036,070	82,711,394
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and temporary investments	140,853,415	-
Cash with fiscal agents	-	187,000
Investments	24,767,970	-
Total restricted assets	165,621,385	187,000
Capital assets:		
Land	17,511,358	1,938,688
Construction in progress	128,723,901	-
Equipment	9,951,322	61,604,975
Purchased capacity	568,080,954	-
Buildings and improvements	749,795,061	15,602,150
Accumulated depreciation	(316,660,990)	(46,412,221)
Accumulated amortization	(53,575,391)	-
Total capital assets, net	1,103,826,215	32,733,592
Other noncurrent assets:		
Investments	3,700,000	-
Deferred bond issuance costs (net of amortization)	1,044,849	-
Total other noncurrent assets	4,744,849	-
Total noncurrent assets	1,274,192,449	32,920,592
Total assets	$ 1,392,228,519	115,631,986

See accompanying notes to the financial statements.

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,441,861	4,076,892
Accrued salaries and benefits	659,991	754,527
Contract retainages	3,737,361	-
Interfund payables	168,664	190,080
Accrued interest payable	4,462,321	-
Revenue bonds payable, net	11,777,985	-
Compensated absences payable	1,149,396	1,651,415
Insurance and benefit claims payable	-	14,721,454
Total current liabilities	28,397,579	21,394,368
Noncurrent liabilities:		
Revenue bonds payable, net	461,633,057	-
Compensated absences payable	704,468	1,012,158
Insurance and benefit claims payable	-	13,618,677
Total noncurrent liabilities	462,337,525	14,630,835
Total liabilities	490,735,104	36,025,203
NET ASSETS		
Invested in capital assets, net of related debt	651,624,011	32,733,592
Restricted for:		
Sewer improvements and nitrification facilities	134,216,343	-
Debt service	10,196,204	-
Unrestricted	105,456,857	46,873,191
Total net assets	$ 901,493,415	79,606,783

COUNTY OF FAIRFAX, VIRGINIA **EXHIBIT A-5**

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2003

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Sales of services	$ 81,506,869	-
Charges for services	-	140,333,558
Other	-	172,504
Total operating revenues	81,506,869	140,506,062
OPERATING EXPENSES:		
Personnel services	18,666,356	21,123,809
Materials and supplies	11,649,401	3,029,100
Equipment operation and maintenance	-	31,622,292
Risk financing and benefit payments	-	63,467,509
Depreciation and amortization	32,043,471	9,209,347
Professional consultant and contractual services	40,262,876	6,396,452
Other	-	142,696
Total operating expenses	102,622,104	134,991,205
Operating income (loss)	(21,115,235)	5,514,857
NONOPERATING REVENUES (EXPENSES):		
Availability fees	26,642,689	-
Intergovernmental revenue	481,255	-
Interest revenue	4,319,270	382,669
Interest expense	(24,251,996)	-
Amortization expense for bond issuance costs	(79,097)	-
Gain on disposal of capital assets	46,265	253,618
Total nonoperating revenues (expenses)	7,158,386	636,287
Income (loss) before contributions and transfers	(13,956,849)	6,151,144
Capital contributions	6,763,597	-
Transfers in	-	1,900,000
Transfers out	-	(1,700,000)
Change in net assets	(7,193,252)	6,351,144
Total net assets, July 1, 2002	908,686,667	73,255,639
Total net assets, June 30, 2003	$ 901,493,415	79,606,783

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA **EXHIBIT A-6**

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2003

	Business-Type Activities - Enterprise Fund Integrated Sewer System	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 81,044,506	-
Receipts from interfund services provided	-	140,567,144
Payments to suppliers and contractors	(50,555,642)	(14,244,248)
Payments to employees	(18,535,324)	(21,008,575)
Claims and benefits paid	-	(60,776,340)
Payments for interfund services used	-	(25,349,452)
Net cash provided by operating activities	11,953,540	19,188,529
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of loan to General Fund	-	(630,809)
Transfers to other funds	-	(1,700,000)
Transfers from other funds	-	1,900,000
Net cash used by noncapital financing activities	-	(430,809)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Availability fees received	26,642,689	-
Intergovernmental revenue received	481,255	-
Principal payments on sewer revenue bonds	(10,249,204)	-
Interest payments on sewer revenue bonds	(23,457,465)	-
Proceeds from sale of capital assets	49,604	780,541
Purchase of capital assets, other than purchased capacity	(14,368,789)	(9,237,271)
Acquisition of purchased capacity	(30,215,213)	-
Net cash used by capital and related financing activities	(51,117,123)	(8,456,730)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of restricted investments (net)	(954,652)	-
Purchases of investments (net)	(1,069,000)	-
Interest received	4,370,577	387,907
Net cash provided by investing activities	2,346,925	387,907
Net increase (decrease) in cash and cash equivalents	(36,816,658)	10,688,897
Cash and cash equivalents, July 1, 2002	256,923,822	69,971,594
Cash and cash equivalents, June 30, 2003	$ 220,107,164	80,660,491
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (21,115,235)	5,514,857
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	32,043,471	9,209,347
Change in assets and liabilities:		
Decrease in accounts receivable	-	172,538
(Increase) in intergovernmental receivables	(460,815)	-
(Increase) in interfund receivables	-	(111,452)
Decrease in inventories of supplies	175,095	834,302
(Increase) in other assets	(1,549)	(1,081)
Increase in accounts payable and accrued liabilities	1,223,247	3,437,121
Increase in accrued salaries and benefits	89,326	86,633
Increase in interfund payables	-	46,264
Total adjustments to operating income (loss)	33,068,775	13,673,672
Net cash provided by operating activities	$ 11,953,540	19,188,529
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines and manholes	$ 6,763,597	-
Increase in fair value of investments	353,957	-

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2003

EXHIBIT A-7

		Pension Trust Funds		Agency Funds
ASSETS				
Equity in pooled cash and temporary investments	$	10,185,689		2,528,980
Cash collateral for securities lending		230,557,553		-
Accounts receivable		2,279,307		76,225
Accrued interest and dividends receivable		12,263,652		793
Receivable from sale of pension investments		67,179,361		-
Investments, at fair value		3,073,812,051		38,225,793
Equipment		-		2,273,200
Total assets		3,396,277,613	$	43,104,991
LIABILITIES				
Accounts payable and accrued liabilities		4,630,680		139,909
Accrued salaries and benefits		46,730		-
Payable for purchase of pension investments		131,666,204		-
Liabilities for collateral received under securities lending agreements		230,557,553		-
Liabilities under reimbursement agreements		-		41,952,139
Interfund payable		10,800		4,352
Obligations under capital leases		-		1,008,591
Total liabilities		366,911,967	$	43,104,991
NET ASSETS				
Held in trust for pension benefits	$	3,029,365,646		

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA **EXHIBIT A-8**

Statement of Changes in Plan Net Assets
Pension Trust Funds
For the fiscal year ended June 30, 2003

		Pension Trust Funds
ADDITIONS		
Contributions:		
Employer	$	67,934,751
Plan members		41,887,319
Total contributions		109,822,070
Investment income:		
From investment activities:		
Net appreciation in fair value of investments		55,534,960
Interest		75,664,963
Dividends		27,707,560
Total income from investment activities		158,907,483
Less investment activities expenses:		
Management fees		11,905,221
Other		1,350,316
Total investment activities expenses		13,255,537
Net income from investment activities		145,651,946
From securities lending activities:		
Securities lending income		3,028,684
Less securities lending expenses:		
Borrower rebates		2,156,843
Management fees		258,289
Total securities lending activities expenses		2,415,132
Net income from securities lending activities		613,552
Net investment income		146,265,498
Total additions		256,087,568
DEDUCTIONS		
Benefits		129,109,755
Refunds of contributions		4,210,215
Administrative expenses		1,279,581
Total deductions		134,599,551
Net increase		121,488,017
Net assets, July 1, 2002		2,907,877,629
Net assets, June 30, 2003	$	3,029,365,646

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2003

	Public Schools	Redevelopment and Housing Authority	Park Authority
ASSETS			
Equity in pooled cash and temporary investments	$ 255,490,249	20,147,838	15,208,182
Cash in banks	-	7,057,118	-
Receivables (net of allowances):			
Accounts	252,529	11,955,680	45,134
Accrued interest	42,131	30,655	3,982
Notes	-	8,295,701	-
Other	-	462,918	-
Due from intergovernmental units	30,799,528	-	-
Due from primary government	5,035,364	-	1,503,003
Inventories of supplies	4,563,916	-	-
Other assets	-	618,716	-
Restricted assets:			
Equity in pooled cash and temporary investments	-	-	15,225,912
Cash with fiscal agents	-	10,145,396	-
Certificates of deposit - performance bonds	-	652,676	-
Investments	-	190,148	17,825,026
Land held for sale	-	2,595,172	-
Capital assets:			
Non-depreciable:			
Land	46,818,517	31,963,418	252,351,188
Construction in progress	291,484,223	2,674,619	15,436,079
Depreciable:			
Equipment	137,821,169	2,689,740	11,959,963
Library collections	24,385,069	-	-
Buildings and improvements	1,574,799,966	148,731,021	181,264,900
Accumulated depreciation	(611,742,783)	(67,625,003)	(101,305,726)
Deferred bond issuance costs (net of amortization)	-	-	478,298
Total assets	$ 1,759,749,878	180,585,813	409,995,941

See accompanying notes to the financial statements.

Economic Development Authority	Total Component Units	
		ASSETS
-	290,846,269	Equity in pooled cash and temporary investments
-	7,057,118	Cash in banks
		Receivables (net of allowances):
-	12,253,343	Accounts
-	76,768	Accrued interest
-	8,295,701	Notes
-	462,918	Other
-	30,799,528	Due from intergovernmental units
191,972	6,730,339	Due from primary government
-	4,563,916	Inventories of supplies
-	618,716	Other assets
		Restricted assets:
-	15,225,912	Equity in pooled cash and temporary investments
-	10,145,396	Cash with fiscal agents
-	652,676	Certificates of deposit - performance bonds
-	18,015,174	Investments
-	2,595,172	Land held for sale
		Capital assets:
		Non-depreciable:
-	331,133,123	Land
-	309,594,921	Construction in progress
		Depreciable:
13,562	152,484,434	Equipment
-	24,385,069	Library collections
-	1,904,795,887	Buildings and improvements
(6,695)	(780,680,207)	Accumulated depreciation
-	478,298	Deferred bond issuance costs (net of amortization)
198,839	2,350,530,471	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2003

	Public Schools	Redevelopment and Housing Authority	Park Authority
LIABILITIES			
Accounts payable and accrued liabilities	$ 37,530,983	9,255,392	2,680,691
Accrued salaries and benefits	72,949,174	318,288	1,876,702
Contract retainages	9,696,960	-	276,672
Accrued interest payable	-	-	521,250
Due to primary government	-	1,656,679	108,487
Deferred revenue	5,155,085	1,093,747	5,765,740
Performance and other deposits	115,290	1,101,004	129,564
Long-term liabilities:			
Portion due or payable within one year:			
Revenue bonds payable, net	-	315,114	475,040
Notes payable	-	10,363,616	14,442,740
Compensated absences payable	14,568,816	392,233	2,248,439
Obligations under capital leases	9,647,165	-	-
Insurance and benefit claims payable	21,400,318	-	-
Other	-	133,945	-
Portion due or payable after one year:			
Revenue bonds payable, net	-	12,204,566	11,820,636
Notes payable	-	56,277,744	-
Compensated absences payable	8,929,274	441,550	1,612,023
Obligations under capital leases	18,331,888	-	-
Insurance and benefit claims payable	10,741,077	-	-
Other	-	1,544,839	15,530,000
Total liabilities	209,066,030	95,098,717	57,487,984
NET ASSETS			
Invested in capital assets, net of related debt	1,447,692,187	59,046,522	334,038,797
Restricted for:			
Repair and replacement	-	-	700,000
Housing	-	10,821,684	-
Capital projects	-	-	14,525,912
Debt service	-	-	1,058,230
Unrestricted (deficit)	102,991,661	15,618,890	2,185,018
Total net assets	$ 1,550,683,848	85,487,096	352,507,957

See accompanying notes to the financial statements.

Economic Development Authority	Total Component Units	
		LIABILITIES
86,971	49,554,037	Accounts payable and accrued liabilities
105,001	75,249,165	Accrued salaries and benefits
-	9,973,632	Contract retainages
-	521,250	Accrued interest payable
-	1,765,166	Due to primary government
-	12,014,572	Deferred revenue
-	1,345,858	Performance and other deposits
		Long-term liabilities:
		Portion due or payable within one year:
-	790,154	Revenue bonds payable, net
-	24,806,356	Notes payable
104,607	17,314,095	Compensated absences payable
-	9,647,165	Obligations under capital leases
-	21,400,318	Insurance and benefit claims payable
-	133,945	Other
		Portion due or payable after one year:
-	24,025,202	Revenue bonds payable, net
-	56,277,744	Notes payable
31,689	11,014,536	Compensated absences payable
-	18,331,888	Obligations under capital leases
-	10,741,077	Insurance and benefit claims payable
-	17,074,839	Other
328,268	361,980,999	Total liabilities
		NET ASSETS
6,867	1,840,784,373	Invested in capital assets, net of related debt
		Restricted for:
-	700,000	Repair and replacement
-	10,821,684	Housing
-	14,525,912	Capital projects
-	1,058,230	Debt service
(136,296)	120,659,273	Unrestricted (deficit)
(129,429)	1,988,549,472	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Activities
Component Units
For the fiscal year ended June 30, 2003

		Program Revenues		
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Schools:				
Education	$1,658,519,296	77,510,685	102,397,834	4,681,750
Redevelopment and Housing Authority:				
Community development	63,365,305	19,058,739	37,604,475	3,012,835
Park Authority:				
Parks, recreation, and cultural	63,500,701	27,600,350	-	92,797
Economic Development Authority:				
Community development	7,035,177	-	-	-
Total component units	$1,792,420,479	124,169,774	140,002,309	7,787,382

General revenues:
- Grants and contributions not restricted to specific programs
- Revenue from the use of money and property
- Share of Commonwealth's lottery proceeds
- Revenue from primary government
- Other

Total general revenues
- Change in net assets

Net assets, July 1, 2002
Net assets, June 30, 2003

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Public Schools	Redevelopment and Housing Authority	Park Authority	Economic Development Authority	Total Component Units
(1,473,929,027)	-	-	-	(1,473,929,027)
-	(3,689,256)	-	-	(3,689,256)
-	-	(35,807,554)	-	(35,807,554)
-	-	-	(7,035,177)	(7,035,177)
(1,473,929,027)	(3,689,256)	(35,807,554)	(7,035,177)	(1,520,461,014)
274,938,165	-	6,170,829	-	281,108,994
467,350	560,240	199,323	-	1,226,913
4,773,038	-	-	-	4,773,038
1,303,653,903	-	52,096,923	7,032,921	1,362,783,747
7,141,029	2,525,589	-	-	9,666,618
1,590,973,485	3,085,829	58,467,075	7,032,921	1,659,559,310
117,044,458	(603,427)	22,659,521	(2,256)	139,098,296
1,433,639,390	86,090,523	329,848,436	(127,173)	1,849,451,176
$ 1,550,683,848	85,487,096	352,507,957	(129,429)	1,988,549,472

COUNTY OF FAIRFAX
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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 (the Board), which makes policies for the administration of the County. The Board is comprised of 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 appoints a County Executive to act as the administrative head of the County. The County Executive serves at the pleasure of the Board, carries out the policies established by the Board, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board.

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 on June 29, 1987. The SWA has financed the construction of a solid waste to energy facility, which is contractually owned and operated by a commercial entity in accordance with agreements between the County, the SWA, and the commercial entity. Certain assets of the commercial entity are reported by the SWA in an agency fund, the Resource Recovery Fund.

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 activity is reported in a special revenue fund of the County, the Energy Resource Recovery Facility Fund. Separate financial statements are not prepared for the SWA.

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, 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, 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 columns for the component units 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, 12000 Government Center Parkway, Suite 214, 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 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 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 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) - The 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. The 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. The EDA also operates the Fairfax County Convention and Visitors Bureau, established to attract business travelers, meetings, and conventions to the

County. The Board appoints the seven members of the EDA's commission which appoints the EDA's executive director. The Board appropriates funds annually to the 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 2003, the FCWA collected approximately $63 million on behalf of the County, and as of June 30, 2003, the County has receivables of approximately $13.4 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 fund types:

General 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 developers, welfare recipients, the Commonwealth of Virginia, the recipients of certain bond proceeds, and certain other local governments.

3. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary 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. The agency funds also use the accrual basis of accounting to recognize assets and liabilities. 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 enterprise fund, 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 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. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources. The effect of interfund activity has not been eliminated from the governmental fund financial statements.

4. 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, 2003, 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, 2003, interest earned by certain funds assigned directly to the County's General Fund is as follows:

Primary Government	
Nonmajor Governmental Funds	$ 4,300,968
Internal Service Funds	480,764
Total primary government	4,781,732
Component Units	
Public Schools	2,277,458
FCRHA	33,441
Park Authority	17,545
Total component units	2,328,444
Total reporting entity	$ 7,110,176

5. 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."

6. 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 finalized on the settlement date, which is usually the trade date, but could be as many as 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.

7. Derivatives

The County Retirement Systems (the Systems), which include the Employees' (ERS), Police Officers (PORS), and Uniformed (URS) Retirement Systems, as well as the Educational Retirement System (ERFC) 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 2003, the Systems invested in the following derivative instruments that were not reported in the financial statements as of June 30, 2003: futures contracts, interest rate swaps, options on futures and swaps, and credit spread swaps (spread locks). As of June 30, 2003, the PORS did not have any investments in derivative instruments that were not reported in the financial statements.

An exchange-traded financial futures contract is a legally-binding agreement to buy or sell a financial instrument in a designated future month at a price agreed upon by the buyer and seller at initiation of the contract. Futures contracts provide a means to achieve exposures to the market in a more efficient way and at lower transaction costs. The ERS entered into futures contracts in May and June 2003 with maturity dates of July and September 2003. At June 30, 2003, the ERS had futures contracts with notional and fair market values in S&P 500 and Russell 2000 of $125.2 million; foreign equity of $28.6 million; foreign currency of $26.5 million; U. S. Treasury of negative $41.3 million; and Hang Seng of $1.4 million. The URS entered into futures contracts in May and June 2003, with maturity dates of March and June 2005. At June 30, 2003, the URS had futures contracts with the notional value of $46.0 million and fair market value of $11.2 million. The ERFC entered into futures contracts from August 2002 to June 2003 with maturity dates ranging from September 2003 to April 2005. At June 30, 2003, the ERFC had futures contracts with the notional and fair market values, respectively, in money market futures of $49.0 million and $15.7 million; government swap futures of negative $1.0 million and negative $1.2 million; government futures of negative $5.7 million and negative $5.2 million; and interest rate futures of negative $32.9 million and negative $37.5 million. The market and interest rate risks of holding exchange traded futures contracts arise from adverse changes in market prices and interest rates. These risks are equivalent to holding exposure to the indexes. Counterparty credit risk is modest because the futures clearinghouse becomes the counterparty to all transactions.

An interest rate swap is a binding agreement between counterparties to exchange periodic interest payments on some predetermined dollar principal, which is called the notional principal amount. Interest rate swaps are used as risk-neutral substitutes for physical securities or to obtain non-leveraged exposure in markets where no physical securities are available, such as an interest rate index. The effective date of the swaps for the ERS was June 2003, with a maturity date of June 2004. Payments occur in July and October 2003 and January and April 2004. At June 30, 2003, the notional amount of interest rate swaps for the ERS totaled $51.5 million, and the fair market value totaled negative $219,274. The effective dates of the swaps for the URS range from March to June 2003, with maturity dates from March 2005 to June 2008. At June 30, 2003, the notional amount of interest rate swaps for the URS totaled $17.7 million, and the fair market value totaled $101,537. The counterparty credit risk is controlled by the System's investment guidelines and limited by periodic resets to mark-to-market. The market risk is equivalent to holding the exposure to the index.

An option is a financial instrument that, in exchange for the option price, gives the option buyer the right, but not the obligation, to buy (or sell) a financial asset at the exercise price from (or to) the option seller within a specified time period or on a specified date (expiration date). Options are used to manage interest rate and volatility exposure of the portfolio. The URS had options that were written between January and June 2003, bearing maturities from August to December 2003. Options held in the portfolio at June 30, 2003, had a notional value of negative $22.7 million and a fair market value of negative $234,926. The ERFC had options that were written in January 2002,

bearing a maturity date of April 1, 2005. Options held at June 30, 2003, had a notional value of $3.0 million and a fair market value of $0. Options can cause the effective duration of a portfolio to change with movements in interest rates. To control interest rate risk, the duration change potential of options over a wide range of best and worst case interest rate scenarios is monitored.

A credit spread swap (spread lock) is a swap used to adjust exposure to specific sectors and risks in a portfolio by the most effective means possible. Spread locks are used to reduce risk, enhance portfolio management flexibility, and gain exposure to the interest rate differential between two market rates. PIMCO, on behalf of the URS, has entered into agreements to pay fixed amounts ranging from 12.25 basis points to 13.25 basis points over the reference 20-year U. S. Treasury bond. The spread locks agreements existing at June 30, 2003, were written on April 30, 2003, and matured on August 13, 2003. In addition, there was a mutual collateral agreement which each party could exercise if the market value of the swap exceeded $250,000. The notional value of the spread locks on June 30, 2003, was $5.9 million, while the fair market value totaled $29,602. Counterparty risk is limited by restricting eligible counterparties to the highest credit rating organizations in the industry. Risk is also limited to the exchange of net-interest payments, not the instrument's underlying notional value.

8. Inventories

The purchases method of accounting for inventories is used in the governmental 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 is used in the proprietary fund types. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts in the period to which they apply.

9. 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.

Unspent amounts from the issuance of general obligation bonds are reported as restricted assets in the County's capital projects funds. The County also 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. If the terms of the agreement are not satisfied, the County uses the proceeds from the certificates to correct or complete the project as necessary. 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 M. Cole, Jr. 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, 2003, the Sewer System has cash and investments that are restricted for the following uses:

Restricted Assets of the Sewer System	
Extensions and improvements	$ 119,216,343
Nitrogen removal facilities	15,000,000
Long-term debt service requirements	21,208,838
Current debt service requirements	10,196,204
Total restricted assets	$ 165,621,385

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, unspent amounts from general obligation bonds issued by the County, and loan amounts received from the County for certain capital improvements.

10. Capital Assets

Capital assets, including land, buildings, improvements, equipment, library collections, purchased capacity, and infrastructure, that individually cost $5,000 or more, 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 shown in the table on the right.

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, including interest on related debt with respect to the Sewer System, are initially capitalized as construction in progress and are transferred to buildings or improvements when the assets are substantially complete and ready for use.

11. 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 calendar 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.

12. 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 $1,059.1 million 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	$1,584,123,229	1,840,784,373	(954,217,364)	(90,406,344)	2,380,283,894
Restricted for:					
Capital projects	18,200,000	14,525,912	-	(14,525,912)	18,200,000
Other	155,542,234	12,579,914	-	-	168,122,148
Unrestricted	(785,886,899)	120,659,273	954,217,364	104,932,256	393,921,994
Total net assets	$ 971,978,564	1,988,549,472	-	-	2,960,528,036

13. Encumbrances

The County uses encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders are completed. Encumbrances for the capital projects funds do not lapse until the completion of the projects and are reported as reservations of fund balance at year end. Funding for all other encumbrances lapses at year end and requires reappropriation by the Board.

14. Designations of Unreserved Fund Balances

Unreserved fund balances as of June 30, 2003, have the following significant designations:

Designation	Amount
Primary Government	
General Fund:	
Revenue stabilization during periods of economic downturn	$ 29,253,999
Emergency needs and loss of revenue sources through actions of other governments	49,814,959
Nonmajor Governmental Funds:	
Landfill closure and postclosure costs	62,736,298
Solid waste disposal	12,422,388
Total primary government	$ 154,227,644
Component Unit - Park Authority	
E.C. Lawrence Park expenditures	$ 1,600,000

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 in the fund financial statements.

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 F). 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 certain 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 makes payments to the 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 GAAP 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, 2003, 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, 2003, is as follows:

	Carrying Value	Bank Balance
Primary government	$ 137,107,651	160,992,485
Component units	67,783,200	90,317,500
Total reporting entity	$ 204,890,851	251,309,985

The bank balance 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, 2003.

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 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 (the Code), 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 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, 2003. 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, 2003

The reporting entity's investments as of June 30, 2003, are summarized below at carrying value:

INVESTMENTS AT JUNE 30, 2003	
Primary Government	
Pooled Investments:	
Bankers acceptances	$ 175,775,264
Commercial paper	305,259,412
U. S. Treasury securities	265,034,271
Mutual funds	62,171,541
Repurchase agreements	25,622,096
Total pooled investments	$ 833,862,584

INVESTMENTS AT JUNE 30, 2003 (continued)

Nonmajor Governmental Fund - Money market funds	$ 76,326,342
Enterprise Fund - Integrated Sewer System:	
Mutual funds and short-term investments	828,575
Repurchase agreements	7,513,527
U. S. Treasury securities	16,712,970
Obligations of authorities of the Commonwealth of Virginia	22,711,495
Total enterprise fund - Integrated Sewer System	47,766,567
Agency Funds:	
Mutual funds and short-term investments	6,501,889
Repurchase agreements	4,603,884
U. S. Treasury securities	27,120,020
Total agency funds	38,225,793
Pension Trust Funds:	
Uncategorized Investments:	
Mutual funds and short-term investments	920,246,611
Securities lending short-term collateral investment pool	230,557,553
Investments held by broker-dealers under securities loans with cash collateral:	
Short-term investments	12,729,740
Common and preferred stock	48,889,711
U. S. Treasury securities	93,432,509
Asset-backed securities	9,904,512
Other bonds and notes	42,192,971
Category 1 Investments:	
Short-term investments:	
Time deposits	24,000,000
Repurchase agreements	87,325,230
Asset-backed securities	40,484,231
Government bonds	13,387,642
Corporate bonds	26,771,380
Common and preferred stock:	
Not on securities loan	1,121,343,491
On loan for securities collateral	4,963,167
U. S. Treasury securities:	
Not on securities loan	17,880,460
On loan for securities collateral	8,105,381
Asset-backed securities:	
Not on securities loan	373,689,760
On loan for securities collateral	661,185
Other bonds and notes - Not on securities loan	227,804,070
Total pension trust funds	3,304,369,604
Total primary government	$ 4,300,550,890

INVESTMENTS AT JUNE 30, 2003 (continued)

Component Units	
Pooled Investments:	
Bankers acceptances	$ 57,477,690
Commercial paper	99,818,400
U. S. Treasury securities	86,664,967
Mutual funds	20,329,803
Repurchase agreements	8,378,306
Total pooled investments	272,669,166
FCRHA - Repurchase agreements	190,148
Park Authority - Money market funds	17,825,026
Public Schools - Pension Trust Fund:	
Uncategorized Investments:	
Mutual funds	252,618,665
Money market funds	38,800,659
Securities lending short-term collateral investment pool	130,776,104
Investments held by broker-dealers under securities loans with cash collateral:	
Short-term investments	1,113,628
Common stock	37,529,192
U. S. Treasury securities	50,271,357
Asset-backed securities	12,967,473
Other bonds and notes	22,522,904
Category 1 Investments:	
Short-term investments:	
Commercial paper	36,199,394
Asset-backed securities	1,026,815
Corporate bonds	16,923,585
Common stock:	
Not on securities loan	595,749,596
On loan for securities collateral	1,108,469
Preferred stock	1,322,256
U. S. Treasury securities:	
Not on securities loan	8,263,351
On loan for securities collateral	2,359,176
Asset-backed securities	156,644,450
Other bonds and notes	166,259,332
Total Public Schools - Pension trust fund	1,532,456,406
Total component units	$ 1,823,140,746

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-7)	Total Primary Government	Component Units (Exhibit A)	Fiduciary Funds (Exhibit J-7)	Total Component Units
Equity in pooled cash and temporary investments	$ 772,971,993	12,714,669	785,686,662	290,846,269	290,890	291,137,159
Cash in banks	-	-	-	7,057,118	-	7,057,118
Cash with fiscal agents	-	-	-	-	1,607,669	1,607,669
Cash in student activity funds	-	-	-	-	14,626,436	14,626,436
Cash collateral for securities lending	-	230,557,553	230,557,553	-	130,776,104	130,776,104
Investments	22,998,597	3,112,037,844	3,135,036,441	-	1,401,680,302	1,401,680,302
Restricted Assets:						
Equity in pooled cash and temporary investments	182,725,342	-	182,725,342	15,225,912	-	15,225,912
Cash with fiscal agents	1,737,032	-	1,737,032	10,145,396	-	10,145,396
Certificates of deposit - performance bonds	821,199	-	821,199	652,676	-	652,676
Investments	101,094,312	-	101,094,312	18,015,174	-	18,015,174
Total cash and investments	$ 1,082,348,475	3,355,310,066	4,437,658,541	341,942,545	1,548,981,401	1,890,923,946
Total deposits, including performance bonds			137,107,651			67,783,200
Total investments			4,300,550,890			1,823,140,746
Total deposits and investments			$ 4,437,658,541			1,890,923,946

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, 2003, after allowances for uncollectible amounts, is $19,492,398, of which $2,540,308 has been included in tax revenue for fiscal year 2003 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 2003 as receivables (net of taxes collected in advance) and deferred revenue because the County has an enforceable legal claim to these resources at June 30, 2003; however, these resources, which amount to $1,905,968,500, will not be available to the County until fiscal year 2004.

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 2003 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 2003, this revenue from the Commonwealth totaled $195,434,234 and is reported as intergovernmental revenue in the General Fund.

D. RECEIVABLES

Receivables and allowances for uncollectible receivables of the primary government at June 30, 2003, consist of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total (Exhibit A)	Fiduciary Funds	Total Primary Government
Receivables:							
Accounts	$ 13,296,926	11,376,996	-	138,912	24,812,834	2,355,532	27,168,366
Accrued interest	354,009	290,306	61,091	10,661	716,067	12,264,445	12,980,512
Property taxes:							
Delinquent	45,600,797	-	-	-	45,600,797	-	45,600,797
Not yet due	1,711,432,546	-	-	-	1,711,432,546	-	1,711,432,546
Business license taxes - delinquent	6,505,871	-	-	-	6,505,871	-	6,505,871
Receivable from sale of pension investments	-	-	-	-	-	67,179,361	67,179,361
Loans	-	15,530,000	-	-	15,530,000	-	15,530,000
Notes	-	4,960,234	-	-	4,960,234	-	4,960,234
Other	-	-	-	-	15,152 *	-	15,152
Total receivables	1,777,190,149	32,157,536	61,091	149,573	1,809,573,501	81,799,338	1,891,372,839
Allowances for uncollectibles:							
Accounts receivable	-	(281,781)	-	-	(281,781)	-	(281,781)
Property taxes:							
Delinquent	(26,108,399)	-	-	-	(26,108,399)	-	(26,108,399)
Not yet due	(6,559,800)	-	-	-	(6,559,800)	-	(6,559,800)
Business license taxes - delinquent	(4,354,746)	-	-	-	(4,354,746)	-	(4,354,746)
Total allowances for uncollectibles	(37,022,945)	(281,781)	-	-	(37,304,726)	-	(37,304,726)
Total net receivables	$1,740,167,204	31,875,755	61,091	149,573	1,772,268,775	81,799,338	1,854,068,113

* 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, 2003, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2002	$ 5,332,715	10,577,035	15,909,750
2001	1,278,381	8,918,371	10,196,752
2000	591,352	3,448,022	4,039,374
Prior years	1,943,006	7,274,884	9,217,890
Total delinquent taxes	9,145,454	30,218,312	39,363,766
Penalty and interest			6,237,031
Total delinquent taxes, penalty and interest			45,600,797
Allowances for uncollectibles			(26,108,399)
Net delinquent tax receivables			$ 19,492,398

Receivables of the component units, excluding fiduciary funds, at June 30, 2003, consist of the following:

	Public Schools	FCRHA	Park Authority	Total Component Units
Receivables:				
Accounts	$ 252,529	11,955,680	45,134	12,253,343
Accrued interest	42,131	30,655	3,982	76,768
Notes	-	10,664,045	-	10,664,045
Other	-	462,918	-	462,918
Total receivables	294,660	23,113,298	49,116	23,457,074
Allowances for uncollectibles	-	(2,368,344)	-	(2,368,344)
Total net receivables	$ 294,660	20,744,954	49,116	21,088,730

Amounts due to the primary government and component units from other governmental units at June 30, 2003, include the following:

	Primary Government				
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total (Exhibit A)	Component Unit - Public Schools
Federal government	$ 267,013	9,810,479	218,901	10,296,393	15,971,127
State government:					
Property tax relief:					
Delinquent	16,227,824	-	-	16,227,824	-
Allowance for uncollectibles	(9,720,646)	-	-	(9,720,646)	-
Not yet due	182,099,400	-	-	182,099,400	-
Allowance for uncollectibles	(5,936,400)	-	-	(5,936,400)	-
Other	23,672,138	4,967,069	110,700	28,749,907	14,650,902
Local governments	1,622,788	157,956	18,763,670	20,544,414	177,499
Total intergovernmental units	$ 208,232,117	14,935,504	19,093,271	242,260,892	30,799,528

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, 2003, is as shown on the right.

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund	$ 3,658,653	-
Nonmajor Governmental Funds	-	3,583,846
Enterprise Fund	-	168,664
Internal Service Funds	299,089	190,080
Fiduciary Funds	-	15,152
Total primary government	$ 3,957,742	3,957,742
Component Unit		
Public Schools:		
General Fund	$ 7,100,000	-
Major Governmental Funds	-	5,000,000
Internal Service Funds	-	2,100,000
Total component units	$ 7,100,000	7,100,000

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, 2003, are as follows:

Receivable Entity	Payable Entity	Amount
Component Units	**Primary Government**	
Public Schools	Government-wide long-term obligation	$ 4,864,092
Public Schools	General Fund	171,272
Park Authority	General Fund	1,408,066
Park Authority	Nonmajor Governmental Fund	94,937
EDA	General Fund	191,972
Total		$ 6,730,339
Primary Government	**Component Unit**	
General Fund	FCRHA	$ 64,976
Nonmajor Governmental Funds	FCRHA	1,591,703
General Fund	Park Authority	108,487
Total		$ 1,765,166

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2003, are as follows:

	Transfers In	Transfers Out
Primary Government		
General Fund	$ 3,925,732	349,294,037
Nonmajor Governmental Funds	351,542,120	6,373,815
Internal Service Funds	1,900,000	1,700,000
Total primary government	$ 357,367,852	357,367,852
Component Unit		
Public Schools:		
General Fund	$ -	29,153,500
Major Governmental Funds	28,860,258	-
Internal Service Funds	293,242	-
Park Authority:		
Major Governmental Funds	3,163,217	3,163,217
Total component units	$ 32,316,717	32,316,717

F. Capital Assets

Capital assets activity for the primary government for the year ended June 30, 2003, is as follows:

	Balances July 1, 2002	Increases	Decreases	Balances June 30, 2003
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 325,445,841	6,998,307	(4,897,344)	327,546,804
Construction in progress	52,122,448	28,849,776	(59,230,664)	21,741,560
Total capital assets, not being depreciated	377,568,289	35,848,083	(64,128,008)	349,288,364
Capital assets, being depreciated:				
Equipment	213,749,719	23,647,481	(13,971,061)	223,426,139
Library collections	33,458,568	5,992,678	-	39,451,246
Buildings	690,802,643	33,898,023	-	724,700,666
Improvements	58,906,867	1,831,502	-	60,738,369
Infrastructure	376,552,368	38,972,799	-	415,525,167
Total capital assets, being depreciated	1,373,470,165	104,342,483	(13,971,061)	1,463,841,587
Less accumulated depreciation for:				
Equipment	(132,767,591)	(29,302,124)	11,900,961	(150,168,754)
Library collections	(15,190,163)	(5,987,678)	-	(21,177,841)
Buildings	(155,834,851)	(15,943,197)	-	(171,778,048)
Improvements	(23,223,648)	(2,527,144)	-	(25,750,792)
Infrastructure	(80,109,104)	(9,725,587)	-	(89,834,691)
Total accumulated depreciation	(407,125,357)	(63,485,730)	11,900,961	(458,710,126)
Total capital assets, being depreciated, net	966,344,808	40,856,753	(2,070,100)	1,005,131,461
Total capital assets, net - Governmental activities	1,343,913,097	76,704,836	(66,198,108)	1,354,419,825
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	17,346,080	165,278	-	17,511,358
Construction in progress	117,678,608	14,648,472	(3,603,179)	128,723,901
Total capital assets, not being depreciated/amortized	135,024,688	14,813,750	(3,603,179)	146,235,259
Capital assets, being depreciated/amortized:				
Equipment	9,353,179	947,112	(348,969)	9,951,322
Purchased capacity	537,865,741	30,215,213	-	568,080,954
Buildings	55,221,333	-	-	55,221,333
Improvements	685,599,012	8,974,716	-	694,573,728
Total capital assets, being depreciated/amortized	1,288,039,265	40,137,041	(348,969)	1,327,827,337
Less accumulated depreciation/amortization for:				
Equipment	(6,571,343)	(939,245)	345,632	(7,164,956)
Purchased capacity	(39,679,490)	(13,895,901)	-	(53,575,391)
Buildings	(24,270,328)	(1,128,201)	-	(25,398,529)
Improvements	(268,017,381)	(16,080,124)	-	(284,097,505)
Total accumulated depreciation/amortization	(338,538,542)	(32,043,471)	345,632	(370,236,381)
Total capital assets, being depreciated/amortized, net	949,500,723	8,093,570	(3,337)	957,590,956
Total capital assets, net - Business-type activities	1,084,525,411	22,907,320	(3,606,516)	1,103,826,215
Total capital assets, net - Primary government	$ 2,428,438,508	99,612,156	(69,804,624)	2,458,246,040

Capital assets activity for the component units for the year ended June 30, 2003, is as follows:

	Balances July 1, 2002	Increases	Decreases	Balances June 30, 2003
Component Units				
Public Schools				
Capital assets, not being depreciated:				
Land	$ 43,410,537	3,407,980	-	46,818,517
Construction in progress	300,848,525	126,489,907	(135,854,209)	291,484,223
Total capital assets, not being depreciated	344,259,062	129,897,887	(135,854,209)	338,302,740
Capital assets, being depreciated:				
Equipment	129,255,868	12,474,731	(3,909,430)	137,821,169
Library collections	20,678,288	3,706,781	-	24,385,069
Buildings	737,127,063	11,243,491	-	748,370,554
Improvements	701,764,145	124,665,267	-	826,429,412
Total capital assets, being depreciated	1,588,825,364	152,090,270	(3,909,430)	1,737,006,204
Less accumulated depreciation for:				
Equipment	(67,004,347)	(13,064,797)	3,235,904	(76,833,240)
Library collections	(9,670,036)	(3,615,363)	-	(13,285,399)
Buildings	(284,196,877)	(14,859,388)	-	(299,056,265)
Improvements	(195,458,480)	(27,109,399)	-	(222,567,879)
Total accumulated depreciation	(556,329,740)	(58,648,947)	3,235,904	(611,742,783)
Total capital assets, being depreciated, net	1,032,495,624	93,441,323	(673,526)	1,125,263,421
Total capital assets, net - Public Schools	1,376,754,686	223,339,210	(136,527,735)	1,463,566,161
FCRHA				
Capital assets, not being depreciated:				
Land	30,098,466	1,921,251	(56,299)	31,963,418
Construction in progress	10,942,126	1,755,325	(10,022,832)	2,674,619
Total capital assets, not being depreciated	41,040,592	3,676,576	(10,079,131)	34,638,037
Capital assets, being depreciated:				
Equipment	2,351,071	338,669	-	2,689,740
Buildings and improvements	146,448,935	2,496,593	(214,507)	148,731,021
Total capital assets, being depreciated	148,800,006	2,835,262	(214,507)	151,420,761
Less accumulated depreciation for:				
Equipment	(2,391,115)	(93,250)	-	(2,484,365)
Buildings and improvements	(60,007,939)	(5,132,699)	-	(65,140,638)
Total accumulated depreciation	(62,399,054)	(5,225,949)	-	(67,625,003)
Total capital assets, being depreciated, net	86,400,952	(2,390,687)	(214,507)	83,795,758
Total capital assets, net - FCRHA	127,441,544	1,285,889	(10,293,638)	118,433,795
Park Authority				
Capital assets, not being depreciated:				
Land	246,872,703	5,478,485	-	252,351,188
Construction in progress	8,305,807	11,469,573	(4,339,301)	15,436,079
Total capital assets, not being depreciated	255,178,510	16,948,058	(4,339,301)	267,787,267
Capital assets, being depreciated:				
Equipment	11,589,747	702,781	(332,565)	11,959,963
Buildings and improvements	176,925,599	4,339,301	-	181,264,900
Total capital assets, being depreciated	188,515,346	5,042,082	(332,565)	193,224,863
Less accumulated depreciation for:				
Equipment	(8,579,216)	(1,163,440)	289,525	(9,453,131)
Buildings and improvements	(86,610,065)	(5,242,530)	-	(91,852,595)
Total accumulated depreciation	(95,189,281)	(6,405,970)	289,525	(101,305,726)
Total capital assets, being depreciated, net	93,326,065	(1,363,888)	(43,040)	91,919,137
Total capital assets, net - Park Authority	348,504,575	15,584,170	(4,382,341)	359,706,404
EDA				
Capital assets, being depreciated - Equipment	7,002	6,560	-	13,562
Less accumulated depreciation - Equipment	(4,201)	(2,494)	-	(6,695)
Total capital assets, net - EDA	2,801	4,066	-	6,867
Total capital assets, net - Component units	$ 1,852,703,606	240,213,335	(151,203,714)	1,941,713,227

Depreciation and amortization expense for the year ended June 30, 2003, charged to the functions of the primary government and component units is as follows:

	Governmental Activities	Business-type Activities	Component Units
Primary Government			
General government administration	$ 8,420,610	-	-
Judicial administration	1,246,143	-	-
Public safety	9,220,686	-	-
Public works	10,558,238	32,043,471	-
Health and welfare	3,906,827	-	-
Community development	12,755,839	-	-
Parks, recreation, and cultural	8,168,040	-	-
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their usage of the assets.	9,209,347	-	-
Component Units			
Public Schools	-	-	58,648,947
FCRHA	-	-	5,225,949
Park Authority	-	-	6,405,970
EDA	-	-	2,494
Total depreciation and amortization expense	$ 63,485,730	32,043,471	70,283,360

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 contributes at a contractually fixed rate of 6 percent of annual covered payroll. This rate was established by the Board to cover the actuarially-determined normal cost plus administrative expenses of the ERS. In the event the ERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters.

Annual Pension Cost

For the years ended June 30, 2003, 2002, and 2001, the County's and Public Schools' annual pension costs were equal to their annual required contributions (ARC), as follows:

	Annual Pension Costs for Years Ended June 30		
	2003	2002	2001
County	$ 26,707,817	22,800,675	21,993,157
Public Schools	9,700,304	8,283,130	7,967,827
Total	$ 36,408,121	31,083,805	29,960,984

For the year ended June 30, 2003, the actual contributions were $31,983,708 ($23,462,211 by the County and $8,521,497 by Public Schools). For the years ended June 30, 2002 and 2001, the actual contributions were equal to the annual pension costs, respectively.

The ARC for fiscal year 2003 were determined as part of the July 1, 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 4.3 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. Any excess of these assets over actuarial accrued liability is 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, 2002, is 15 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; attain the age of 55 or have completed 20 years of creditable service, or (b) if employed on or after July 1, 1981; attain the age of 55 or have 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 contributes at a fixed rate as determined by an annual actuarial valuation, unless the PORS's funding ratio falls outside of a pre-determined corridor. Once outside the corridor, the rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the corridor. The corridor for the PORS is a minimum funding ratio of 90 percent and a maximum funding ratio of 120 percent. The fiscal year 2003 employer contribution rate is 17.3 percent of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2003, the County's annual pension cost of $14,918,405 was equal to its annual required contributions (ARC), but more than its actual contributions of $12,923,806, resulting in a net pension obligation (NPO) of $1,994,599 reported in the statement of net assets. For each of the years ended June 30, 2002 and 2001, the County's annual pension cost of $15,077,920 and $17,149,427, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2003, was determined as part of the July 1, 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 4.5 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. Any excess of these assets over the actuarial accrued liability is amortized as a level percentage of projected payroll on a fifteen-year basis. On a weighted-average basis, the remaining amortization period, which is closed at July 1, 2002, is 15 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 contributes at a fixed rate as determined by an annual actuarial valuation, unless the URS's funding ratio falls outside of a pre-determined corridor. Once outside the corridor, the rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the corridor. The corridor for the URS is a minimum funding ratio of 90 percent and a maximum funding ratio of 120 percent. The fiscal year 2003 employer contribution rate is 21.65 percent of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2003, the County's annual pension cost of $21,548,814 was equal to its annual required contributions (ARC), but less than its actual contributions of $23,027,237, resulting in a negative net pension obligation (NPO) of $1,478,423 reported as an "other asset" in the statement of net assets. For each of the years ended June 30, 2002 and 2001, the County's annual pension cost of $18,778,608 and $18,818,351, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2003, was determined as part of the July 1, 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 4.1 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 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, 2002, 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 provide for 12 categories 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, 2002. 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 2003, Public Schools is required to contribute 4.0 percent of annual covered payroll for educational employees and civil service employees.

Annual Pension Cost

For each of the years ended June 30, 2003, 2002, and 2001, the Public Schools' annual pension cost of $34,506,630, $30,849,067, and $29,145,883, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2003, 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. Any excess of assets over the actuarial accrued liability is 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, 2002, 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

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 to 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, Public Schools is required to contribute at an actuarially determined rate. The rate for fiscal year 2003 was 3.77 percent of annual creditable compensation. State statute may be amended only by the Commonwealth of Virginia Legislature. Public Schools' contributions to the VRS for the years ended June 30, 2003, 2002, and 2001, were $33,837,799, $30,939,858, and $60,201,616, respectively, equal to the required and actual contributions for each year.

6. Current Plan Membership

At July 1, 2002 (June 30, 2002, for ERFC), the date of the latest actuarial valuations, membership in the reporting entity's plans consisted of:

	Primary Government			Component Unit - Public Schools
	ERS	PORS	URS	ERFC
Retirees and beneficiaries receiving benefits	4,164	657	663	6,375
Terminated employees entitled to, but not yet receiving, benefits	413	9	24	1,362
Active employees	14,185	1,192	1,625	16,074
Total number of plan members	18,762	1,858	2,312	23,811

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 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 FCRHA, Park Authority, and EDA 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, 2003 and 2002, to reflect anticipated investment income. Changes in the balances of claims liabilities during fiscal years 2003 and 2002 are as shown below.

	Internal Service Funds			
	Primary Government		Component Unit - Public Schools	
	Self-Insurance	Health Benefits	Insurance	Health Benefits Trust
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
Claims and changes in estimates	9,391,325	46,882,944	6,275,435	128,036,793
Claims payments	(7,543,626)	(46,087,628)	(6,022,257)	(125,236,001)
Liability balances, June 30, 2003	$ 21,244,546	7,095,585	16,254,537	15,886,858

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 primary government and component units for the year ended June 30, 2003 (in thousands):

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	$1,519,646	366,334	(308,824)	1,577,156	132,620
Premium on bonds payable	5,025	24,444	(494)	28,975	4,178
Deferred amount on refundings	(2,227)	(3,279)	186	(5,320)	(786)
Revenue bonds payable:					
Principal amount of bonds payable	106,650	70,830	(4,030)	173,450	4,240
Premium on bonds payable	-	4,796	-	4,796	314
Compensated absences payable	72,558	48,251	(44,986)	75,823	47,010
Landfill closure and postclosure obligation	65,770	-	(3,034)	62,736	25,357
Obligations under capital leases	50,958	1,565	(6,385)	46,138	8,234
Insurance and benefit claims payable	25,697	56,274	(53,631)	28,340	14,721
Other:					
Obligation to component unit	6,485	-	(1,621)	4,864	1,621
Net pension obligation	-	1,995	-	1,995	-
HUD Section 108 loan	-	2,300	(115)	2,185	115
Obligations for claims and judgments	200	960	(200)	960	960
Special assessment debt with governmental commitment	525	-	(75)	450	75
State Literary Fund loans	320	-	(89)	231	72
Total governmental activities	1,851,607	574,470	(423,298)	2,002,779	238,731
Business-type activities:					
Sewer revenue bonds payable:					
Principal amount of bonds payable	484,522	-	(10,249)	474,273	11,842
Discount on bonds payable	(926)	-	64	(862)	(64)
Compensated absences payable	1,673	1,218	(1,037)	1,854	1,149
Total business-type activities	485,269	1,218	(11,222)	475,265	12,927
Total long-term liabilities - Primary government	$2,336,876	575,688	(434,520)	2,478,044	251,658
Component Units					
Public Schools					
Compensated absences payable	$ 22,496	1,002	-	23,498	14,569
Obligations under capital leases	27,681	9,927	(9,629)	27,979	9,647
Insurance and benefit claims payable	29,087	134,312	(131,258)	32,141	21,400
Total Public Schools	79,264	145,241	(140,887)	83,618	45,616
FCRHA					
Revenue bonds payable	11,972	859	(311)	12,520	315
Notes payable	67,697	6,871	(7,927)	66,641	10,364
Compensated absences payable	840	376	(382)	834	392
Other - Public housing loans	1,803	-	(124)	1,679	134
Total FCRHA	82,312	8,106	(8,744)	81,674	11,205
Park Authority					
Revenue bonds payable:					
Principal amount of bonds payable	13,735	-	(505)	13,230	530
Discount on bonds payable	(94)	-	5	(89)	(5)
Deferred amount on refundings	(895)	-	50	(845)	(50)
Revenue notes payable	16,065	16,667	(18,289)	14,443	14,443
Loans payable	-	15,530	-	15,530	-
Compensated absences payable	3,673	2,121	(1,934)	3,860	2,248
Total Park Authority	32,484	34,318	(20,673)	46,129	17,166
EDA					
Compensated absences payable	130	102	(96)	136	105
Total long-term liabilities - Component units	$ 194,190	187,767	(170,400)	211,557	74,092

Compensated absences payable, obligations under capital leases, obligation to component unit, and obligations for claims and judgments for the primary government are liquidated by the General Fund and other governmental funds. The 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 are issued to provide funding for long-term capital improvements. In addition, they are issued to refund outstanding general obligation bonds when market conditions enable 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, 2003, the amount of general obligation bonds authorized and unissued is summarized as follows (in thousands):

Bond Purpose	Amount
School improvements	$ 381,750
Transportation improvements	56,660
Parks and park facilities	44,830
Commercial and redevelopment area improvements	17,280
Neighborhood improvements	1,820
Human services facilities	1,185
Storm drainage improvements	3,960
Adult detention facilities	6,520
Public safety facilities	100,450
Juvenile detention facilities	900
Total authorized but unissued bonds	$ 615,355

The Commonwealth of Virginia does not impose a legal limit on the amount of general obligation indebtedness that the County can incur or have outstanding. The Board of Supervisors, however, has self-imposed bond limits to provide that the County's net debt may not exceed three percent of the total market value of taxable real and personal property in the County. In addition, the annual debt service may not exceed ten percent of the annual 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, 2003.

On March 5, 2003, the County issued $171,165,000 of Series 2003A General Obligation Refunding Bonds dated February 1, 2003, with an average coupon interest rate of 4.59 percent. These bonds were issued to currently refund $10,300,000 of outstanding Series 1993B Bonds, $132,845,000 of outstanding Series 1993C Bonds, $15,810,000 of outstanding Series 1994A Bonds, and $20,000,000 of outstanding Series 1995A Bonds with average coupon interest rates of 5.00, 5.30, 5.26, and 4.99 percent, respectively. Proceeds of $184,160,351, plus the County's $2,900,000 total equity contribution, 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 1993B Bonds on April 10, 2003, the Series 1993C Bonds on May 1, 2003, and the Series 1994A and 1995A Bonds on June 1, 2003. The reacquisition prices exceeded the net carrying amounts of the refunded bonds by $3,279,375, 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 9 years by approximately $13.2 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 $12.8 million.

In May 2003, the County issued $195,170,000 of Series 2003B General Obligation Public Improvement Bonds dated May 15, 2003 to finance projects related to schools improvements, parks and park facilities, public safety facilities, and other purposes.

Detailed information regarding the general obligation bonds outstanding as of June 30, 2003, is contained in Section 4 of this note.

2. 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.

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. 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 on 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.

In June 2003, the EDA issued $70,830,000 of revenue bonds to finance the development and construction of a public high school and a public golf course and related structures, facilities, and equipment in the Laurel Hill area of the southern part of the County. 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.

None of these revenue bonds nor the related payment responsibilities of the County are 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 revenue bonds outstanding as of June 30, 2003, is contained in Section 4 of this note.

3. 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 consist 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 Series 1996 Sewer Revenue Bonds with an average interest rate of 5.8 percent to fund the plant expansion of the wastewater treatment facilities at the County's Noman M. Cole, Jr. Pollution Control Plant and other system improvements. These Series 1996 bonds consist of $24,335,000 of serial bonds bearing an interest rate of 5.625 percent, $17,705,000 of 5.7 percent term bonds due July 15, 2018, $23,970,000 of 5.8 percent term bonds due

July 15, 2023, and $32,465,000 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 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, 2003, is contained in Section 4 of this note.

4. County Debt and Related Interest to Maturity

The County's outstanding general obligation bonds, State Literary Fund loans, revenue bonds, special assessment bonds, HUD Section 108 loans, Sewer System revenue bonds, and the related interest to maturity as of June 30, 2003, 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:								
General County:								
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	$ 2,511-2,514	50,250	32,638	12,252	44,890
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,450	69,000	48,300	18,741	67,041
Series 1998A Public Improvement	4.50-5.00	05-15-98	06-01-18	2,435	48,710	36,532	14,516	51,048
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	2,710	54,200	43,360	17,097	60,457
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	1,267-8,379	76,043	68,178	19,886	88,064
Series 1999B Public Improvement	5.00-5.50	12-01-99	12-01-19	180	3,600	3,060	1,413	4,473
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	1,900	38,000	32,300	15,098	47,398
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	110-115	2,250	2,020	879	2,899
Series 2001A Public Improvement	4.25-5.00	06-01-01	06-01-21	2,120	42,400	38,160	16,894	55,054
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	3,281-17,009	82,238	81,607	11,850	93,457
Series 2002A Public Improvement	3.50-5.00	06-01-02	06-01-22	3,400	68,000	64,600	30,206	94,806
Series 2002A Refunding	3.50-5.00	06-01-02	06-01-15	1,680-3,421	26,149	23,517	6,722	30,239
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,650-16,203	82,407	82,407	15,556	97,963
Series 2003B Public Improvement	2.00-5.00	05-15-03	06-01-23	3,315-3,330	66,490	66,490	30,560	97,050
Total general obligation bonds - General County					709,737	623,169	211,670	834,839
Schools:								
Series 1996A Public Improvement	4.75-5.50	05-15-96	06-01-16	3,194-3,196	63,900	41,542	15,594	57,136
Series 1997A Public Improvement	5.00-6.00	05-15-97	06-01-17	3,750	75,000	52,500	20,364	72,864
Series 1997B Public Improvement	4.50-5.00	12-01-97	12-01-17	3,000	60,000	45,000	16,688	61,688
Series 1998A Public Improvement	4.50-5.00	05-15-98	06-01-18	1,365	27,290	20,469	8,132	28,601
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	5,000	100,000	80,000	31,545	111,545
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	1,053-6,961	63,172	56,637	16,521	73,158
Series 1999B Public Improvement	5.00-5.50	12-01-99	12-01-19	4,000	80,000	68,000	31,407	99,407
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	2,500	50,000	42,500	19,868	62,368
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	2,500	50,000	45,000	19,835	64,835
Series 2001A Public Improvement	4.25-5.00	16-01-01	06-01-21	4,000	80,000	72,000	31,873	103,873
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	2,284-11,836	57,227	56,788	8,246	65,034
Series 2002A Public Improvement	3.50-5.00	06-01-02	06-01-22	6,500	130,000	123,500	57,744	181,244
Series 2002A Refunding	3.50-5.00	06-01-02	06-01-15	1,410-4,474	34,786	32,613	10,454	43,067
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,935-17,447	88,758	88,758	16,757	105,515
Series 2003B Public Improvement	2.00-5.00	05-15-03	06-01-23	6,430-6,435	128,680	128,680	59,194	187,874
Total general obligation bonds - Schools					1,088,813	953,987	364,222	1,318,209
Total general obligation bonds					$ 1,798,550	1,577,156	575,892	2,153,048

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)
Revenue Bonds:								
EDA Revenue Bonds:								
Series 1994 (Lease Revenue)	5.25-5.50	03-01-94	11-15-18	$ 3,745-8,550	116,965	92,150	48,248	140,398
Series 2003	2.0-5.0	06-01-03	06-01-33	105-4,240	70,830	70,830	47,705	118,535
FCRHA Lease Revenue Bonds:								
Series 1996	5.10-5.55	09-15-96	06-01-17	255-505	6,390	5,100	2,341	7,441
Series 1998	3.70-4.85	12-01-98	06-01-18	220-390	5,500	4,405	1,784	6,189
Series 1999	4.30-5.38	05-27-99	05-01-29	20-65	1,000	965	835	1,800
Total revenue bonds					200,685	173,450	100,913	274,363
HUD Section 108 Loan	4.15-6.67	07-01-01	08-01-21	115	2,300	2,185	1,289	3,474
Special Assessment Bonds - Small District One of the Dranesville District								
(McLean Community Center)	6.90-7.40	07-01-88	07-01-09	75	1,500	450	98	548
State Literary Fund Loans - Schools:								
Science Lab #1	3.24	04-01-86	04-01-06	64	1,274	192	12	204
Science Lab #2	5.00	10-01-87	10-01-08	8	148	39	7	46
Total State Literary Fund loans					1,422	231	19	250
Total governmental activities					2,004,457	1,753,472	678,211	2,431,683
Business-type activities:								
Sewer Revenue Bonds:								
Series 1993 Refunding	5.00-5.65	05-15-93	11-15-15	3,025-6,505	72,100	58,660	22,453	81,113
UOSA Bonds Subordinated	2.90-6.00	01-12-93	07-01-29	3,431-15,574	240,773	230,100	187,129	417,229
Series 1996 Sewer Improvements	5.63-5.88	07-01-96	07-15-28	1,510-7,300	104,000	98,475	93,184	191,659
Series 2001 Subordinated	4.10	06-01-01	02-01-21	1,401-2,910	40,000	37,919	16,068	53,987
Series 2002 Subordinated	3.75	09-01-02	03-01-22	881-3,538	50,000	49,119	19,999	69,118
Total business-type activities					506,873	474,273	338,833	813,106
Total County bond and loan indebtedness					$ 2,511,330	2,227,745	1,017,044	3,244,789

Principal and interest to maturity (in thousands) for the County's general obligation bonds, revenue bonds, other bonds and loans, and Sewer System revenue bonds outstanding at June 30, 2003, are as follows:

	Governmental Activities						Business-Type Activities			
	General Obligation Bonds		Revenue Bonds		Other Bonds and Loans		Sewer System Revenue Bonds		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 132,620	73,019	4,240	8,675	262	163	11,842	23,632	148,964	105,489
2005	128,421	67,386	4,450	8,453	262	151	12,288	23,025	145,421	99,015
2006	123,930	61,886	4,690	8,216	262	136	13,055	22,386	141,937	92,624
2007	124,125	56,582	5,045	7,968	198	123	14,319	21,701	143,687	86,374
2008	118,925	50,553	7,815	7,697	197	111	15,115	20,993	142,052	79,354
2009-2013	488,815	175,206	48,965	32,569	650	417	90,405	92,574	628,835	300,766
2014-2018	320,930	75,860	58,600	19,193	575	244	98,679	68,273	478,784	163,570
2019-2023	139,390	15,400	29,315	5,588	460	61	97,335	44,682	266,500	65,731
2024-2028	-	-	4,735	1,826	-	-	98,361	20,613	103,096	22,439
2029-2033	-	-	5,595	728	-	-	22,874	954	28,469	1,682
Totals	$ 1,577,156	575,892	173,450	100,913	2,866	1,406	474,273	338,833	2,227,745	1,017,044

5. 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.

In November 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 with a first deed of trust on the office building. Proceeds from the new bonds along with other cash resources, 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. 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.

In April 1998, FCRHA issued tax-exempt revenue bonds with a principal amount totaling $1,700,000, an interest rate of 5.25 percent, and final payments due March 1, 2028. In 2001, a principal payment of $825,000 was due, at which time the interest rate was changed to 6.15 percent. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the new bonds. Proceeds from the new bonds were placed in irrevocable escrow accounts to make a loan to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.

In May 1999, the FCRHA issued two multifamily housing revenue bonds in the principal amounts of $225,000 and $1,775,000, bearing interest at the rates of 4.875 percent and 5.5 percent, respectively, and having final payment dates of 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.

To permanently finance certain public housing projects, the FCRHA issued public housing 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.

To permanently finance the Rosedale 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.

FCRHA Public Housing bonds, notes, and loans payable as of June 30, 2003, 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	5,760
Lease revenue bonds	FCRHA revenues	4.71	06-15-98	06-15-18	125	3,630	3,010
Tax-exempt revenue bonds	Herndon Harbor I - rental property	6.10	08-01-97	07-01-27	16-30	2,875	944
Multi-family revenue bonds	Herndon Harbor II - rental property	4.875-5.50	05-01-99	05-01-29	30-40	2,000	1,961
Multi-family revenue bonds	Castellani Meadows	6.15	04-01-98	03-01-28	14-20	1,700	845
Total bonds payable - FCRHA						16,545	12,520
Mortgage Notes Payable:							
United Bank	One University Plaza office building	5.75	11-01-97	01-31-04	13-18	363	278
SunTrust Bank	United Community Ministries	4.71	08-25-98	04-01-13	20-35	400	298
	Creighton Square	7.10	06-25-99	07-01-12	30-40	550	432
	Leland Road Group Home property	5.55	10-06-99	04-01-17	21-31	615	530
Bank of America	Cholster Town, McLean Hills and Springfield Green rental propertie	8.50	04-01-95	04-01-05	7-12	1,072	796
U.S. Dept. of Housing and Urban Development	Hopkins Glen rental property	3.00	07-12-98	04-01-10	35-49	1,112	302
	Various FCRHA rental properties	6.45-9.15	02-01-92	varies	285	5,690	2,555
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	50	500	150
	Stonegate Village rental property	8.00-9.25	02-01-91	varies	55-205	1,700	555
	Various FCRHA rental properties	3.73-7.90	02-01-93	varies	155	3,100	1,550
	Various FCRHA rental properties	4.75-7.18	08-01-94	varies	195-205	3,775	2,215
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	5	80	45
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	25	500	325
	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	329
	Penderbrook rental property	10.25	09-01-88	10-01-18	16-25	770	639
	Rolling Road Group Home property	8.00	09-21-00	09-01-20	5-20	234	219
	Patrick Street Group Home property	8.00	06-01-02	05-01-22	3-22	239	234
	Mount Vernon Group Home property	8.00	01-01-93	04-01-22	5-15	246	211
	West Ox Group Home property	8.00	01-01-92	11-01-02	15-20	842	728
	First Stop Group Home property	8.00	01-30-95	03-01-05	6-8	453	411
Various note holders within the Home Improvement Loan Program	Various properties owned by note holders	9.00-12.50	varies	varies	5-6	65	52
Sun Trust Bank	Various properties - interim financing	83% of 30 day LIBOR	varies	varies	Int. only	178	178
Sun Trust Bank	Various properties - interim financing	30 day LIBOR plus 0.5%	10-01-02	10-01-05	Int. only	1,263	1,263
	Hopkins Glen rental property	4.33	12-02-02	10-01-16	8	475	471
Midland Loan Services	Cedar Ridge rental property	7.05	07-01-95	07-01-35	77-100	10,131	9,642
Fairfax County Board of Supervisors	Unsecured Bond Anticipation Note	1.27	07-13-01	07-13-03	Int. only	700	700
	Unsecured Bond Anticipation Note	1.27	10-16-01	10-16-03	Int. only	1,000	1,000
	Unsecured Bond Anticipation Note	1.27	02-13-02	02-13-04	Int. only	2,400	2,400
	Unsecured Bond Anticipation Note	1.27	11-17-02	11-17-03	Int. only	200	200
	Unsecured Bond Anticipation Note	1.27	03-07-03	03-07-05	Int. only	400	400
	Unsecured Bond Anticipation Note	1.27	05-06-03	05-06-05	Int. only	500	500
	Unsecured Bond Anticipation Note	1.27	02-21-03	02-21-05	Int. only	500	500
	Unsecured Bond Anticipation Note	1.27	03-20-03	03-20-05	Int. only	500	500
	Unsecured Bond Anticipation Note	1.27	05-06-03	05-06-05	Int. only	800	800
	Unsecured Bond Anticipation Note	1.27	06-26-03	06-26-05	Int. only	1,000	1,000
WMF Huntoon Paige	Cedar Ridge rental property	7.05	11-01-70	09-01-10	90-100	2,850	797
Federal Financing Bank	Property, plant, and equipment	6.60	07-09-82	11-01-12	40-55	1,143	599
Total mortgage notes payable - FCRHA						48,508	35,337
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	1,309
Public housing bonds	Declaration of Trust	5.00	04-01-68	04-01-09	50-60	1,260	370
Total public housing loans payable - FCRHA						3,608	1,679
Total public housing bonds, notes, and loans payable - FCRHA primary government						$ 68,660	49,536

The FCRHA's annual required principal payments on the bonds, notes, and loans payable, excluding its component units, at June 30, 2003, are as follows:

	Component Unit - FCRHA (Primary Government)							
	Housing Bonds Payable		Mortgage Notes Payable		Public Housing Loans Payable		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 315,114	710,278	8,350,683	1,768,777	133,945	105,130	8,799,742	2,584,185
2005	334,214	693,620	4,708,519	1,576,022	143,933	97,392	5,186,666	2,367,034
2006	358,577	675,716	2,164,409	1,400,478	149,695	88,630	2,672,681	2,164,824
2007	368,213	656,785	1,185,647	1,309,279	160,616	79,710	1,714,476	2,045,774
2008	393,143	637,236	1,200,854	1,225,940	166,926	70,149	1,760,923	1,933,325
2009-2013	2,326,247	2,832,662	7,127,672	4,825,212	684,597	210,528	10,138,516	7,868,402
2014-2018	3,065,455	2,105,327	2,546,961	3,316,798	239,072	29,606	5,851,488	5,451,731
2019-2023	2,453,781	1,306,191	1,910,625	2,511,602	-	-	4,364,406	3,817,793
2024-2028	2,795,378	437,906	1,952,846	1,846,680	-	-	4,748,224	2,284,586
2029-2033	109,558	2,757	2,775,293	1,024,233	-	-	2,884,851	1,026,990
2034-2037	-	-	1,413,754	106,161	-	-	1,413,754	106,161
Totals	$ 12,519,680	10,058,478	35,337,263	20,911,182	1,678,784	681,145	49,535,727	31,650,805

6. Park Authority Bonds, Loans, and Notes 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.

In June 2003, the Park Authority received a $15,530,000 loan from the County to fund the development and construction of a public golf course and related structures, facilities, and equipment to be located in the Laurel Hill area of the southern part of the County.

The bonds and loan are solely the obligation of the Park Authority and are payable from the Park Revenue Fund's revenues from operations, earnings on investments, and certain fund balance reserves. The debt service requirements for the outstanding bonds and the loan payable to the County are as follows:

	Component Unit - Park Authority							
	Revenue Bonds			Loan Payable to County			Total	
Fiscal Year	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2004	4.39 %	$ 530,000	537,446	- %	$ -	687,362	530,000	1,224,808
2005	2.95	555,000	515,809	-	-	687,362	555,000	1,203,171
2006	3.10	570,000	498,788	-	-	687,362	570,000	1,186,150
2007	3.20	585,000	480,592	2.00	75,000	687,362	660,000	1,167,954
2008	3.40	605,000	460,948	2.25	80,000	685,863	685,000	1,146,811
2009-2013	3.60-4.10	3,365,000	1,946,538	2.50-5.00	765,000	3,382,863	4,130,000	5,329,401
2014-2018	4.20-4.50	4,095,000	1,175,620	5.00	1,660,000	3,134,563	5,755,000	4,310,183
2019-2023	4.75	2,925,000	212,681	5.00	2,965,000	2,597,063	5,890,000	2,809,744
2024-2028	-	-	-	4.25	4,455,000	1,762,050	4,455,000	1,762,050
2029-2033	-	-	-	4.25	5,530,000	724,625	5,530,000	724,625
Totals		$ 13,230,000	5,828,422		$ 15,530,000	15,036,475	28,760,000	20,864,897

During fiscal year 2000, the Park Authority issued a subordinated park facilities revenue note in the amount of $12,750,000 to finance the acquisition of certain properties for use as park land. The note was redeemed during fiscal year 2002 via the issuance of a new note in the amount of the maturing principal plus the accrued interest. A similar redemption and issuance 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 this note from the County's General Fund. Relevant information pertaining to these notes is as follows:

Issue Dates	Maturity Dates	Principal	Interest Rate
March 30, 2000	July 31, 2001	$ 12,750,000	6.825 %
July 31, 2001	July 31, 2002	13,912,667	3.810
July 31, 2002	July 31, 2003	14,442,740	2.030

7. 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, who 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 guarantees 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, 2003, 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, 2003, the principal amounts outstanding on these IRBs total approximately $546.8 million.

8. Defeasance of Debt

During fiscal year 2003 and in prior years, the County has 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, 2003, the amount of general obligation bonds for the County that are outstanding but considered defeased is $178,955,000.

9. 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 units are filled to capacity; whereas, the ash disposal

units continue to be used. As of June 30, 2003, closure expenditures have been incurred for approximately 55 percent of the area involved. The County holds permits that allow it to continue using the landfill until approximately 2020.

The $62.7 million reported as the landfill closure and postclosure obligation at June 30, 2003, 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. It is expected that the landfill closure and postclosure care costs will be funded from landfill tipping fees and existing resources.

10. Obligations Under Capital Leases

The reporting entity has financed the acquisition of certain capital assets by entering into capital lease agreements. The balance of capital assets, net, and the minimum obligations under these capital lease agreements as of June 30, 2003, are as follows:

	Primary Government - Governmental Activities	Component Unit - Public Schools
Asset Class	Balance at June 30, 2003	Balance at June 30, 2003
Land	$ 3,261,336	-
Buildings	26,956,062	-
Improvements	2,643,193	-
Equipment	32,132,841	21,993,306
Less: Accumulated depreciation	(26,738,819)	(3,886,304)
Total	$ 38,254,613	18,107,002
Fiscal Year	Minimum Obligations	Minimum Obligations
2004	$ 8,234,068	10,700,271
2005	6,697,254	8,427,415
2006	6,692,194	7,265,325
2007	3,790,236	3,805,486
2008	2,903,183	-
2009-2013	11,827,637	-
2014-2018	10,692,205	-
2019-2023	10,692,525	-
2024-2028	10,422,298	-
2029-2033	8,285,443	-
Total minimum obligations	80,237,043	30,198,497
Less: Portion representing interest	34,098,755	2,219,444
Present value of minimum obligations	$ 46,138,288	27,979,053

11. Obligation to Component Unit

The County has a liability of approximately $4.9 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 2003, the County paid the seventh 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 were 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 2003, the County's obligation of approximately $1.3 million was funded with County general obligation bond proceeds. The County's total obligations to date of approximately $238.5 million for Metrorail construction have been funded with $130.3 million of County general obligation bond proceeds, $105.1 million of state aid provided to the County through the Northern Virginia Transportation Commission (NVTC), and $3.1 million of credits available at WMATA. As of June 30, 2003, 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 $8.4 million for fiscal year 2003 was funded with $7.1 million of County general obligation bond proceeds and $1.3 million of state aid provided through the NVTC. It is anticipated that the County's obligations for fiscal year 2004 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 2003, the County's obligation of approximately $52.4 million for operating subsidies and debt service was funded with $10.7 million from the County's Metro Operations and Construction Fund and $41.7 million from state aid for transportation and regional gasoline tax receipts. It is anticipated that the County's expenditures for fiscal year 2004 will be approximately $12.3 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 $6.0 million of the bond proceeds were made available to the County to assist with financing its local stations. The County's fiscal year 2003 contribution to VRE's commuter rail operating, capital, and debt service cost was $2.6 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, 2003, 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 2003, the County's and EDA's total expenditures for these operating leases were $11,091,514 and $861,518, respectively.

At June 30, 2003, 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
2004	$ 9,851,415	787,850
2005	7,953,321	882,058
2006	7,198,739	902,762
2007	5,842,397	929,845
2008	4,499,205	834,528
2009-2013	9,933,804	834,922
2014-2018	3,316,982	-
2019-2023	564,186	-
2024-2028	274,853	-
2029-2032	123,684	-
Total	$ 49,558,586	5,171,965

4. Intermunicipal Agreements

City of Alexandria, Virginia, Sanitation Authority

The Sewer System is 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 its sewage treatment facility. Currently, the Sewer System has a capacity entitlement of 32.4 MGD, which is 60 percent of the facility's total capacity of 54 MGD. 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 facility. In addition, the Sewer System has no direct ongoing equity interest in the assets or liabilities of the ASA.

The ASA facility is currently undergoing major improvements to meet new water quality standards. The Sewer System paid the ASA $13,238,249 in fiscal year 2003 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be $35,350,000, of which $21,600,000 is expected to be incurred in fiscal year 2004 and the balance over fiscal years 2005 to 2009. In addition, the Sewer System made payments of $10,219,480 to the ASA during fiscal year 2003 for its share of the ASA's operating costs.

District of Columbia Water and Sewer Authority

The Sewer System is obligated under an intermunicipal agreement between the County; the District of Columbia (District); Montgomery County, Maryland; Prince George's County, Maryland; and the Washington Suburban Sanitary Commission to share the construction and operating costs of the District's Blue Plains Wastewater Treatment Plant, which is operated by the District of Columbia Water and Sewer Authority (DCWASA). Currently, the Sewer System has a capacity entitlement of 31 MGD, which is approximately 8.4 percent of the Plant's total capacity of 370 MGD. The DCWASA has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from the County. The County has no significant control over plant operations and construction and no ownership interest in the assets of DCWASA.

An expansion of the Blue Plains Plant from 325 MGD to 370 MGD was completed during fiscal year 2003, and the Plant is currently undergoing a major renovation of its chemical additions and sludge disposal systems. The Sewer System paid the DCWASA $14,102,608 during fiscal year 2003 to fund its share of construction costs, and it estimates its share of the remaining construction costs to be $62,900,000, of which $17,200,000 is expected to be incurred in fiscal year 2004 and the balance over fiscal years 2005 to 2010. In addition, the Sewer System made payments of $9,859,558 to the DCWASA during fiscal year 2003 for its share of the Plant's operating costs.

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. An expansion of the capacity of UOSA's treatment facility from 32 MGD to 54 MGD was completed during fiscal year 2003. Each jurisdiction's allocated share of UOSA's capacity as of June 30, 2003, is as shown on the right.

Member Jurisdiction	Capacity (MGD)
Fairfax County	27.5999
Prince William County	15.7971
City of Manassas	7.6893
City of Manassas Park	2.9137
Total	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 2003 of $7,593,754 to pay its share of UOSA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2002 and 2001 (the most recent audited financial information available), is as shown below.

	2002	2001
Total assets	$ 479,614,218	476,454,006
Total liabilities	(389,882,667)	(397,135,178)
Total equity	$ 89,731,551	79,318,828
Total revenue	$ 50,093,649	45,276,862
Total expenses	(29,023,050)	(26,289,560)
Net income	$ 21,070,599	18,987,302

Arlington County, Virginia

The Sewer System is obligated under an agreement with Arlington County, Virginia, to share the construction and operating costs of the sewage treatment facility owned and operated by Arlington County. Currently, the Sewer System has a capacity entitlement of 3 MGD, which is 10 percent of the facility's total capacity of 30 MGD. The Sewer System has no direct on-going equity interest in the facility's assets and liabilities. Furthermore, the Sewer System has no significant influence over the management of the treatment facility.

The Arlington facility is currently undergoing a major upgrade to meet new water quality standards. The Sewer System paid Arlington County $794,356 in fiscal year 2003 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be $24,200,000, of which $1,700,000 is expected to be incurred in fiscal year 2004 and the balance over fiscal years 2005 to 2009. In addition, the Sewer System made payments of $960,888 to Arlington County during fiscal year 2003 for its share of Arlington's operating costs.

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 tons-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, 2003, $150,405,000 of the 1998 Series A Refunding Bonds are outstanding. Unspent bond proceeds in the amount of $31,381,553, 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, 2003, the primary government had contractual commitments of $24,331,476 in the capital projects funds and $146,351,000 in the Sewer System for construction of various sewer projects. At June 30, 2003, the component units had contractual commitments of $71,960,622 and

$17,470,630 in the capital projects funds of the Public Schools and the Park Authority, respectively, for construction of various projects.

7. Other 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 1,819 participants currently eligible and receiving benefits in the program. For fiscal year 2003, the cost of this program to the County was $2,197,557.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost on a pay-as-you-go basis. There are approximately 2,500 participating retirees, and the cost of this program to the County for fiscal year 2003 was approximately $200,000.

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. Special Item

In June 2003, the County sold 46.8 acres of land located in the Laurel Hill area of the southern part of the County to a private developer for development as a senior living campus and graduated care facility. The sale proceeds of $18.2 million will be used to fund a portion of the cost of the public high school being constructed on adjacent land.

COUNTY OF FAIRFAX
FARE FAC
1742
VIRGINIA

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.

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SHANGHAI
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TOKYO
WASHINGTON, D.C.

April , 2004

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

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

The bonds are dated the date of their delivery, mature in annual installments on April 1 in each of the years 2005 to 2024, inclusive, bear interest payable semiannually on the 1st days of April and October in each year, commencing October 1, 2004, and are subject to redemption prior to their respective maturities in the manner and upon the terms and conditions set forth in the resolution authorizing the issuance of the bonds adopted by the Board of Supervisors of Fairfax County on March 15, 2004.

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 the 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 the County to the extent other funds of the 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 $329,110,000 aggregate principal amount of its Public Improvement and Refunding Bonds, Series 2004 A (the "Bonds" or "2004 A Bonds") pursuant to the provisions of a resolution (the "Resolution") adopted on March 15, 2004, by the Board of Supervisors of the County. The proceeds of the 2004 A 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 2004 A 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 2004 A 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 2004 A Bonds

modifications to rights of holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the 2004 A 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 2004 A 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, 2004). 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 2004 A 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 2004 A 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: April __, 2004

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 AND REFUNDING BONDS,
SERIES 2004 A

CUSIP NOS.: 303820 ___

Dated: _____ __, 2004

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 March 15, 2004 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 _____

CERTIFICATE CONCERNING OFFICIAL STATEMENT

We, Gerald E. Connolly, 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 March 31, 2004 and describing the issue of **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**, 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 14th day of April, 2004.

Gerald E. Connolly
Chairman of the
Board of Supervisors
Fairfax County, Virginia

Anthony H. Griffin
County Executive
Fairfax County, Virginia

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT dated as of April 14, 2004 by and between **Fairfax County** (the "County"), a political subdivision of the Commonwealth of Virginia, and Wachovia Bank, National Association, Richmond, Virginia, a national banking association organized and existing under the laws of the United States of America, and any successor thereto, as escrow agent (the "Escrow Agent"),

W I T N E S S E T H:

WHEREAS, the County has issued the following series of bonds pursuant to the provisions of resolutions duly adopted by the Board of Supervisors of the County on April 29, 1996 and April 28, 1997 respectively (collectively, the "Bond Resolutions"):

$114,150,000 Public Improvement Bonds, Series 1996 A, dated May 15, 1996 and issued on June 13, 1996, maturing June 1, 1997 to 2016, inclusive, and first subject to optional redemption on June 1, 2004 (the "1996 A Bonds"); and

$144,000,000 Public Improvement Bonds, Series 1997 A, dated May 15, 1997 and issued on June 26, 1997, maturing June 1, 1998 to 2017, inclusive, and first subject to optional redemption on June 1, 2005 (the "1997 A Bonds"); and

WHEREAS, the County has determined to refund for debt service savings each of the June 1, 2005 through 2016 maturities, inclusive, of the outstanding 1996 A Bonds (the "1996 A Refunded Bonds") and to give the Director of the Department of Finance of Fairfax County, Virginia as bond registrar and paying agent for the 1996 A Refunded Bonds (the "1996 A Refunded Bonds Paying Agent") irrevocable instructions to call such 1996 A Refunded Bonds for redemption on June 1, 2004 at the applicable redemption price of 102% of the principal amount of each 1996 A Refunded Bond plus accrued interest to the redemption date; and

WHEREAS, the County has determined to refund for debt service savings each of the June 1, 2006 through 2017 maturities, inclusive, of the outstanding 1997 A Bonds (the "1997 A Refunded Bonds") and to give the Director of the Department of Finance of Fairfax County, Virginia as bond registrar and paying agent for the 1997 A Refunded Bonds (the "1997 A Refunded Bonds Paying Agent") irrevocable instructions to call the 1997 A Refunded Bonds for redemption on June 1, 2005 at the applicable redemption price of 102% of the principal amount of each 1997 A Refunded Bond plus accrued interest to the redemption date; and

WHEREAS, the County has deposited with the Escrow Agent $165,008,527.55 (the "Deposit") derived from a $2,741,923.47 contribution by the County and $162,266,604.08 of the proceeds of the $329,110,000 Fairfax County, Virginia, Public Improvement and Refunding Bonds, Series 2004 A (the "Refunding Bonds"), and has made arrangements for and has directed the Escrow Agent to purchase from the Deposit the securities listed in Appendix A (the "Escrow Securities"), that, without consideration of any reinvestment of the maturing principal and

interest on the Escrow Securities, will provide sufficient moneys, to enable the Escrow Agent to pay to the registered owners, on behalf of the County and the Refunded Bonds Paying Agents, the Refunded Bonds as follows:

to pay (a) the principal of, plus the aggregate redemption premium of $1,369,400.00 on, the 1996 A Refunded Bonds on June 1, 2004 (the "1996 A Refunded Bonds Redemption Date") and (b) the interest to accrue on the 1996 A Refunded Bonds at the 1996 A Refunded Bonds Redemption Date all as set forth in Appendix B-1; and

to pay (a) the principal of, plus the aggregate redemption premium of $1,728,000.00 on, the 1997 A Refunded Bonds on June 1, 2005 (the "1997 A Refunded Bonds Redemption Date") and (b) when due and payable the interest to accrue on the 1997 A Refunded Bonds to and including the 1997 A Refunded Bonds Redemption Date all as set forth in Appendix B-2; and

WHEREAS, in order to insure that the procedures required for the redemption of the Refunded Bonds will be followed, the County and the Escrow Agent have agreed to enter into this Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. **Receipt of Verification Report**. Receipt of a true and correct copy of the verification report (Appendix E to this Agreement) of McGladrey & Pullen, LLP, independent certified public accountants, dated April 14, 2004 (the "Verification Report"), is hereby acknowledged by the Escrow Agent.

2. **Creation of and Deposits to Escrow Fund**. There is hereby created and established with the Escrow Agent a special, segregated and irrevocable escrow fund, designated the "Fairfax County Public Improvement Refunding Bonds 2004 Escrow Fund" (the "Escrow Fund"), to be held in the custody of the Escrow Agent as a trust fund for the benefit of the holders of the Refunded Bonds, and separate and apart from other funds of the County and the Escrow Agent. The Escrow Agent hereby accepts the Escrow Fund and acknowledges the receipt of, and deposit to the credit of the Escrow Fund, the Deposit, a portion of which has been or is to be used to purchase the Escrow Securities listed in Appendix A.

3. **Investment of Escrow Fund**. The Escrow Agent represents and acknowledges that, on the date hereof it will use $165,008,510.00 of the Deposit to purchase the Escrow Securities, described in Appendix A, in the principal amount of $165,008,510.00 at the respective purchase prices indicated in Appendix A and credit such Escrow Securities to the Escrow Fund. The Escrow Agent further represents that it will hold $17.55 of the Deposit uninvested.

4. **Sufficiency Representation**. (a) In sole reliance upon the Verification Report, the County represents that the interest on and the maturing principal amounts of the Escrow Securities in accordance with their terms (without consideration of any reinvestment of such maturing principal and interest) are sufficient to assure that moneys will be available to the Escrow Agent in the amounts and on the dates required to pay (i) the principal of and premium

on the Refunded Bonds on their respective 1996 A Refunded Bonds Redemption Date and 1997 A Refunded Bonds Redemption Date (collectively, the "Redemption Dates") and (ii) when due and payable, the interest to accrue on the Refunded Bonds, to the respective Redemption Dates, all as described in Appendices B-1 and B-2. If the Escrow Securities (hereinafter defined) shall be insufficient to make such payments as they become due and payable, the County shall, from available moneys, timely pay to the Escrow Agent for deposit to the Escrow Fund such additional amounts as may be required to meet fully the amount so due and payable. Notice of any insufficiency in the Escrow Fund shall be given by the Escrow Agent to the County as promptly as possible, but the Escrow Agent shall in no manner be responsible for the County's failure to make any payments to the Escrow Fund.

(b) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of the Escrow Securities and the Deposit to meet the payment requirements of the Refunded Bonds, nor shall the Escrow Agent be liable for any deficiencies in the amounts necessary to meet the payment requirements.

5. **Escrow Fund**. The Escrow Agent shall hold the cash and the book-entry credits of the Escrow Securities in the Escrow Fund at all times as a special and separate escrow fund for the benefit of the holders of the Refunded Bonds, wholly segregated from other funds and securities on deposit with it, shall never commingle the Escrow Securities with other funds or securities owned or held by it, and shall never at any time use, loan, or borrow the same in any way other than as provided in this Agreement. The Escrow Fund is hereby irrevocably pledged to the payment of the Refunded Bonds in the amounts and on the dates set forth in Appendices B-1 and B-2. Nothing herein contained shall be construed as requiring the Escrow Agent to keep the identical money, or any part thereof, in the Escrow Fund if it is impractical, but money of an equal amount, except to the extent represented by the Escrow Securities, must always be maintained on deposit in the Escrow Fund as an escrow fund held by the Escrow Agent; and a special account for the Escrow Fund evidencing such holdings shall at all times, until the termination of this Agreement in accordance with Paragraph 23 hereof, be maintained on the books of the Escrow Agent, together with the Escrow Securities so purchased and any cash on deposit therein.

6. **Investment Income**. (a) The Escrow Agent shall from time to time collect and receive the interest accruing and payable on the Securities and any Substituted Escrow Securities (as defined in Paragraph 7(b)) (collectively, the "Escrow Securities") and the maturing principal amounts of the Escrow Securities as the same become due, and credit the same to the Escrow Fund, so that the interest on and proceeds of the Escrow Securities, as the same become due, will be available to meet the payment requirements of the Refunded Bonds, as shown in Appendices B-1 and B-2 to this Agreement.

(b) The County, in its capacity as the Refunded Bonds Paying Agent, hereby irrevocably instructs the Escrow Agent to apply the principal and interest received from the Escrow Securities to the payment, for the account of the County, of the interest and premium on and principal of the Refunded Bonds. The Escrow Agent shall make such payments directly to The Depository Trust Company ("DTC") for Cede & Co., as registered owner of the Refunded Bonds and the partnership nominee of DTC, in the amounts and at the times specified within

Appendices B-1 and B-2. Specific wire instructions for these payments on the Refunded Bonds are provided below:

Wire Instructions for Principal and Redemption Premium Payments:

JP Morgan Chase Bank, NYC
ABA #021 000 021
For Credit of A/C Depository Trust Co.
Redemption Acct. – 066-027306
OBI = PPA/*CUSIP* #/Redemption Date

DTC Contact: Timothy Pamlanye
Phone: (516) 227-4199
FAX: (516) 227-4282

Wire Instructions for Interest Payments:

JP Morgan Chase Bank, NYC
ABA # 021 000 021
BNF = Depository Trust Co./Acct. – 066-026776
OBI – P/A – DDA 00508661/Wire match control number

DTC Contact: Hetty Bullen
Phone: (212) 855-4649
FAX: (212) 855-4778

No further direction will be required by the Escrow Agent upon receipt of this wire transfer information.

7. **Reinvestment; Substitution**. (a) Except as otherwise provided in this Paragraph 7, neither the County nor the Escrow Agent shall otherwise invest or reinvest any money in the Escrow Fund.

(b) Upon the prior written request of the County and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer or otherwise dispose of, or request the redemption of Escrow Securities (or any previously acquired Substituted Escrow Securities) as shall be specified in such request by the County and shall substitute for such Escrow Securities (or Substituted Escrow Securities) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America designated by the County in such written request (the "Substituted Escrow Securities"). The Escrow Agent shall purchase the Substituted Escrow Securities with the proceeds derived from the sale, transfer, disposition or redemption of the Escrow Securities (or previously acquired Substituted Escrow Securities) and moneys, if any, provided by the County. No substitution for the Escrow Securities (or previously acquired Substituted Escrow Securities) shall be made by the Escrow Agent unless:

(i) the Escrow Agent shall have received the opinion of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel, or other nationally

recognized bond counsel, designated by the County, stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds or on the Refunding Bonds and that such substitution is permitted by this Agreement; and

(ii) the Escrow Agent shall have received a verification report from an independent certified public accountant or firm of independent certified public accountants/financial consultants selected by the County, stating that the principal of and interest on the Substituted Escrow Securities, together with any cash or Escrow Securities (or any previously acquired Substituted Escrow Securities) in the Escrow Fund for which substitution is not then being made, will be fully sufficient, without reinvestment, to meet the payment requirements with respect to the Refunded Bonds.

(c) Investments in mutual funds or unit investment trusts are prohibited.

8. **No Liability**. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment or reinvestment made in the Escrow Securities.

9. **Inviolability of Escrow Fund**. In the event of the Escrow Agent's failure to account for any funds or securities received by it for the County's account under this Agreement, such funds and securities shall be and remain the property of the Escrow Fund, and the County and the holders of the Refunded Bonds shall be entitled to such preferred claims, and shall have such first liens, upon such funds and securities as are enjoyed by a trust beneficiary. If for any reason particular Escrow Securities or moneys cannot be identified, the Escrow Agent shall proceed as promptly as possible to make such identification. The moneys and securities received by the Escrow Agent under this Agreement shall not be considered banking deposits by the County, and the County shall have no right or title with respect thereto. The moneys and securities so received by the Escrow Agent as Escrow Agent under this Agreement shall not be subject to checks or drafts drawn by the County.

10. **Statements**. On or before the 25th day of each month commencing with June 25, 2004, so long as the Escrow Fund is maintained under this Agreement, the Escrow Agent shall forward to the County, addressed to the attention of the Director of the Department of Finance, a statement in detail of the Escrow Securities, and the income and maturities thereof, held and withdrawals of money from the Escrow Fund for the period from the last statement furnished pursuant to this paragraph.

11. **Notice of Establishment of Escrow Fund; Redemption**. (a) The County directs the Escrow Agent, and the Escrow Agent agrees, to cause the notice of the establishment of the Escrow Fund, and of the deposit of the Deposit and Escrow Securities to the Escrow Fund, to be sent by certified mail, postage prepaid to the registered owners of the 1997 A Refunded Bonds, to each Nationally Recognized Municipal Securities Information Repository and any Virginia State Information Depository (as such terms are contemplated by Rule 15c2-12 of the Securities Exchange Commission under the Securities Exchange Act of 1934, as amended), within five (5) days after the date of this Agreement, such notice to be in the form set forth in Appendix D.

(b1) The County hereby specifically and irrevocably elects to redeem on the 1996 A Refunded Bonds Redemption Date the 1996 A Refunded Bonds at the applicable redemption price of 102% of the principal amount of each 1996 A Refunded Bond plus accrued interest to the 1996 A Refunded Bonds Redemption Date, as set forth in Appendix B-1.

(b2) The County hereby specifically and irrevocably elects to redeem on the 1997 A Refunded Bonds Redemption Date the 1997 A Refunded Bonds at the applicable redemption price of 102% of the principal amount of each 1997 A Refunded Bond plus accrued interest to the 1997 A Refunded Bonds Redemption Date, as set forth in Appendix B-2.

(c) The County directs the Escrow Agent, and the Escrow Agent agrees, to cause the notices of redemption, to be sent by certified mail, postage prepaid to the registered owners of the Refunded Bonds at least 30 but not more than 60 days prior to the applicable Redemption Dates. The County agrees to take all other steps necessary for the redemption thereof, as provided in and in accordance with the applicable provisions of the Bond Resolutions. Notices of such redemptions shall be in substantially the forms set forth in Appendices C-1 and C-2.

The Escrow Agent shall also take the following actions with respect to such notice of redemption:

(d) Not less than thirty-five (35) days prior to the date of redemption, notice of such redemption shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission or (iii) overnight delivery service to each Nationally Recognized Municipal Securities Information Repository, any Virginia State Information Depository and the following securities depository at the address and transmission number given, or such other address or transmission number as may have been delivered in writing to the Escrow Agent for such purpose not later than the close of business on the day before such notice is given:

The Depository Trust Company
55 Water Street
New York, New York 10041
Telephone: (212) 855-1000
Facsimile transmission:
(212) 855-7232
(212) 855-7233

(e) Not less than thirty-five (35) days prior to the date of redemption, notice of such redemption shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service to at least two of the following services selected by the Escrow Agent:

(1) Financial Information, Inc.'s Daily Called Bond Service;

(2) FIS-Mergent Called Bond Record; or

(3) Standard & Poor's J.J. Kenny Called Bond Record.

12. **Duties of Escrow Agent**. The Escrow Agent shall have no responsibility to any person in connection herewith except the responsibilities specifically provided herein and shall not be responsible for anything done or omitted to be done by it except for its own negligence or misconduct in the performance of any obligation imposed on it hereunder. The Escrow Agent, except as herein specifically provided for, is not a party to, nor is it bound by nor need it give consideration to the terms or provisions of any other agreement or undertaking between the County and other persons, and the Escrow Agent assents to and is to give consideration only to the terms and provisions of this Agreement. Unless it is specifically provided, the Escrow Agent has no duty to determine or to inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the County with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, to exercise reasonable care and diligence, and in the event of error in making such determination the Escrow Agent shall be liable for its own misconduct and its negligence. In determining the occurrence of any such event or contingency, the Escrow Agent may request from the County or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency and, in this connection, may inquire and consult with the County, among others, at any time. The Escrow Agent shall be entitled to rely upon such evidence that it in good faith believes to be genuine. The Escrow Agent may consult with legal counsel, and the opinion of such counsel shall be full and complete authority and protection to the Escrow Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

13. **Benefits of Agreement**. This Agreement is between the County and the Escrow Agent only, and, in connection herewith, the Escrow Agent is authorized by the County to rely upon the representations of the County in connection with this Agreement, and the Escrow Agent shall not be liable to any person in any manner for such reliance. The duties of the Escrow Agent hereunder shall only be to the County and the owners of the Refunded Bonds. Neither the County nor the Escrow Agent shall assign or transfer or attempt to assign or transfer its interest hereunder or any part thereof. Any such assignment or attempted assignment shall be in direct conflict with this Agreement and shall be void and without effect.

14. **Reliance on Instruments**. The Escrow Agent may act upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other instrument or document that the Escrow Agent in good faith believes to be genuine and to be what it purports to be.

15. **Notices**. Any notice, authorization, request, or demand required or permitted to be given between the parties hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

to the County --

Board of Supervisors of the County of Fairfax, Virginia
12000 Government Center Parkway
Fairfax, VA 22035

Attention: County Executive

With a copy to:

Department of Finance
Fairfax County, Virginia
12000 Government Center Parkway
Fairfax, VA 22035

Attention: Director

to the Escrow Agent --

Wachovia Bank, National Association
Corporate Trust Group - VA 9646
1021 East Cary Street, 3rd Floor
Richmond, VA. 23219

Attention: S.A. McMahon, Vice President

16. **Business Days**. Whenever under the terms of this Agreement the performance date of any act to be done hereunder shall fall on a day that is not a legal banking day in Richmond, Virginia, and upon which the Escrow Agent is not open for business, the performance thereof on the next succeeding business day of the Escrow Agent shall be deemed to be in full compliance with this Agreement. Whenever time is referred to in this Agreement, it shall be the time recognized by the Escrow Agent in the ordinary conduct of its respective normal business transactions.

17. **Agreement Binding Upon Assigns**. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective personal representatives, successors, and assigns.

18. **Fee of Escrow Agent**. The compensation for the Escrow Agent under this Agreement has been agreed upon by the Escrow Agent and the County and is to be paid from funds other than the Deposit and Escrow Securities and the income thereon.

Any legal expenses, or any costs, charges or expenses associated with the mailing of any notice with respect to the Refunded Bonds under this Agreement of the Escrow Agent, shall be paid by the County solely from funds of the County, and in no event shall such costs, charges or expenses give rise to any claim against the Escrow Fund, the moneys of which are solely for the benefit of the holders of the Refunded Bonds.

19. **Resignation of Escrow Agent**. The Escrow Agent may resign and thereby become discharged from the duties hereby created, by notice in writing given to the County not less than sixty (60) days before such resignation shall take effect. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed. Such resignation shall take effect immediately, however, upon the appointment of a new Escrow Agent hereunder, if such new Escrow Agent shall be appointed before the time limited by such notice and such new Escrow Agent shall have accepted the trusts hereof. In the event of a resignation, the Escrow Agent shall be liable for all costs and expenses (but not including administrative fees) associated with the appointment of a new Escrow Agent and the transfer of the responsibilities outlined in this Agreement to the new Escrow Agent.

20. **Removal of Escrow Agent**. The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, executed by the owners of not less than a majority in aggregate principal amount of the Refunded Bonds then outstanding, such instruments to be filed with the County. A photographic copy of any instrument filed with the County under the provisions of this paragraph shall be delivered by the County to the Escrow Agent.

The Escrow Agent may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Agent, by any court of competent jurisdiction upon the application of the County or the owners of not less than a majority in aggregate principal amount of the Refunded Bonds then outstanding.

21. **Appointment of Successor Escrow Agent**. If at any time hereafter the Escrow Agent shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Agent shall thereupon become vacant. If the position of Escrow Agent shall become vacant for any of the foregoing reasons or for any other reason, the County shall appoint an Escrow Agent to fill such vacancy. The County shall notify the registered owners of any such appointment made by it by mail, postage prepaid within sixty (60) days of such appointment.

At any time after such appointment by the County, and prior to the termination of this Agreement in accordance with Paragraph 23, the owners of a majority in aggregate principal amount of the Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed and filed with the County, may appoint a successor Escrow Agent that shall supersede any Escrow Agent theretofore appointed by the County. Photographic copies of each such instrument shall be delivered promptly by the County to the predecessor Escrow Agent and to the Escrow Agent so appointed by the owners of the Refunded Bonds.

If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section, the owner of any Refunded Bond or the retiring Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Agent.

If the Escrow Agent shall merge into another banking or other similar institution with trust powers, or if substantially all of the assets of the Escrow Agent shall otherwise be acquired by any such banking or other similar institution, the surviving or acquiring institution shall be substituted for the Escrow Agent as Escrow Agent and shall succeed to the rights and obligations of the Escrow Agent hereunder without the necessity of execution of any instrument or the taking of any other action by the Escrow Agent, such surviving or acquiring bank, or the County and without giving any notice, by publication or otherwise, to anyone other than the County.

22. **Amendment.** This Agreement shall be irrevocable and may not be amended, without the consent of all the owners of the Refunded Bonds then unpaid; provided, however, that this Agreement may be amended, without the consent of the owners of unpaid Refunded Bonds, for the following purposes:

(a) the insertion of unintentionally omitted material or the correction of mistakes or clarification of ambiguities;

(b) the pledging of additional security to the Refunded Bonds;

(c) the deposit of additional cash or securities to the Escrow Fund; or

(d) any other amendment that a rating agency then rating the Refunded Bonds has confirmed in writing will not result in a reduction in its respective ratings on the Refunded Bonds.

23. **Termination**. This Agreement shall terminate on the date upon which the Escrow Agent makes the final payment to DTC in an amount sufficient to pay the balance of the principal of and interest coming due on the Refunded Bonds. Upon the final payment of all of the Refunded Bonds and except as otherwise requested in writing by the County, the Escrow Agent shall sell or redeem any Escrow Securities remaining in the Escrow Fund and shall remit to the County the proceeds thereof, together with all other money, if any, then remaining in the Escrow Fund.

24. **Severability**. If any one or more of the covenants or agreements provided in this Agreement on the part of the County or the Escrow Agent to be performed are determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

25. **Counterparts**. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

26. **Governing Law**. This Agreement shall be governed by the domestic law of the Commonwealth of Virginia.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

Fairfax County

By: _____
Name: Gerald E. Connolly
Title: Chairman of the Board of Supervisors

Wachovia Bank, National Association

By: _____
Name: S.A. McMahon
Title: Vice President

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

Fairfax County

By: _____
Name: Gerald E. Connolly
Title: Chairman of the Board of Supervisors

Wachovia Bank, National Association

By: _____
Name: S.A. McMahon
Title: Vice President

APPENDIX A

ESCROW SECURITIES:

Type	Maturity Date	Par	Coupon	Price	Cost
SLGS	6/1/04	$73,621,247.00	0.890%	100%	$73,621,247.00
SLGS	12/1/04	1,624,235.00	1.050	100	1,624,235.00
SLGS	6/1/05	89,763,028.00	1.290	100	89,763,028.00

Fairfax County, Virginia
Public Improvement Bonds,
Series 1996 A

Pay to the registered owner of the 1996 A Refunded Bonds, the amounts shown in the Total Debt Service column on the corresponding date.

Schedule of Debt Service

Period Ending	Principal	Interest	Redemption Premium	Total Debt Service
6/1/04	$68,470,000	$1,805,877.50	$1,369,400	$71,645,277.50

Fairfax County, Virginia
Public Improvement Bonds,
Series 1997 A

Pay to the registered owner of the 1997 A Refunded Bonds, the amounts shown in the Total Debt Service column on the corresponding dates.

Schedule of Debt Service

Period Ending	Principal	Interest	Redemption Premium	Total Debt Service
6/1/04	$ -	$2,214,000	$ -	$ 2,214,000
12/1/04	-	2,214,000	-	2,214,000
6/1/05	86,400,000	2,214,000	1,728,000	90,342,000
Total:	$86,400,000	$6,642,000	$1,728,000	$94,770,000

NOTICE OF REDEMPTION

Fairfax County, Virginia

PUBLIC IMPROVEMENT BONDS, SERIES 1996 A, Dated May 15, 1996 and Maturing June 1 of each of the years 2005 through 2016, inclusive

NOTICE IS HEREBY GIVEN to the owners of the following outstanding Fairfax County, Virginia Public Improvement Bonds, Series 1996 A (the "Refunded Bonds"), that such Bonds shall be redeemed on the date at the redemption price (expressed as a percentage of the principal amount of such Bonds) referred to below together with the interest accrued thereon to the redemption date:

REFUNDED BONDS
Redemption Date: June 1, 2004

Maturity Date	Principal Amount	Interest Rate	Redemption Price	CUSIP Numbers[1]
6/1/05	$5,710,000	4.80%	102%	303820 QE7
6/1/06	5,710,000	5.00	102	303820 QF4
6/1/07	5,705,000	5.125	102	303820 QG2
6/1/08	5,705,000	5.125	102	303820 QH0
6/1/09	5,705,000	5.25	102	303820 QJ6
6/1/10	5,705,000	5.25	102	303820 QK3
6/1/11	5,705,000	5.375	102	303820 QL1
6/1/12	5,705,000	5.375	102	303820 QM9
6/1/13	5,705,000	5.50	102	303820 QN7
6/1/14	5,705,000	5.50	102	303820 QP2
6/1/15	5,705,000	5.50	102	303820 QQ0
6/1/16	5,705,000	5.50	102	303820 QR8

On their Redemption Date, the Refunded Bonds shall become due and payable at their Redemption Price (together with the interest accrued thereon to the Redemption Date), interest on the Refunded Bonds shall cease to accrue, and from and after the Redemption Date the

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. The CUSIP numbers provided above are the original "unrefunded" CUSIP numbers assigned upon the original issuance of the Refunded Bonds do not reflect subsequent changes, if any.

owners shall have no rights in respect thereof except to receive payment of the Redemption Price plus accrued interest to the Redemption Date.

Payment of the Redemption Price will be made upon presentation and surrender of the Refunded Bonds, on or after June 1, 2004, at the office of the Director, as provided below.

The Refunded Bonds should be presented for payment as follows:

If mailed:

Department of Finance
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035
Attention: Director

If hand delivered:

Department of Finance
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035
Attention: Director

If bonds are presented by mail, the manner of shipment of bonds is at the bondholder's discretion; however, transmittal by insured, registered mail is suggested.

Under current federal law, a paying agent making payments of principal and interest on municipal securities may be obligated to withhold tax from the remittances to registered owners who are not "exempt recipients" and who fail to furnish the paying agent with a valid Taxpayer Identification Number. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Registered owners of the Refunded Bonds who wish to avoid the imposition of this tax should submit certified Taxpayer Identification Numbers when presenting their Refunded Bonds for collection.

Fairfax County, Virginia

Dated:

NOTICE OF REDEMPTION

Fairfax County, Virginia

PUBLIC IMPROVEMENT BONDS, SERIES 1997 A, Dated May 15, 1997 and Maturing June 1 of each of the years 2006 through 2017, inclusive

NOTICE IS HEREBY GIVEN to the owners of the following outstanding Fairfax County, Virginia Public Improvement Bonds, Series 1997 A (the "Refunded Bonds"), that such Bonds shall be redeemed on the date at the redemption price (expressed as a percentage of the principal amount of such Bonds) referred to below together with the interest accrued thereon to the redemption date:

REFUNDED BONDS
Redemption Date: June 1, 2005

Maturity Date	Principal Amount	Interest Rate	Redemption Price	CUSIP Numbers[1]
6/1/06	$7,200,000	5.00%	102%	303820 TE4
6/1/07	7,200,000	5.00	102	303820 TF1
6/1/08	7,200,000	5.00	102	303820 TG9
6/1/09	7,200,000	5.00	102	303820 TH7
6/1/10	7,200,000	5.00	102	303820 TJ3
6/1/11	7,200,000	5.125	102	303820 TK0
6/1/12	7,200,000	5.125	102	303820 TL8
6/1/13	7,200,000	5.25	102	303820 TM6
6/1/14	7,200,000	5.25	102	303820 TN4
6/1/15	7,200,000	5.25	102	303820 TP9
6/1/16	7,200,000	5.25	102	303820 TQ7
6/1/17	7,200,000	5.25	102	303820 TR5

On their Redemption Date, the Refunded Bonds shall become due and payable at their Redemption Price (together with the interest accrued thereon to the Redemption Date), interest on the Refunded Bonds shall cease to accrue, and from and after the Redemption Date the owners shall have no rights in respect thereof except to receive payment of the Redemption Price plus accrued interest to the Redemption Date.

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. This column indicates the CUSIP numbers that were assigned upon the original issuance of the Refunded Bonds and does not reflect subsequent changes, if any.

Payment of the Redemption Price will be made upon presentation and surrender of the Refunded Bonds, on or after June 1, 2005, at the office of the Director, as provided below.

The Refunded Bonds should be presented for payment as follows:

If mailed:

Department of Finance
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035
Attention: Director

If hand delivered:

Department of Finance
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035
Attention: Director

If bonds are presented by mail, the manner of shipment of bonds is at the bondholder's discretion; however, transmittal by insured, registered mail is suggested.

Under current federal law, a paying agent making payments of principal and interest on municipal securities may be obligated to withhold tax from the remittances to registered owners who are not "exempt recipients" and who fail to furnish the paying agent with a valid Taxpayer Identification Number. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Registered owners of the Refunded Bonds who wish to avoid the imposition of this tax should submit certified Taxpayer Identification Numbers when presenting their Refunded Bonds for collection.

Fairfax County, Virginia

Dated:

NOTICE OF DEFEASANCE AND ESTABLISHMENT OF ESCROW FUND

NOTICE TO OWNERS OF
Fairfax County, Virginia Public Improvement Bonds Series 1997A, Dated May 15, 1997

NOTICE IS HEREBY GIVEN to the owners of the Fairfax County, Virginia Public Improvement Bonds described below (the "Refunded Bonds"), that there has been deposited, in trust, with Wachovia Bank, National Association, Richmond, Virginia, as escrow agent (the "Escrow Agent"), United States Treasury obligations and cash in an amount that, together with interest thereon, will provide for the payment in full of the interest on the Refunded Bonds to their earliest redemption date, as set forth below, and the principal amount and applicable redemption premium on the Refunded Bonds on their redemption date.

REFUNDED BONDS
Redemption Date: June 1, 2005

Maturity Date	Principal Amount	Interest Rate	Redemption Price	CUSIP Numbers[1]
6/1/06	$7,200,000	5.00%	102%	303820 TE4
6/1/07	7,200,000	5.00	102	303820 TF1
6/1/08	7,200,000	5.00	102	303820 TG9
6/1/09	7,200,000	5.00	102	303820 TH7
6/1/10	7,200,000	5.00	102	303820 TJ3
6/1/11	7,200,000	5.125	102	303820 TK0
6/1/12	7,200,000	5.125	102	303820 TL8
6/1/13	7,200,000	5.25	102	303820 TM6
6/1/14	7,200,000	5.25	102	303820 TN4
6/1/15	7,200,000	5.25	102	303820 TP9
6/1/16	7,200,000	5.25	102	303820 TQ7
6/1/17	7,200,000	5.25	102	303820 TR5

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. This column indicates the CUSIP numbers that were assigned upon the original issuance of the Refunded Bonds and does not reflect subsequent changes, if any.

This is not a notice of redemption. The Bond Registrar and Paying Agent for the Refunded Bonds has been given irrevocable instructions to call the applicable Refunded Bonds, and has been directed to give notice of the redemption not more than sixty (60), and at least thirty (30), days before the respective redemption dates of the Refunded Bonds. The principal on all the Refunded Bonds will be payable at the office of the Director of Finance of Fairfax County, Virginia, as the Refunded Bonds Paying Agents.

Fairfax County, Virginia

Dated:

Appendix E

VERIFICATION REPORT

Fairfax County, Virginia

Verification Report
April 14, 2004

McGladrey & Pullen
Certified Public Accountants

Independent Accountant's Verification Report

County of Fairfax
Department of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, Virginia

Wachovia Bank, National Association
P.O. Box 26944 (23261)
1021 East Cary Street, 3rd Floor, VA9646
Richmond, Virginia

Sidley Austin Brown & Wood LLP
787 Seventh Avenue
New York, New York

Public Financial Management, Inc.
4601 North Fairfax Drive, Suite 1130
Arlington, Virginia

Pursuant to the request of Public Financial Management, Inc. (the "Financial Advisor") on behalf of Fairfax County, Virginia (the "Issuer"), we have performed certain procedures, as discussed below, in connection with the Issuer's proposed issuance of $329,110,000 Public Improvement and Refunding Bonds, Series 2004A, dated April 14, 2004 (the "2004 Bonds").

Proceeds from the 2004 Bonds will be used in part and together with other funds to refund a portion of two of the Issuer's outstanding series of Public Improvement Bonds (collectively referred to as the "Refunded Bonds"), as summarized below:

	To Be Refunded		Optional Redemption
	Amount	Maturities	Date and Price
• Series 1996A, dated May 15, 1996 (the "Refunded 1996 Bonds")	$ 68,470,000	06/01/05 through 06/01/16	06/01/04 at 102.00
• Series 1997A, dated May 15, 1997 (the "Refunded 1997 Bonds")	$ 86,400,000	06/01/06 through 06/01/17	06/01/05 at 102.00

The procedures were performed solely to assist the addressees of this report in evaluating the mathematical accuracy of certain schedules prepared by the Financial Advisor which indicate that:

- there will be sufficient funds available in an escrow account to be established on April 14, 2004 to pay the remaining debt service payments and redemption premiums related to the Refunded Bonds (the "Escrow Requirements"), assuming the Refunded Bonds set forth above will be redeemed at 102.00 percent of par on those redemption dates set forth above;

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

- the yield on the United States Treasury Securities — State and Local Government Series (the "SLGS") to be purchased on April 14, 2004 with 2004 Bond proceeds (the "2004 SLGS") is less than the yield on the 2004 Bonds; and

- the lowest mathematical arbitrage yield on the 2004 Bonds is achieved by treating (i) the Callable Premium Bonds (as defined below) as being optionally redeemed at par on April 1, 2014 and (ii) all other 2004 Bonds as redeemed on their originally scheduled maturity dates.

The procedures we performed are summarized below.

1. We independently calculated the future cash receipts from the 2004 SLGS (Exhibit A-1) and one SLGS to be purchased with existing debt service funds (the "Prior-Money SLGS"), compared the future cash receipts to the Financial Advisor's schedules and found the future cash receipts to be in agreement.

2. We independently calculated the Escrow Requirements related to the Refunded Bonds using information from the Official Statements for the Refunded Bonds, compared the Escrow Requirements to the Financial Advisor's schedules and found the Escrow Requirements to be in agreement.

3. Using the results of our independent calculations described in procedures 1 and 2 above and using an assumed initial cash deposit of $17.55 to the escrow account on April 14, 2004, we prepared an escrow account cash flow schedule (attached hereto as Exhibit A). The resulting cash flow schedule indicates that there will be sufficient funds available in the escrow account to pay the Escrow Requirements on a timely basis.

4. We compared the rate table date (i.e., April 6, 2004) set forth on the SLGS Confirmation of Subscription Receipt to Form PD 4262 Department of the Treasury — Bureau of the Public Debt — SLGS Table for Use on April 6, 2004 (the "SLGS Rate Table"), and found the dates to be the same.

5. We compared the interest rate for each SLGS to the SLGS Rate Table and found each interest rate to be equal to the applicable maximum allowable interest rate for use on April 6, 2004.

6. We compared the terms (i.e., the principal amounts, interest rates, issue dates, maturity dates and first interest payment dates) of the SLGS to be acquired on April 14, 2004, as summarized herein, to the final SLGS subscription forms provided by the Financial Advisor; we found the terms to be in agreement.

7. We compared pertinent terms of the Refunded Bonds (i.e., debt service payment dates, annual maturity amounts, interest rates and optional redemption provisions), as summarized on Exhibits A-2 and A-3, to the Official Statements for the Refunded Bonds provided by the Financial Advisor; we found the terms to be in agreement.

8. We independently calculated the initial reoffering prices of the 2004 Bonds using interest rates, reoffering yields, and optional redemption provisions provided by the Financial Advisor and compared our results to those provided by the Financial Advisor; we found the reoffering prices to be in agreement.

9. Using the results of our independent calculations described in procedure No. 6 above and using an assumed first optional redemption date of April 1, 2014 as provided by the Financial Advisor, we concluded that those callable 2004 Bonds scheduled to mature in the years 2015 through 2018 (the "Callable Premium Bonds"), which were initially reoffered at a price which exceeds 102.250 are the only callable 2004 Bonds that have been issued at an issue price that exceeds the stated redemption price at maturity for each respective Callable Premium Bond by more than one-fourth of one percent 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 the 2004 Bonds (i.e., 102.250).

10. We independently calculated the yield on the 2004 SLGS and the arbitrage yield on the 2004 Bonds, assuming a settlement date of April 14, 2004. The term "yield," as used herein, means that yield which, when used in computing the present value of all payments of principal and interest on an obligation (adjusted, in the case of the 2004 Bonds, to reflect the assumed early redemption of the Callable Premium Bonds) compounded semiannually using a 30/360-day year basis, produces an amount equal to: in the case of the 2004 SLGS, the purchase price of the 2004 SLGS; and, in the case of the 2004 Bonds, the issue price to the public as represented by the Financial Advisor. The results of our yield calculations, which are listed below, were compared to the yield calculations provided by the Financial Advisor; we found the yields to be in agreement.

	Yield	Exhibit
• Yield on 2004 SLGS	1.25615977%	A-1
• Arbitrage Yield on 2004 Bonds	3.46344667%	B

Based on performing the agreed-upon procedures, we have found that those schedules provided by the Financial Advisor, when compared to those schedules prepared by us (attached hereto as Exhibits), are arithmetically accurate and reflect, based on the assumptions set forth herein, that:

- there will be sufficient funds available in the escrow account to pay the Escrow Requirements;
- the yield on the 2004 SLGS is less than the yield on the 2004 Bonds; and
- the lowest mathematical arbitrage yield on the 2004 Bonds is achieved by treating (i) the Callable Premium Bonds as being optionally redeemed at par on April 1, 2014 and (ii) all other 2004 Bonds as redeemed on their originally scheduled maturity dates.

This engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants (the "AICPA"). The sufficiency of these procedures is solely the responsibility of the specified users of the report. We make no representation regarding the sufficiency of the procedures summarized above, either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the anticipated escrow account cash sufficiency or yield calculations. Accordingly, in accordance with standards for attestation services established by the AICPA, we cannot express such an opinion. Had we performed an examination or performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our independent calculations with respect to the proposed transactions are summarized in the accompanying exhibits. The original computations, along with related characteristics and assumptions contained herein, were provided by the Financial Advisor on behalf of the Issuer. We relied solely on this information and these assumptions and limited our work to performing those procedures set forth above.

This report is issued solely for the information of, and assistance to, the addressees of this report and is not to be quoted or referred to in any document, except for the Official Statement and required closing transaction documents. Additionally, this report should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under the terms of our engagement, we have no obligation to update this report because of events or transactions occurring subsequent to the date of this report.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
April 14, 2004

Exhibit A

Fairfax County, Virginia

Escrow Account Cash Flow

Date	Total Cash Receipts From 2004 SLGS (Exhibit A-1)	Total Cash Receipts From Prior-Money SLGS	Escrow Requirements Related to Refunded Bonds (Exhibits A-2 and A-3)	Cash Balance
Initial cash deposit on April 14, 2004	$ -	$ -	$ -	$ 17.55
06/01/04	71,114,143.33	2,745,132.17 (a)	73,859,277.52	15.53
12/01/04	2,213,999.91	-	2,214,000.00	15.44
06/01/05	90,341,999.53	-	90,342,000.00	14.97
	$ 163,670,142.77	$ 2,745,132.17	$ 166,415,277.52	

(a) Represents the cash receipts from a 0.89 percent, $2,741,923 SLGS Certificate.

Exhibit A-1

Fairfax County, Virginia

Cash Receipts From and Yield on SLGS

Receipt Date	$70,879,324 0.89% Cert. 06/01/04	$1,624,235 1.05% Cert. 12/01/04	$89,763,028 1.29% Note 06/01/05	Total Cash Receipts From SLGS	Present Value on April 14, 2004 Using a Yield of 1.25615977%
06/01/04	$ 70,962,281.94	$ -	$ 151,861.39	$ 71,114,143.33	$ 70,997,976.81
12/01/04	-	1,635,028.38	578,971.53	2,213,999.91	2,196,586.97
06/01/05	-	-	90,341,999.53	90,341,999.53	89,072,023.22
	$ 70,962,281.94	$ 1,635,028.38	$ 91,072,832.45	$163,670,142.77	$162,266,587.00

Purchase price of SLGS $162,266,587.00

The sum of the present values of future cash receipts from the SLGS, on April 14, 2004 using a yield of 1.25615977 percent, is equal to the purchase price of the SLGS; therefore, the yield on the SLGS is equal to 1.25615977 percent.

Exhibit A-2

Fairfax County, Virginia

Escrow Requirements Related to Refunded 1996 Bonds

Date	Principal	Interest	Redemption Premium	Escrow Requirements Related to Refunded 1996 Bonds
06/01/04	$ 68,470,000 (1)	$ 1,805,877.52	$ 1,369,400.00	$ 71,645,277.52

(1) Consists of the following bonds to be optionally redeemed at 102.00 percent of par on June 1, 2004:

Maturity Date (June 1)	Principal	Interest Rate
2005	$ 5,710,000	4.800%
2006	5,710,000	5.000%
2007	5,705,000	5.125%
2008	5,705,000	5.125%
2009	5,705,000	5.250%
2010	5,705,000	5.250%
2011	5,705,000	5.375%
2012	5,705,000	5.375%
2013	5,705,000	5.500%
2014	5,705,000	5.500%
2015	5,705,000	5.500%
2016	5,705,000	5.500%
	$ 68,470,000	

Fairfax County, Virginia

Escrow Requirements Related to Refunded 1997 Bonds

Date	Principal	Interest	Redemption Premium	Escrow Requirements Related to Refunded 1997 Bonds
06/01/04	$ -	$ 2,214,000.00	$ -	$ 2,214,000.00
12/01/04	-	2,214,000.00	-	2,214,000.00
06/01/05	86,400,000 (1)	2,214,000.00	1,728,000.00	90,342,000.00
	$ 86,400,000	$ 6,642,000.00	$ 1,728,000.00	$ 94,770,000.00

(1) Consists of the following bonds to be optionally redeemed at 102.00 percent of par on June 1, 2005:

Maturity Date (June 1)	Principal	Interest Rate
2006	$ 7,200,000	5.000%
2007	7,200,000	5.000%
2008	7,200,000	5.000%
2009	7,200,000	5.000%
2010	7,200,000	5.000%
2011	7,200,000	5.125%
2012	7,200,000	5.125%
2013	7,200,000	5.250%
2014	7,200,000	5.250%
2015	7,200,000	5.250%
2016	7,200,000	5.250%
2017	7,200,000	5.250%
	$ 86,400,000	

Exhibit A-4

Fairfax County, Virginia

Estimated Sources and Uses of Funds

Sources:	
Principal amount of 2004 Bonds	$ 329,110,000.00
Net original issue premium	30,424,523.60
Funds provided by Issuer	2,741,923.47
	$ 362,276,447.07
Uses:	
Purchase price of 2004 SLGS	$ 162,266,587.00
Purchase price of Prior-Money SLGS	2,741,923.00
Initial cash deposit to escrow account	17.55
Underwriter's discount	789,521.40
Issuance costs	476,782.50
Deposit to Project Fund	196,000,000.00
Contingency	1,615.62
	$ 362,276,447.07

Fairfax County, Virginia

Arbitrage Yield on 2004 Bonds

Debt Service Payment Date	Principal	Interest Rate	Yield	Interest	Total Debt Service	Adjusted Debt Service for Yield Purposes	Present Value on April 14, 2004 Using a Yield of 3.46344667%
10/01/04	$ -	-	-	$ 7,337,455.23	$ 7,337,455.23	$ 7,337,455.23	$ 7,221,502.75
04/01/05	14,730,000	2.000%	1.00%	7,908,634.38	22,638,634.38	22,638,634.38	21,901,604.91
10/01/05	-	-	-	7,761,334.38	7,761,334.38	7,761,334.38	7,380,838.59
04/01/06	21,500,000	5.000%	1.35%	7,761,334.38	29,261,334.38	29,261,334.38	27,353,130.59
10/01/06	-	-	-	7,223,834.38	7,223,834.38	7,223,834.38	6,637,801.96
04/01/07	21,465,000	5.000%	1.66%	7,223,834.38	28,688,834.38	28,688,834.38	25,912,720.59
10/01/07	-	-	-	6,687,209.38	6,687,209.38	6,687,209.38	5,937,295.01
04/01/08	21,430,000	5.250%	2.03%	6,687,209.38	28,117,209.38	28,117,209.38	24,539,150.31
10/01/08	-	-	-	6,124,671.88	6,124,671.88	6,124,671.88	5,254,286.28
04/01/09	21,420,000	5.250%	2.34%	6,124,671.88	27,544,671.88	27,544,671.88	23,228,015.44
10/01/09	-	-	-	5,562,396.88	5,562,396.88	5,562,396.88	4,610,840.23
04/01/10	21,400,000	5.250%	2.63%	5,562,396.88	26,962,396.88	26,962,396.88	21,969,501.21
10/01/10	-	-	-	5,000,646.88	5,000,646.88	5,000,646.88	4,005,267.13
04/01/11	21,380,000	5.250%	2.88%	5,000,646.88	26,380,646.88	26,380,646.88	20,769,896.74
10/01/11	-	-	-	4,439,421.88	4,439,421.88	4,439,421.88	3,435,729.10
04/01/12	21,345,000	5.250%	3.11%	4,439,421.88	25,784,421.88	25,784,421.88	19,615,233.94
10/01/12	-	-	-	3,879,115.63	3,879,115.63	3,879,115.63	2,900,764.14
04/01/13	21,310,000	5.250%	3.26%	3,879,115.63	25,189,115.63	25,189,115.63	18,515,532.67
10/01/13	-	-	-	3,319,728.13	3,319,728.13	3,319,728.13	2,398,663.95
04/01/14	21,250,000	5.250%	3.41%	3,319,728.13	24,569,728.13	91,339,728.13 (a)	64,873,929.18
10/01/14	-	-	-	2,761,915.63	2,761,915.63	1,153,865.63	805,581.20
04/01/15	21,190,000	(a) 5.000%	3.54%	2,761,915.63	23,951,915.63	1,153,865.63	791,868.23
10/01/15	-	-	-	2,232,165.63	2,232,165.63	1,153,865.63	778,388.70
04/01/16	21,100,000	(a) 5.000%	3.63%	2,232,165.63	23,332,165.63	1,153,865.63	765,138.61
10/01/16	-	-	-	1,704,665.63	1,704,665.63	1,153,865.63	752,114.08
04/01/17	15,295,000	(a) 4.500%	3.91%	1,704,665.63	16,999,665.63	1,153,865.63	739,311.25
10/01/17	-	-	-	1,360,528.13	1,360,528.13	1,153,865.63	726,726.36
04/01/18	9,185,000	(a) 4.500%	4.02%	1,360,528.13	10,545,528.13	1,153,865.63	714,355.70
10/01/18	-	-	-	1,153,865.63	1,153,865.63	1,153,865.63	702,195.61

(Continued)

Fairfax County, Virginia

Arbitrage Yield on 2004 Bonds (Continued)

Debt Service Payment Date	Principal	Interest Rate	Yield	Interest	Total Debt Service	Adjusted Debt Service for Yield Purposes	Present Value on April 14, 2004 Using a Yield of 3.46344667%
04/01/19	9,185,000	4.000%	4.13%	1,153,865.63	10,338,865.63	10,338,865.63	6,184,710.33
10/01/19	-	-	-	970,165.63	970,165.63	970,165.63	570,474.13
04/01/20	9,185,000	4.000%	4.21%	970,165.63	10,155,165.63	10,155,165.63	5,869,764.54
10/01/20	-	-	-	786,465.63	786,465.63	786,465.63	446,845.12
04/01/21	9,185,000	4.125%	4.29%	786,465.63	9,971,465.63	9,971,465.63	5,569,033.92
10/01/21	-	-	-	597,025.00	597,025.00	597,025.00	327,760.78
04/01/22	9,185,000	4.250%	4.37%	597,025.00	9,782,025.00	9,782,025.00	5,278,819.74
10/01/22	-	-	-	401,843.75	401,843.75	401,843.75	213,161.56
04/01/23	9,185,000	4.250%	4.44%	401,843.75	9,586,843.75	9,586,843.75	4,998,859.26
10/01/23	-	-	-	206,662.50	206,662.50	206,662.50	105,925.50
04/01/24	9,185,000	4.500%	4.50%	206,662.50	9,391,662.50	9,391,662.50	4,731,784.26
	$ 329,110,000			$ 139,593,414.77	$ 468,703,414.77	$ 461,815,789.77	$ 359,534,523.60

Issue price of 2004 Bonds for arbitrage yield calculation purposes:

Principal amount of 2004 Bonds	$ 329,110,000.00
Plus net original issue premium	30,424,523.60
	$ 359,534,523.60

(a) It is assumed for arbitrage yield calculation purposes that those callable 2004 Bonds scheduled to mature in the years 2015 through 2018, inclusive (which are assumed to have been initially reoffered at a price which exceeds 102.250), will be optionally redeemed at par on April 1, 2014.

The sum of the present values of the adjusted debt service payments to be made on the 2004 Bonds, on April 14, 2004 using a discount rate of 3.46344667 percent, is equal to the issue price of the 2004 Bonds for arbitrage yield calculation purposes; therefore, the arbitrage yield on the 2004 Bonds is equal to 3.46344667 percent.

Wachovia Bank, N.A.
Corporate Trust
VA9646
1021 East Cary Street
Richmond, VA 23219

WACHOVIA

AFFIDAVIT OF DELIVERY

STATE OF VIRGINIA

CITY OF RICHMOND

Sarah A. McMahon, being duly sworn, deposes and says:

I am a duly authorized Vice President and Corporate Trust Officer of Wachovia Bank, National Association and in such capacity, have caused the Notice of Redemption dated April 30, 2004 for the Fairfax County, Virginia Public Improvement Bonds, Series 1996A, dated May 15, 1996 and maturing June 1 of each of the years 2005 through 2016, inclusive (the "Refunded Bonds") to be addressed to each owner of record for the 1996A Bonds as the names and addresses appeared on the books of Fairfax County as Bond Registrar and Paying Agent, at the close of business on April 30, 2004.

On April 30, Wachovia Bank, National Association, caused to be sent via facsimile transmission the described Notice (a specimen copy of which is attached) to each owner and to each NRMSIR as listed on the U.S. Securities and Exchange Commission (SEC) world wide web pages (http://www.sec.gov).

By: _____
S. A. McMahon
Vice President
Wachovia Bank, National Association

Sworn before me this 30th day of April, 2004

_____
Notary Public: Joy D. Edwards
Commission Expires: February 28, 2005

Wachovia Bank, N.A.
Corporate Trust
VA9646
1021 East Cary Street
Richmond, VA 23219

FACSIMILE COVER SHEET

WACHOVIA

To: CALL NOTIFICATION DEPARTMENT
Company: THE DEPOSITORY TRUST COMPANY
FAX: (212) 855-7232 / 7234 / 7235 / 7236

To: INDRA WAHID / PROXY DEPARTMENT
Company: THE DEPOSITORY TRUST COMPANY
FAX: (212) 855-5181

NOTICE OF REDEMPTION

To The Holders Of
FAIRFAX COUNTY, VIRGINIA
PUBLIC IMPROVEMENT BONDS SERIES 1996A
DATED MAY 15, 1996 AND MATURING JUNE 1 OF EACH OF THE YEARS
2005 THROUGH 2016, INCLUSIVE

REFUNDED BONDS

Redemption Date: JUNE 1, 2004

Maturity Date	Principal Amount	Redemption Price	CUSIP Numbers[1]
6/1/2005	$5,710,000	102%	303820 QE7
6/1/2006	5,710,000	102	303820 QF4
6/1/2007	5,705,000	102	303820 QG2
6/1/2008	5,705,000	102	303820 QH0
6/1/2009	5,705,000	102	303820 QJ6
6/1/2010	5,705,000	102	303820 QK3
6/1/2011	5,705,000	102	303820 QL1
6/1/2012	5,705,000	102	303820 QM9
6/1/2013	5,705,000	102	303820 QN7
6/1/2014	5,705,000	102	303820 QP2
6/1/2015	5.705,000	102	303820 QQ0
6/1/2016	5,705,000	102	303820 QR8

Date: April 30, 2004
Number of Pages: 3 (including cover page)

cc: Bloomberg Municipal Repositories	(609) 279-5962	Michelle Schwartz	(703) 324-3934
DPC Data Inc.	(201) 947-0107	Len Wales / Fairfax	(703) 324-3940
Kenny Information Systems, Inc.	(212) 438-3975	E. Herbert / P. Wu	(212) 839-5599
Interactive Data-Bond Buyer	(212) 771-7390	Gary Zoellner	(703) 324-3102
Joanne Carter / PFM	(703) 516-0283		

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. This column indicates the CUSIP numbers that were assigned upon the original issuance of the Defeased Bonds and does not reflect subsequent changes, if any.

NOTICE OF REDEMPTION

Fairfax County, Virginia

PUBLIC IMPROVEMENT BONDS, SERIES 1996 A, Dated May 15, 1996 and Maturing June 1 of each of the years 2005 through 2016, inclusive

NOTICE IS HEREBY GIVEN to the owners of the following outstanding Fairfax County, Virginia Public Improvement Bonds, Series 1996 A (the "Refunded Bonds"), that such Bonds shall be redeemed on the date at the redemption price (expressed as a percentage of the principal amount of such Bonds) referred to below together with the interest accrued thereon to the redemption date:

REFUNDED BONDS
Redemption Date: June 1, 2004

Maturity Date	Principal Amount	Redemption Price	CUSIP Numbers[1]
6/1/05	$5,710,000	102%	303820 QE7
6/1/06	5,710,000	102	303820 QF4
6/1/07	5,705,000	102	303820 QG2
6/1/08	5,705,000	102	303820 QH0
6/1/09	5,705,000	102	303820 QJ6
6/1/10	5,705,000	102	303820 QK3
6/1/11	5,705,000	102	303820 QL1
6/1/12	5,705,000	102	303820 QM9
6/1/13	5,705,000	102	303820 QN7
6/1/14	5,705,000	102	303820 QP2
6/1/15	5,705,000	102	303820 QQ0
6/1/16	5,705,000	102	303820 QR8

On their Redemption Date, the Refunded Bonds shall become due and payable at their Redemption Price (together with the interest accrued thereon to the Redemption Date), interest on the Refunded Bonds shall cease to accrue, and from and after the Redemption Date the

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. The CUSIP numbers provided above are the original "unrefunded" CUSIP numbers assigned upon the original issuance of the Refunded Bonds do not reflect subsequent changes, if any.

owners shall have no rights in respect thereof except to receive payment of the Redemption Price plus accrued interest to the Redemption Date.

Payment of the Redemption Price will be made upon presentation and surrender of the Refunded Bonds, on or after June 1, 2004, at the office of the Director, as provided below.

The Refunded Bonds should be presented for payment as follows:

If mailed:

Department of Finance
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035
Attention: Director

If hand delivered:

Department of Finance
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035
Attention: Director

If bonds are presented by mail, the manner of shipment of bonds is at the bondholder's discretion; however, transmittal by insured, registered mail is suggested.

Under current federal law, a paying agent making payments of principal and interest on municipal securities may be obligated to withhold tax from the remittances to registered owners who are not "exempt recipients" and who fail to furnish the paying agent with a valid Taxpayer Identification Number. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Registered owners of the Refunded Bonds who wish to avoid the imposition of this tax should submit certified Taxpayer Identification Numbers when presenting their Refunded Bonds for collection.

Fairfax County, Virginia

Dated: April 30, 2004

Wachovia Bank, N.A.
Corporate Trust
VA9646
1021 East Cary Street
Richmond, VA 23219

WACHOVIA

AFFIDAVIT OF DELIVERY

STATE OF VIRGINIA

CITY OF RICHMOND

Sarah A. McMahon, being duly sworn, deposes and says:

I am a duly authorized Vice President and Corporate Trust Officer of Wachovia Bank, National Association and in such capacity, have caused the Notice of Defeasance and Establishment of Escrow Fund dated April 14, 2004 for the Fairfax County, Virginia Public Improvement Bonds, Series 1997A, dated May 15, 1995 and maturing June 1 of each of the years 2006 through 2017, inclusive (the "Refunded Bonds") to be addressed to each owner of record for the 1997A Bonds as the names and addresses appeared on the books of Fairfax County as Bond Registrar and Paying Agent, at the close of business on April 14, 2004.

On April 15, Wachovia Bank, National Association, caused to be sent via facsimile transmission the described Notice (a specimen copy of which is attached) to each owner and to each NRMSIR as listed on the U.S. Securities and Exchange Commission (SEC) world wide web pages (http://www.sec.gov).

By: _____
S. A. McMahon
Vice President
Wachovia Bank, National Association

Sworn before me this 15th day of April, 2004

_____
Notary Public: Joy D. Edwards
Commission Expires: February 28, 2005

Wachovia Bank, N.A.
Corporate Trust
VA9646
1021 East Cary Street
Richmond, VA 23219

FACSIMILE COVER SHEET

WACHOVIA

To: CALL NOTIFICATION DEPARTMENT /
Company: THE DEPOSITORY TRUST COMPANY
FAX: (212) 855-7232 / 7234 / 7235 / 7236

To: INDRA WAHID / PROXY DEPARTMENT
Company: THE DEPOSITORY TRUST COMPANY
FAX: (212) 855-5181

**** REVISED ****
NOTICE OF DEFEASANCE AND ESTABLISHMENT OF ESCROW FUND

TO OWNERS OF
FAIRFAX COUNTY, VIRGINIA PUBLIC IMPROVEMENT BONDS SERIES 1997A

REFUNDED BONDS SERIES	Maturity	Principal Amount	Redemption Date	Redemption Price	CUSIP Numbers[1]
1997A	6/1/06	$7,200,000	6/1/2005	102%	303820 RA4
1997A	6/1/07	$7,200,000	6/1/2005	102	303820 RB2
1997A	6/1/08	$7,200,000	6/1/2005	102	303820 RC0
1997A	6/1/09	$7,200,000	6/1/2005	102	303820 RD8
1997A	6/1/10	$7,200,000	6/1/2005	102	303820 RE6
1997A	6/1/11	$7,200,000	6/1/2005	102	303820 RF3
1997A	6/1/12	$7,200,000	6/1/2005	102	303820 RG1
1997A	6/1/13	$7,200,000	6/1/2005	102	303820 RH9
1997A	6/1/14	$7,200,000	6/1/2005	102	303820 RJ5
1997A	6/1/15	$7,200,000	6/1/2005	102	303820 RK2
1997A	6/1/16	$7,200,000	6/1/2005	102	303820 RL0
1997A	6/1/17	$7,200,000	6/1/2005	102	303820 RM8

Date: JUNE 16, 2004
Number of Pages: 3 (including cover page)

cc:

Bloomberg Municipal Repositories	(609) 279-5962	Michelle Schwartz, CPA	(703) 324-3934
DPC Data Inc.	(201) 947-0107	Tanya Diamond	(703) 324-3102
Kenny Information Systems, Inc.	(212) 438-3975	Patti Wu / Eric Hebert	(212) 839-5599
Interactive Data-Bond Buyer	(212) 771-7390	JoAnne Carter / PFM	(703) 516-0283
Len Wales / Fairfax County	(703) 324-3940		

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. This column indicates the CUSIP numbers that were assigned upon the original issuance of the Refunded Bonds and does not reflect subsequent changes, if any.

NOTICE OF DEFEASANCE
AND ESTABLISHMENT OF ESCROW FUND

NOTICE TO OWNERS OF
Fairfax County, Virginia Public Improvement Bonds Series 1997A, Dated May 15, 1997

NOTICE IS HEREBY GIVEN to the owners of the Fairfax County, Virginia Public Improvement Bonds described below (the "Refunded Bonds"), that there has been deposited, in trust, with Wachovia Bank, National Association, Richmond, Virginia, as escrow agent (the "Escrow Agent"), United States Treasury obligations and cash in an amount that, together with interest thereon, will provide for the payment in full of the interest on the Refunded Bonds to their earliest redemption date, as set forth below, and the principal amount and applicable redemption premium on the Refunded Bonds on their redemption date.

REFUNDED BONDS
Redemption Date: June 1, 2005

Maturity Date	Principal Amount	Interest Rate	Redemption Price	CUSIP Numbers[1]
6/1/06	$7,200,000	5.00%	102%	303820 RA4
6/1/07	7,200,000	5.00	102	303820 RB2
6/1/08	7,200,000	5.00	102	303820 RC0
6/1/09	7,200,000	5.00	102	303820 RD8
6/1/10	7,200,000	5.00	102	303820 RE6
6/1/11	7,200,000	5.125	102	303820 RF3
6/1/12	7,200,000	5.125	102	303820 RG1
6/1/13	7,200,000	5.25	102	303820 RH9
6/1/14	7,200,000	5.25	102	303820 RJ5
6/1/15	7,200,000	5.25	102	303820 RK2
6/1/16	7,200,000	5.25	102	303820 RL0
6/1/17	7,200,000	5.25	102	303820 RM8

[1]The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders. This column indicates the CUSIP numbers that were assigned upon the original issuance of the Refunded Bonds and does not reflect subsequent changes, if any.

Jun-16-04 05:26pm From-Wachovia Corporate Trust-Richmond, VA T-983 P.002/003 F-175

This is not a notice of redemption. The Bond Registrar and Paying Agent for the Refunded Bonds has been given irrevocable instructions to call the applicable Refunded Bonds, and has been directed to give notice of the redemption not more than sixty (60), and at least thirty (30), days before the respective redemption dates of the Refunded Bonds. The principal on all the Refunded Bonds will be payable at the office of the Director of Finance of Fairfax County, Virginia, as the Refunded Bonds Paying Agents.

Fairfax County, Virginia

Dated: April 15, 2004

Jun-16-04 05:26pm From-Wachovia Corporate Trust-Richmond, VA T-983 P.003/003 F-175

To: Cara Schembri
(212) 839-5599
2 pages

"Schembri, Cara A." <cschembri@sidley.com>
06/16/2004 04:41 PM

To: "'sarah.mcmahon@wachovia.com'" <sarah.mcmahon@wachovia.com>
cc: "'pkane@mcguirewoods.com'" <pkane@mcguirewoods.com>
Subject: UDR Trustee certificate

Sarah, per Peter's comments, please reexecute this revised certificate at your earliest convenience.

Thanks very much,
Cara

<<Trustee's Certificate 2004.DOC>>

Cara Schembri
Sidley Austin Brown & Wood LLP
787 Seventh Avenue
New York, New York 10019
Phone: 212.839.5314
Fax: 212.839.5599
cschembri@sidley.com

- Trustee_s Certificate 2004 (2).DOC

WACHOVIA BANK, NATIONAL ASSOCIATION

Trustee's Certificate

The undersigned, Wachovia Bank, National Association (formerly First Union National Bank of Virginia), does hereby certify that:

1. It is the Trustee under an Indenture dated as of November 1, 1995, as amended (the "Indenture"), from United Dominion Realty Trust, Inc., a Maryland corporation (successor by merger to United Dominion Realty Trust, Inc., a Virginia corporation) (hereinafter called the "Company").

2. The Indenture has been executed and delivered in the name and on behalf of the undersigned, as Trustee, by H. H. Hall, Jr., one of its Assistant Vice Presidents.

3. Pursuant to the provisions of the Indenture, in accordance with the periodic instructions of the Company, it will from time to time duly authenticate and deliver up to $750,000,000 aggregate principal amount of the Company's Medium-Term Notes Due Nine Months or More From Date of Issue (the "Notes").

4. Each person who, as an officer or authorized signer of the undersigned, as Trustee, will authenticate the Notes, will be duly elected, appointed, qualified and acting as such officer or authorized signer at the times of such authentication and will be duly authorized to authenticate the Notes on behalf of the undersigned, as Trustee, and the signature of such officer or authorized signer appearing thereon shall be the genuine signature of such person.

IN WITNESS WHEREOF, Wachovia Bank, National Association, as Trustee, has caused this certificate to be executed by one of its Vice Presidents this 17th day of June, 2004.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: S. A. McMahon

Name: S. A. McMahon
Title: Vice President

NY1 5560139v2

WACHOVIA BANK, NATIONAL ASSOCIATION

Certificate of Escrow Agent

I, the undersigned officer, a duly authorized Vice President of Wachovia Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America with its principal office in Charlotte, North Carolina and an office in Richmond, Virginia ("Wachovia"), DO HEREBY CERTIFY that:

1. Wachovia has heretofore duly executed and delivered in its capacity as Escrow Agent, the Escrow Deposit Agreement, dated as of April 14, 2004 (the "Escrow Deposit Agreement"), by and between Fairfax County, Virginia (the "County") and Wachovia.

2. Wachovia is a national banking association duly organized and existing under the laws of the United States of America, has been granted authority under the laws of the United States of America to exercise fiduciary powers, and act as the Escrow Agent, as evidenced by the Certificate from the Comptroller of the Currency attached hereto as Exhibit A, and such Certificate remains in full force and effect as of the date hereof.

3. S.A. McMahon, is authorized to execute on behalf of Wachovia the Escrow Deposit Agreement and any and all other documents related to Wachovia in its capacity as the Escrow Agent. The signature of S.A. McMahon set forth opposite her title below is her genuine signature:

SIGNATURE	TITLE
S.A. McMahon	Vice President

4. The officer named in this Certificate is a duly appointed officer of Wachovia, now in office and authorized to perform the acts mentioned above on behalf of Wachovia as evidenced by the excerpt of the Bylaws of Wachovia attached hereto as Exhibit B.

5. There is no action, suit, proceeding or investigation at law or in equity, before or by any court or public board or body pending or, to my knowledge after due investigation, threatened against or affecting, in any material way, (a) Wachovia and (b) as to Wachovia, the authority of Wachovia to act as the Escrow Agent, the validity or enforceability of such documents, certificates and agreements as are being executed by Wachovia, as the Escrow Agent, or the ability of Wachovia to perform its obligations under the Escrow Deposit Agreement.

6. Compliance by Wachovia with the terms and provisions of the Escrow Deposit Agreement, under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of Wachovia a breach of or a default under any

existing law, regulation, order, judgment or decree to which Wachovia is subject, nor, under any agreement or other instrument to which Wachovia is a party or by which it is bound.

7. Any and all consents and approvals required to be obtained by Wachovia in order for it to undertake its obligations under the Escrow Deposit Agreement, and the transactions required in connection with the execution and delivery of the Escrow Deposit Agreement, have been obtained.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of Wachovia this 14th day of April, 2004.

Name: L. B. Bedell
Title: Vice President

[SEAL]

Exhibit A

EXHIBIT A

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

CERTIFICATE OF FIDUCIARY POWERS

I, John D. Hawke, Jr., Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession , custody and control of all records pertaining to the chartering of all National Banking Associations.

2. "Wachovia Bank, National Association," Charlotte, North Carolina, (Charter No. 1) was granted, under the hand and seal of the Comptroller, the right to act in all fiduciary capacities authorized under the provisions of the Act of Congress approved September 28, 1962, 76 Stat. 668, 12 U.S.C. 92a, and that the authority so granted remains in full force and effect on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the Treasury Department in the City of Washington and District of Columbia, this Thursday, April 04, 2002

John D. Hawke, Jr.

Comptroller of the Currency

Exhibit B

EXHIBIT B

EXTRACT FROM THE BY-LAWS OF WACHOVIA BANK, NATIONAL ASSOCIATION

Section 8.2 Execution of Instruments. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, notices, applications schedules, accounts, affidavits, bonds, undertakings, proxies, and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted on behalf of the Association by the Chairman of the Board, the Vice Chairman of the Board, any Chairman or Vice Chairman, the President, any Senior Executive Vice President, Executive Vice President, Vice President or Assistant Vice President, the Secretary, the Cashier, or Treasurer, or any officer holding similar or equivalent titles to the above in regions, divisions or functional units of the Association, or, if in connection with the exercise of fiduciary powers of the Association, by any of said officers or by any Trust Officer or Assistant Trust Officer (or equivalent titles), and if so required by applicable law or regulation, attested or countersigned by the Secretary or Assistant Secretary; provided, however, that where required, any such instrument shall be attested by one of said officers other than the officer executing such instrument. Any such instruments may also be executed, acknowledged, verified, delivered, or accepted on behalf of the Association in such other manner and by such other officers as the Board of Directors may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these By-Laws.

I HEREBY CERTIFY THAT the foregoing is a true and complete extract from the By-Laws of Wachovia Bank, National Association, a national banking association, now in full force and effect; that the following persons have been duly appointed and now hold the office designated; and that the signatures set opposite his or her name is his or her genuine signature.

S. A. McMahon _____

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed seal of said Association on April 14, 2004.

_____
Assistant Secretary

(CORPORATE SEAL)

RECEIPT FOR ESCROW FUNDS

Wachovia Bank, National Association as escrow agent (the "Escrow Agent") under an Escrow Deposit Agreement, dated as of April 14, 2004 (the "Agreement"), by and between the Escrow Agent and Fairfax County, Virginia (the "County"), HEREBY ACKNOWLEDGES that Wachovia Bank, National Association, as Escrow Agent:

1. Has received the sum of $165,008,527.55 representing $162,266,604.08 of the proceeds of the $329,110,000 Fairfax County, Virginia Public Improvement and Refunding Bonds, Series 2004, and $2,741,923.47 contributed by the County, which amount has been deposited to the Escrow Fund, and $165,008,510.00 of which will be applied to purchase the Escrow Securities described in Appendix A of the Agreement and $17.55 of which will be held uninvested as a cash deposit; and

2. Has received payment of all of its fees and expenses as Escrow Agent or that provision for such payment has been made.

Terms not defined herein shall have the meanings assigned thereto in the Agreement.

April 14, 2004

WACHOVIA BANK NATIONAL ASSOCIATION

By: _____
Name: S.A. McMahon
Title: Vice President

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 March 11, 2004, and the dates of commencement and expiration of their current terms of office:

OFFICER and OFFICE	COMMENCEMENT OF TERM	EXPIRATION OF TERM
Kathy L. Smith, Chairman County School Board	January 1, 2004	December 31, 2007
Kaye Kory, Vice Chairman County School Board	January 1, 2004	December 31, 2007
Catherine A. Belter, Member County School Board	January 1, 2004	December 31, 2007
Brad Center, Member County School Board	January 1, 2004	December 31, 2007
Stuart D. Gibson, Member County School Board	January 1, 2004	December 31, 2007
Stephen M. Hunt, Member County School Board	January 1, 2004	December 31, 2007
Ilryong Moon, Member County School Board	January 1, 2004	December 31, 2007
Phillip A. Niedzielski-Eichner, Member County School Board	January 1, 2004	December 31, 2007
Janet S. Oleszek, Member County School Board	January 1, 2004	December 31, 2007
Daniel G. Storck, Member County School Board	January 1, 2004	December 31, 2007

OFFICER and OFFICE	COMMENCEMENT OF TERM	EXPIRATION OF TERM
Jane K. Strauss, Member County School Board	January 1, 2004	December 31, 2007
Judith T. Wilson, Member County School Board	January 1, 2004	December 31, 2007
Andrew R. Ramish* Student Representative County School Board	July 1, 2003	June 30, 2004
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 March 11, 2004 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 14th day of April, 2004.

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
Chairman, Board of Supervisors	Gerald E. Connolly	Jan. 1, 2004	Dec. 31, 2007
Vice-Chair, Board of Supervisors	Sharon Bulova	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Joan M. DuBois	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Michael R. Frey	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Penelope A. Gross	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Catherine M. Hudgins	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Gerald W. Hyland	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	T. Dana Kauffman	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Elaine McConnell	Jan. 1, 2004	Dec. 31, 2007
Member, Board of Supervisors	Linda Q. Smyth	Jan. 1, 2004	Dec. 31, 2007

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, 1997	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 March 15, 2004 was a regular meeting.

WITNESS my hand and the official seal this 14th day of April, 2004.

Nancy Vehrs

Clerk to the
Board of Supervisors
Fairfax County, Virginia

(SEAL)

SIGNATURE AND NO-LITIGATION CERTIFICATE

We, Gerald E. Connolly 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, **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**, of the County, dated April 14, 2004 and maturing annually on April 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
2005	$14,730,000	2.000%
2006	21,500,000	5.000
2007	21,465,000	5.000
2008	21,430,000	5.250
2009	21,420,000	5.250
2010	21,400,000	5.250
2011	21,380,000	5.250
2012	21,345,000	5.250
2013	21,310,000	5.250
2014	21,250,000	5.250
2015	21,190,000	5.000
2016	21,100,000	5.000
2017	15,295,000	4.500
2018	9,185,000	4.500
2019	9,185,000	4.000
2020	9,185,000	4.000
2021	9,185,000	4.125
2022	9,185,000	4.250
2023	9,185,000	4.250
2024	9,185,000	4.500

such interest being payable semiannually on the 1st days of April and October in each year to and including April 1, 2024, the first interest payment date being October 1, 2004.

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 14th day of April, 2004.

Gerald E. Connolly
Chairman
Board of Supervisors
Fairfax County, Virginia

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

CERTIFICATION AS TO SIGNATURES

I HEREBY CERTIFY that the signatures of Gerald E. Connolly and Nancy Vehrs, Chairman and Clerk, respectively, of the Board of Supervisors of Fairfax County, Virginia, above subscribed are genuine.

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 **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**, of Fairfax County, Virginia, dated April 14, 2004, 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 14th day of April, 2004.

David P. Bobzien

County Attorney
Fairfax County, Virginia

CERTIFICATE OF AUTHENTICATION

I, Robert L. Mears, Director, Department of Finance, Fairfax County, Virginia, Bond Registrar for the **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**, of Fairfax County, Virginia, dated April 14, 2004, **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 14th day of April, 2004.

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 **$14,730,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2005	2.00%	April 14, 2004	303820 J54

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

FOURTEEN MILLION SEVEN HUNDRED THIRTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-2 **$21,500,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2006	5.00%	April 14, 2004	303820 J62

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

TWENTY-ONE MILLION FIVE HUNDRED THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

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No. R-3 **$21,465,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2007	5.00%	April 14, 2004	303820 J70

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

TWENTY-ONE MILLION FOUR HUNDRED SIXTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-4 **$21,430,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2008	5.25%	April 14, 2004	303820 J88

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

TWENTY-ONE MILLION FOUR HUNDRED THIRTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-5 **$21,420,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2009	5.25%	April 14, 2004	303820 J96

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

TWENTY-ONE MILLION FOUR HUNDRED TWENTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-6 **$21,400,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2010	5.25%	April 14, 2004	303820 K29

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

TWENTY-ONE MILLION FOUR HUNDRED THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-7 **$21,380,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2011	5.25%	April 14, 2004	303820 K37

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

TWENTY-ONE MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

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No. R-8 **$21,345,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2012	5.25%	April 14, 2004	303820 K45

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

TWENTY-ONE MILLION THREE HUNDRED FORTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-9 **$21,310,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2013	5.25%	April 14, 2004	303820 K52

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

TWENTY-ONE MILLION THREE HUNDRED TEN THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-10 **$21,250,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2014	5.25%	April 14, 2004	303820 K60

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

TWENTY-ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-11 **$21,190,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2015	5.00%	April 14, 2004	303820 K78

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

TWENTY-ONE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-12 **$21,100,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2016	5.00%	April 14, 2004	303820 K86

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

TWENTY-ONE MILLION ONE HUNDRED THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-13 **$15,295,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2017	4.50%	April 14, 2004	303820 K94

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

FIFTEEN MILLION TWO HUNDRED NINETY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-14 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2018	4.50%	April 14, 2004	303820 L28

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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No. R-15 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2019	4.00%	April 14, 2004	303820 L36

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-16 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2020	4.00%	April 14, 2004	303820 L44

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-17 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2021	4.125%	April 14, 2004	303820 L51

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-18 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2022	4.25%	April 14, 2004	303820 L69

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-19 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2023	4.25%	April 14, 2004	303820 L77

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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-20 **$9,185,000**

United States of America
Commonwealth of Virginia

FAIRFAX COUNTY
Public Improvement and Refunding Bond, Series 2004 A

Maturity Date	Interest Rate	Dated Date	CUSIP
April 1, 2024	4.50%	April 14, 2004	303820 L85

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 ONE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

and to pay interest on such principal sum from the date hereof or from the April 1 or October 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an April 1 or an October 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 April and October in each year, the first interest payment date being October 1, 2004, 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

SPECIMEN

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 March 15, 2004 (the "Resolution"), for the purpose of providing funds, with other available funds, for (i) school improvements, parks and park facilities, neighborhood improvements, transportation improvements and facilities, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements and (ii) refunding portions of two outstanding series of bonds of Fairfax County, Virginia, designated Public Improvement Bonds, Series 1996A and Public Improvement Bonds, Series 1997A.

The bonds of this series which mature on or before April 1, 2014 are not subject to optional redemption before maturity. Bonds which mature after April 1, 2014 may be redeemed, at the option of the County, before their respective maturities on any date not earlier than April 1, 2014, 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. 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.

SPECIMEN

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

SPECIMEN

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.

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 14th day of April, 2004.

Nancy Vehrs

Clerk, Board of Supervisors of Fairfax County, Virginia

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: April 14, 2004

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 whatsoever.

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:**

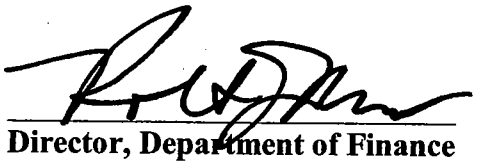
1. **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**, of Fairfax County, Virginia, dated April 14, 2004 and maturing April 1, subject to the right of prior redemption, in the following years and in the following amounts and bearing interest as follows:

Year	Principal Amount	Interest Rate
2005	$14,730,000	2.000%
2006	21,500,000	5.000
2007	21,465,000	5.000
2008	21,430,000	5.250
2009	21,420,000	5.250
2010	21,400,000	5.250
2011	21,380,000	5.250
2012	21,345,000	5.250
2013	21,310,000	5.250
2014	21,250,000	5.250
2015	21,190,000	5.000
2016	21,100,000	5.000
2017	15,295,000	4.500
2018	9,185,000	4.500
2019	9,185,000	4.000
2020	9,185,000	4.000
2021	9,185,000	4.125
2022	9,185,000	4.250
2023	9,185,000	4.250
2024	9,185,000	4.500

such interest being payable semiannually on the 1st days of April and October in each year to and including April 1, 2024, the first interest payment date being October 1, 2004, have this day been delivered by me to the purchasers thereof upon the payment of the purchase price of the bonds aggregating $358,745,002.20.

2. The proceeds of the bonds (including the $3,839,150 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 14th day of April, 2004.



Director, Department of Finance
Fairfax County, Virginia

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

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 $329,110,000 Public Improvement and Refunding Bonds, Series 2004 A (the "**Bonds**") dated April 14, 2004.

RECITALS

The Issuer has determined to provide funds, through the issuance of the Bonds and certain other moneys, to (a) finance a portion of the costs of constructing, furnishing, acquiring and equipping school improvements, transportation improvements and facilities, parks and park facilities, neighborhood improvements, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements (the "**Series 2004 A Projects**"); (b) current refund by redeeming within 90 days of the date hereof the portion of its $114,150,000 Public Improvement Refunding Bonds, Series 1996 A (the "**Series 1996 A Bonds**") set forth in Part I of Exhibit A hereto (the "**Current Refunded Bonds**"); (c) advance refund by redeeming more than 90 days after the date hereof the portion of its $144,000,000 Public Improvement Bonds Series 1997 A (the "**Series 1997 A Bonds**" and, collectively with the Series 1996 A Bonds, the "**Prior Bonds**") set forth in Part II of Exhibit A hereto (the "**Advance Refunded Bonds**", and together with the Current Refunded Bonds, the "**Refunded Bonds**") for the purpose of achieving debt service savings; and (d) pay a portion of the expenses incurred in connection with the authorization and issuance of the Bonds (the "**Costs of Issuance**").

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 excluded from 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 be excluded from 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 excluded from gross income for federal income tax purposes.

Section 2. Delivery of Bonds. The Bonds are being delivered on the date hereof to Goldman Sachs & 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 March 15, 2004 (the "**Resolution**").

The proceeds derived from the sale of the Bonds are expected to be used:

(a) to finance the costs of the Series 2004 A Projects,

(b) to current refund the Current Refunded Bonds,

(c) to advance refund the Advance Refunded Bonds, and

(d) to pay Costs of Issuance.

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 C attached hereto, representations and computations performed by Public Financial Management, Inc. as financial advisor to the Issuer (the "**Financial Advisor**"), as set forth in this Tax Certificate and contained in Exhibit D attached hereto, all as verified by McGladrey & Pullen, LLP (the "**Verifier**"), independent certified public accountants, as set forth in the verification report dated the date hereof (the "**Verification Report**"), and representations of the School Board of the County of Fairfax (the "**School Board**") contained in its Certificate attached hereto as Exhibit E. The Issuer is relying in good faith upon such representations on the bases of the reputable business practices of the Representative, the Financial Advisor, the Verifier and the School Board and 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. Single Issue. 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 the Bonds, March 31, 2004, 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.

Section 6. 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. The portion of the Bonds allocable to proceeds to be used to refund the Current Refunded Bonds will be referred to herein as the "**Current Refunding Portion,**" the portion of the Bonds allocable to proceeds to be used to refund the Advance Refunded Bonds will be referred to herein as the "**Advance Refunding Portion,**" and the portion of the Bonds allocable to proceeds to be used to pay for the costs of the Series 2004 A Projects will be referred to herein as the "**New Money Portion**."

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, the respective issues of the Prior Bonds or the Projects (defined below) financed thereby (based on the greatest of: A) the cost allocated on the basis of space occupied, B) the fair market value, or C) the actual cost of construction) has been, or, so long as the Bonds are outstanding, will be, used 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, or the respective issues of the Prior Bonds, under the terms thereof or any underlying arrangement, has been, or, so long as the Bonds are outstanding, will be, directly or indirectly, (A) secured by any interest in (i) property 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 (as defined below).

(b) No Disproportionate or Unrelated Use. No more than five percent (5%) of the proceeds of the Bonds, or the respective issues of the Prior Bonds will be used for any Private Use of the projects financed thereby that is unrelated to any Governmental Use of the Projects or any Private Use of the projects financed thereby 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 respective issues of the Prior Bonds or 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 Procedures 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, the weighted average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Projects.

PART C. ARBITRAGE

Section 1. Bond Proceeds and Other Money. On the basis of the facts, estimates and circumstances in existence on the date hereof, the Issuer reasonably expects the following with respect to the use of the proceeds of the Bonds and certain other moneys:

(a) Proceeds of the Bonds. The total amount derived by the Issuer from the sale of the Bonds in the amount of $359,534,523.60 (representing $329,110,000.00 principal amount of Bonds, plus aggregate net premium of $30,424,523.60) is expected to be needed and fully expended, as follows:

(i) $789,521.40 of said amount will be used on the date hereof to pay Underwriters' discount;

(ii) $162,266,604.08 of said proceeds will be deposited in a special and irrevocable escrow fund (the "**Escrow Fund**") established under the Escrow Deposit Agreement, dated as of April 14, 2004, between the Issuer and Wachovia Bank, National Association, as Escrow Agent (the "**Escrow Agent**"), of which $162,266,588.00 will be applied on the date hereof to purchase the U. S. Treasury Securities - State and Local Government Series (the "**SLGS**") set forth in Part I of Exhibit F hereto (the "**Proceeds Escrow Securities**"), and $16.08 will be held uninvested by the Escrow Agent as an initial cash deposit in the Escrow Fund (the "**Proceeds Cash Deposit**"); and

(iii) $196,478,398.12, 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 Series 2004 A Projects (the "**Proceeds Accounts of the Capital Project Funds**") and used within three years of the date hereof (i) to reimburse

the General Fund of the County for amounts temporarily advanced prior to the date hereof to finance the Series 2004 A Projects, as set forth more fully in the Certificate as to Reimbursement of the Issuer attached hereto as Exhibit B (the "**Reimbursement Certificate**") and (ii) to pay the costs of the Series 2004 A Projects and Costs of Issuance with respect to the Bonds.

(b) Debt Service Fund Money for the Refunded Bonds. There is currently $2,741,923.47 on deposit in the Debt Service Subfund for the Refunded Bonds (the "**Refunded Bonds Debt Service Fund Moneys**"), which consists solely of general revenues of the Issuer and does not include any proceeds derived from the sale of any obligations the interest on which is excluded from gross income for federal income tax purposes under the Section 103 of the Code, that will be transferred to the Escrow Fund. Of such amount, (i) $2,741,922.00 will be applied to purchase the SLGS set forth in Part II of the Exhibit F hereto (the "**Debt Service Escrow Securities**", which together with the Proceeds Escrow Securities will be referred to herein as the "**Escrow Securities**") and (ii) $1.47 will be held uninvested by the Escrow Agent as an initial cash deposit in the Escrow Fund (the "**Debt Service Cash Deposit**", which together with the Proceeds Cash Deposit will be referred to herein as the "**Cash Deposit**").

Section 2. Investment Earnings. Any amounts derived from the investment of proceeds derived from the sale of the New Money Portion will be expended to pay costs of the Series 2004 A Projects, including interest on the New Money Portion accruing during the construction of the Series 2004 A Projects (the "**Capitalized Interest**").

Section 3. Sufficiency. As set forth in certain calculations performed by the Financial Advisor and verified by the Verifier in the Verification Report, on which the Issuer relies in providing this Tax Certificate, the maturing principal of the Escrow Securities and the investment earnings thereon, together with the Cash Deposit, will be sufficient (i) to pay the principal of and the redemption premium on the Refunded Bonds on the redemption dates listed in Exhibit A, which are the earliest permissible redemption dates for the Advance Refunded Bonds, and (ii) to pay, when due, the interest on the Refunded Bonds to their respective redemption dates.

Section 4. No Excess Gross Proceeds. The amount of Gross Proceeds (defined in Part D below) of the Advance Refunding Portion constituting "excess gross proceeds" will not exceed one percent (1%) of the sale proceeds of the Advance Refunding Portion. In this regard, "excess gross proceeds" includes all Gross Proceeds of the Advance Refunding Portion (including replacement proceeds) other than those that are allocable to the (i) payment of principal, interest or redemption premium on the Advance Refunded Bonds, (ii) payment of Accrued Interest on the Advance Refunding Portion, (iii) a reasonably required reserve or replacement fund for the Advance Refunding Portion, (iv) payment of Costs of Issuance of the Advance Refunding Portion, (v) payment of the administrative costs allocable to repaying the Advance Refunded Bonds, carrying and repaying the Advance Refunding Portion, or investments of the Advance Refunding Portion, (vi) Transferred Proceeds (defined in Section 6(g) of this Part C) that will be used or maintained for the governmental purpose of the Advance Refunded Bonds, (vii) interest received on purpose investments, (viii) replacement proceeds that will be used or maintained for the governmental purposes of the Advance Refunding Portion, and (ix) qualified guarantee fees for the Advance Refunding Portion.

Section 5. The Refunded Bonds.

(a) Purposes of the Series 1996 A Bonds and Unexpended Proceeds. The Issuer issued its Series 1996 A Bonds on June 13, 1996 to (i) provide funds for school improvements, transportation improvements, park and park facilities, public safety facilities, neighborhood improvements, human services facilities, adult detention facilities, library facilities, storm drainage improvements, juvenile detention facilities and commercial and redevelopment area improvements (collectively, the "**Series 1996 A Projects**"); (ii) pay interest accruing on the Series 1996 A Bonds from May 15, 1996 to June 13, 1996; and (iii) pay certain expenses incurred in connection with the issuance of the Series 1996 A Bonds. All proceeds derived from the sale of the Series 1996 A Bonds, and investment earnings thereon, have been expended for such purposes prior to the date hereof.

(b) Purposes of the Series 1997 A Bonds and Unexpended Proceeds. The Issuer issued its Series 1997 A Bonds on June 26, 1997 to (i) provide funds for school improvements, transportation improvements, transit facilities, park and park facilities, public safety facilities, neighborhood improvements, human services facilities, adult detention facilities, jail and work release facilities, public library facilities, storm drainage improvements, juvenile detention facilities and commercial and redevelopment area improvements (collectively, the "**Series 1997 A Projects**"); (ii) pay interest accruing on the Series 1997 A Bonds from May 15, 1997 to June 26, 1997; and (iii) pay certain expenses incurred in connection with the issuance of the Series 1997 A Bonds. All proceeds derived from the sale of the Series 1997 A Bonds, and investment earnings thereon, have been expended for such purposes prior to the date hereof.

(c) Transferred Proceeds of the Bonds. Bond Counsel has advised the Issuer that on each date when proceeds derived from the sale of the Bonds, or investment earnings thereon, are used to pay principal of an issue of Prior Bonds (each, a "**Transfer Date**"), a portion of the then unexpended proceeds of such issue of Prior Bonds will cease to be proceeds of such issue of Prior Bonds and will become transferred proceeds of the Bonds (the "**Transferred Proceeds of the Bonds**"). All of the proceeds of the Refunded Bonds have been expended prior to the date hereof. Therefore, there will be no Transferred Proceeds of the Bonds.

(d) Purpose of the Advance Refunding. The Financial Advisor has advised the Issuer in its certificate attached as Exhibit D that the refunding of the Advance Refunded Bonds will generate present value debt service savings.

(e) No Sinking Funds or Pledge Funds. Other than as described in this Part C, prior to the issuance of the Bonds, there were no funds, accounts or investments that were reasonably expected to be used to pay debt service on the Refunded Bonds or that were pledged as collateral for the payment of debt service on the Refunded Bonds and for which there was reasonable assurance that amounts therein or investment earnings thereon would be available to pay debt service on the Refunded Bonds if the Issuer encountered financial difficulties.

Section 6. Limitation on Advance Refundings.

(a) Advance Refunding Portion. The application of proceeds of the Advance Refunding Portion to advance refund the Advance Refunded Bonds constitutes the first advance refunding

of original bonds issued after 1985. Bond Counsel has advised the Issuer that, under current law, the Advance Refunding Portion may not be advance refunded again.

(b) Current Refunding Portion. As set forth above, the Series 1996 A Bonds were issued to provide funds for the Series 1996 A Projects. The application of proceeds of the Current Refunding Portion to current refund the Current Refunded Bonds constitutes a current refunding of original bonds issued after 1986. Bond Counsel has advised the Issuer that, under current law, the Current Refunding Portion may be advance refunded once.

(c) New Money Portion. Under present law, the New Money Portion may be advance refunded once.

Section 7. 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 8. 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 April 1, 2024.

Section 9. Expenditure, Time and Due Diligence Tests. The Issuer reasonably expects that at least eighty-five percent (85%) of the net sale proceeds of the New Money Portion will be allocated to expenditures for the Series 2004 A Projects within three (3) years 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 New Money Portion on the costs of the Series 2004 A Projects. The allocation of net sale proceeds of the New Money Portion to expenditures for the Series 2004 A Projects will proceed with due diligence to completion thereof.

Section 10. 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 used to pay Accrued Interest and Capitalized Interest) 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 11. 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) Series 2004 A Project Costs. Proceeds derived from the sale of the New Money Portion to be applied to finance the costs of the Series 2004 A Projects and Capitalized Interest 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-one thousandth of one percentage point (0.001%). 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-one thousandth of one percentage point (0.001%).

(b) Cost of Issuance. Proceeds derived from the sale of the Bonds to be applied to pay Costs of Issuance may be invested at an unrestricted yield for a period not to exceed one year from the date hereof. Investment earnings on such amounts may be invested for a period not to exceed one 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-one thousandth of one percentage point (0.001%).

(c) Escrow Fund. Proceeds derived from the sale of the Bonds and applied to acquire a the Proceeds Escrow Securities, together with the investment earnings on the foregoing, will be invested at a composite yield computed as provided in Section 13(d) of this Part C that is not in excess of the yield on the Bonds until expended. Pursuant to Treasury Regulation Section 1.148-9(g), the Issuer hereby waives the right to invest such amounts in higher yielding investments during a temporary period.

(d) 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-one thousandth of one percentage point (0.001%).

(e) Cash Deposit. The Cash Deposit will not be invested before it is expended on or before June 1, 2004 to pay a portion of the maturing principal of and interest due on the Refunded Bonds.

(f) Debt Service Fund Money. The Debt Service Fund Money applied to purchase the Debt Service Escrow Securities may be invested at an unrestricted yield until expended on June 1, 2004.

(g) 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-one thousandth of one percentage point (0.001%).

(h) Yield Restricted Moneys. Amounts described in this Section 12 that may not be invested at an unrestricted yield pursuant to this Section 12 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 12. Yield. For purposes of this Tax Certificate, the term "yield" 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. The yield on obligations acquired with amounts described in this Part C, Section 12, 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 C. Thus, the aggregate issue price of the Bonds is $359,534,523.60 (representing the aggregate principal amount of the Bonds of $329,110,000, plus aggregate net premium of $30,424,523.60).

(b) Premium Bonds Subject to Optional Redemption. The Representative has advised the Issuer in Exhibit D attached hereto that no portion of the obligations comprising the Bonds that is 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 C (the **"Callable Premium Bonds"**). The Representative has also represented in Exhibit C that the respective issue prices of the Callable Premium Bonds listed in Schedule II 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. Accordingly, for purposes of computing the yield on the Bonds, Bond Counsel has advised the Issuer that the Callable Premium Bonds listed in Schedule II of Exhibit C are treated as redeemed at their stated redemption price on the various redemption dates that would produce the lowest overall yield on the Bonds.

(i) Computations of the Verifier. The Verifier 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 Schedule II of Exhibit C that mature on April 1 in the years 2015 to 2018, inclusive, as redeemed at their respective stated redemption prices, on April 1, 2014.

(c) Investments to be Acquired at Market Price. Any investments acquired with amounts described in Section 12 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.

(d) Calculation of Yields. In accordance with the above meaning of the term yield, the semiannually compounded yield on the (i) Bonds has been determined to be not less than 3.46344% (the "**Bond Yield**"). In accordance with the above meaning of the term yield, the semiannually compounded yield on the Proceeds Escrow Securities has been determined to be not greater than 1.25615% (the "**Escrow Yield**").

(e) Representations and Computations by Representative, Underwriters, Financial Advisor and Verifier. The above determinations as to yield have been made on the basis of representations of the Representative and the Underwriters, including representations made as to the issue price of the Bonds as shown in Exhibit C hereto, and representations of and the computations performed by the Financial Advisor, as shown in Exhibit D attached hereto, all as verified by the Verifier in its Verification Report.

Section 13. Yield Reduction Payments. Notwithstanding any of the provisions of Section 12 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 New Money Portion will not be considered to be higher than the applicable yield limitation described in Section 12 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 14. Universal Cap. Notwithstanding any restrictions on the investment of proceeds of the Bonds and other amounts set forth in Section 12 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 15. 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 16. 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.

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 April 14 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) through (e) above.

Section 4. Yield. Yield, for purposes of complying with the Rebate Requirement, is to be calculated pursuant to Section 12 of Part C of this Tax Certificate. 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.

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) for each bid that is submitted, 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 other than Guaranteed Investment Contracts 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.

Amounts determined to be required to be paid to the United States in compliance with the Rebate Requirement shall be paid by the Issuer to the United States in accordance with the rules set forth in the Code and Treasury Regulations. Records of all determinations made hereunder shall be retained by the Issuer, or by the trustee on behalf of or for the benefit of the Issuer, until six (6) years after complete retirement of the Bonds.

(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 with regard to the New Money Portion will be considered satisfied if the Six-Month Exception (set forth in Section 9(a) below), the Eighteen-Month Exception (set forth in Section 9(b) below) or, with respect to the "available construction proceeds" of the New Money Portion (defined below), the Two-Year Exception (set forth in Section 9(c) below) is satisfied. The Rebate Requirement with regard to the Current Refunding Portion will be considered satisfied only if the Six-Month Exception (set forth in subsection (a) below) is satisfied. As of the date hereof, it is not reasonably expected that the Advance Refunding Portion will meet an exception to the Rebate Requirement.

Section 9. (a) Six-Month Exception. The Rebate Requirement with respect to the New Money Portion and the Current Refunding Portion, respectively, 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 respective portion are allocated to expenditures for the governmental purposes of such portion 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 such portion, 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 respective portion, 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 respective portion 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 such portion 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 with respect to the New Money Portion 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 New Money Portion (as defined in paragraph (ii) of subsection 9(a) above as modified to refer to eighteen (18) months in lieu of six (6) months) meet the Eighteen-Month Test described in subsection 9(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 New Money Portion, 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 New Money Portion 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 New Money Portion 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 New Money Portion 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 New Money Portion is $_____.

(iii) Reasonable Retainage. For purposes of paragraph (ii) of subsection (b), the New Money Portion 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 allocated to expenditures for the governmental purposes of the New Money Portion within thirty (30) months from the date of issuance of the Bonds. Reasonable retainage has the same meaning as set forth in subsection 9(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 New Money Portion.

(c) Two-Year Exception. With respect to the "available construction proceeds," as defined in Subsection 9(d) below, of the New Money Portion, 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 9(d) below, of the New Money Portion (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 New Money Portion must be allocated to expenditures for the governmental purposes of the New Money Portion 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 New Money Portion 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 New Money Portion must be allocated to expenditures for the governmental purposes of the New Money Portion within the eighteen (18)-month period beginning on the date of issuance of the Bonds, and all of the available construction proceeds of the New Money Portion must be allocated to expenditures for the governmental purposes of the New Money Portion within the two (2)-year period beginning on the date of issuance of the Bonds.

(iii) Reasonable Retainage. For purposes of subsection 9(c)(ii), the New Money Portion will not be treated as failing to satisfy the spending requirement for the fourth spending period as a result of unspent amounts for reasonable retainage if such

amounts are expended for the governmental purposes of the New Money Portion 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 9(c) of this Part D not to exceed five percent (5%) of the available construction proceeds of the New Money Portion that is retained for reasonable business purposes relating to property financed with the proceeds of the New Money Portion. 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 9(c), the term "available construction proceeds" means an amount equal to the issue price of the New Money Portion (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 Series 2004 A Projects is substantially completed.

(ii) Investment Earnings. For purposes of determining compliance with the first three spending periods described in subsection 9(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 New Money Portion that constitute Available Construction Proceeds is $_____.

(e) No Penalty Election. The Issuer is not electing to have Section 148(f)(4)(C)(vii) of the Code apply to the New Money Portion. Accordingly, in the event the available construction proceeds of the Bonds have not been expended within the time periods described in subsection 9(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 New Money Portion pursuant to Treasury Regulation Section 1.148-7.

(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 Series 2004 A 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 10. 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 9.

Section 11. 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 12. 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 G) 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 New Money Portion will be allocated to expenditures for the Series 2004 A Projects and Capitalized Interest within three years of the date hereof. Not more than 50% of the proceeds of the New Money Portion will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more.

As set forth in each of the Issuer's tax certificates with respect to the Prior Bonds, the Issuer reasonably expected that all of the proceeds of each issue of the Prior Bonds would be expended on the governmental purpose of such issue within three years of the date of issue of such issue and that not more than 50% of the proceeds of each issue of the Prior Bonds would 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 14th day of April, 2004.

By: _____
Edward L. Long, Jr.
Chief Financial Officer

List of Exhibits

Exhibit A	Refunded Bonds
Exhibit B	Certificate with Respect to the Reimbursement of Expenditures Paid Before April 14, 2004
Exhibit C	Issue Price Certificate
Exhibit D	Certificate of the Financial Advisor
Exhibit E	Certificate of the School Board
Exhibit F	Description of Escrow Securities
Exhibit G	Form 8038-G

Exhibit A

EXHIBIT A

REFUNDED BONDS

Part I — Series 1996 A – Current Refunded Bonds

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price
6/1/2005	$5,710,000	4.800%	6/1/2004	102%
6/1/2006	5,710,000	5.000%	6/1/2004	102%
6/1/2007	5,705,000	5.125%	6/1/2004	102%
6/1/2008	5,705,000	5.125%	6/1/2004	102%
6/1/2009	5,705,000	5.250%	6/1/2004	102%
6/1/2010	5,705,000	5.250%	6/1/2004	102%
6/1/2011	5,705,000	5.375%	6/1/2004	102%
6/1/2012	5,705,000	5.375%	6/1/2004	102%
6/1/2013	5,705,000	5.500%	6/1/2004	102%
6/1/2014	5,705,000	5.500%	6/1/2004	102%
6/1/2015	5,705,000	5.500%	6/1/2004	102%
6/1/2016	5,705,000	5.500%	6/1/2004	102%
Total	$68,470,000			

Part II — Advance Refunded Bonds

Series 1997 A

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price
6/1/2006	$7,200,000	5.000%	6/1/2005	102%
6/1/2007	7,200,000	5.000%	6/1/2005	102%
6/1/2008	7,200,000	5.000%	6/1/2005	102%
6/1/2009	7,200,000	5.000%	6/1/2005	102%
6/1/2010	7,200,000	5.000%	6/1/2005	102%
6/1/2011	7,200,000	5.125%	6/1/2005	102%
6/1/2012	7,200,000	5.125%	6/1/2005	102%
6/1/2013	7,200,000	5.250%	6/1/2005	102%
6/1/2014	7,200,000	5.250%	6/1/2005	102%
6/1/2015	7,200,000	5.250%	6/1/2005	102%
6/1/2016	7,200,000	5.250%	6/1/2005	102%
6/1/2017	7,200,000	5.250%	6/1/2005	102%
Total	$86,400,000			

Exhibit B

EXHIBIT B

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

Certificate with Respect to the Reimbursement of Expenditures Paid before April 14, 2004

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 Series 2004 A 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 Series 2004 A 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 New Money Portion 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 Series 2004 A 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 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 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 New Money Portion 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.
Chief Financial Officer

Dated: April 14, 2004

Exhibit C

EXHIBIT C

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds
Series 2004 A

ISSUE PRICE CERTIFICATE

This Certificate is furnished by Goldman Sachs & 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 was reasonably expected on March 31, 2004, which is the date on which the bid of the Underwriters 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 A-1 for the Bonds 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 A-2 attached hereto (the "**Callable Premium Bonds**").

2. The respective issue prices of the Callable Premium Bonds listed in Schedule A-2 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 of April 1, 2014.

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 excludable from gross income of the owners thereof for federal income tax purposes.

Dated: April 14, 2004

GOLDMAN SACHS & CO.

By: Goldman Sachs & Co.
Name:
Title: Mary M Carrington VP

Initial Issue Price for the Bonds

Maturity Date	Principal Amount	Interest Rate (%)	Price (% of Par)
4/1/2005	$14,730,000	2.000	100.958
4/1/2006	21,500,000	5.000	107.049
4/1/2007	21,465,000	5.000	109.620
4/1/2008	21,430,000	5.250	112.203
4/1/2009	21,420,000	5.250	113.561
4/1/2010	21,400,000	5.250	114.373
4/1/2011	21,380,000	5.250	114.857
4/1/2012	21,345,000	5.250	114.992
4/1/2013	21,310,000	5.250	115.359
4/1/2014	21,250,000	5.250	115.432
4/1/2015	21,190,000	5.000	112.167
4/1/2016	21,100,000	5.000	111.367
4/1/2017	15,295,000	4.500	104.828
4/1/2018	9,185,000	4.500	103.907
4/1/2019	9,185,000	4.000	98.558
4/1/2020	9,185,000	4.000	97.575
4/1/2021	9,185,000	4.125	98.024
4/1/2022	9,185,000	4.250	98.515
4/1/2023	9,185,000	4.250	97.579
4/1/2024	9,185,000	4.500	100.000
	$329,110,000		

Schedule A-2 to the Issue Price Certificate

Callable Premium Bonds

Maturity Date	Principal Amount	Interest Rate (%)	Price (% of Par)
4/1/2015	$21,190,000	5.000	112.167
4/1/2016	21,100,000	5.000	111.367
4/1/2017	15,295,000	4.500	104.828
4/1/2018	9,185,000	4.500	103.907

Exhibit D

EXHIBIT D

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

CERTIFICATE OF THE FINANCIAL ADVISOR

This certificate is furnished by Public Financial Management, Inc., as the financial advisor (the "**Financial Advisor**") to the County of Fairfax, Virginia (the "**Issuer**"), with respect to the issuance of the Issuer's $329,110,000 aggregate principal amount of Public Improvement and Refunding Bonds, Series 2004 A (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. Capitalized terms used and not defined herein are as defined in the Tax Certificate to which this certification is attached as Exhibit D (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 A-1 attached hereto (the **"Callable Premium Bonds"**).

The respective issue prices of the Callable Premium Bonds listed in Schedule A-1 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 of April 1, 2014.

2. The refunding of the Advance Refunded Bonds with the proceeds of the Advance Refunding Portion and the refunding of the Current Refunded Bonds with the proceeds of the Current Refunding Portion will each generate present value debt service savings to the County.

3. Based on the definition of "yield" set forth in Section 13 of Part C of the Tax Certificate, the semiannually compounded yield on the (a) Bonds has been determined to be not less than 3.46344%, which has been computed by treating the Callable Premium Bonds as redeemed on April 1, 2014, the date that produces the lowest overall yield on the Bonds, as verified by the Verifier in its Verification Report. In accordance with the above meaning of the term yield, the semiannually compounded yield on the Proceeds Escrow Securities has been determined to be not greater than 1.25615%.

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: April 14, 2004

PUBLIC FINANCIAL MANAGEMENT, INC.

By: _____

Name: JoAnne Carter

Title: Managing Director

Schedule A-1 to the
Certificate of the Financial Advisor

Callable Premium Bonds

Maturity Date	Principal Amount	Interest Rate (%)	Price (% of Par)
4/1/2015	$21,190,000	5.000	112.167
4/1/2016	21,100,000	5.000	111.367
4/1/2017	15,295,000	4.500	104.828
4/1/2018	9,185,000	4.500	103.907

Exhibit E

EXHIBIT E

CERTIFICATE OF THE SCHOOL BOARD

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 $329,110,000 Public Improvement and Refunding Bonds, Series 2004 A (the "**Bonds**") the proceeds of which will be used to provide funds to finance the cost of constructing, furnishing, acquiring and equipping school improvements (the **"New School Projects"**) and to refinance the School Projects that were financed with the proceeds of the County's Series 1996 A Bonds and Series 1997 A Bonds (the **"Refunded School Projects"** and together with the New School Projects the **"School Projects"**), and to finance and refinance various other transportation improvements and facilities, parks and park facilities, public safety facilities, human services facilities, library facilities, transit facilities, jail and work release facilities, neighborhood improvements, adult detention facilities, juvenile detention facilities, commercial and redevelopment area improvements and storm drainage improvements (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 April 14, 2004 and executed in connection with the issuance of the Bonds to which this certificate is attached (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 on the use of proceeds of the Bonds.

Accordingly, the School Board certifies that it has reviewed the representations set forth in (1) Section 1 of Part B of the Tax Certificate 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: (a) 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 (b) 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;" and (2) Section 2 of Part B of the Tax Certificate regarding the economic life of the Projects and that such representation, to the extent that it relates to the School Projects, is true and correct. 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 April 1, 2024, 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

Name: Kathy L. Smith
Title: Chairman

Date: April 14, 2004

Exhibit F

EXHIBIT F

DESCRIPTION OF ESCROW SECURITIES

Type of SLGS	Maturity Date	Principal Amount ($)	Interest Rate (%)
Part I.			
Debt Service Escrow Securities			
Certificate	6/1/2004	2,741,922	0.89
Part II.			
Proceeds Escrow Securities			
Certificate	6/1/2004	70,879,325	0.89
Certificate	12/01/2004	1,624,235	1.05
Note	6/1/2005	89,763,028	1.29
		165,008,510	

Exhibit G

EXHIBIT G

FORM 8038-G

(Please see item number __ of this transcript)

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 07**
5 City, town, or post office, state, and ZIP code **Fairfax, Virginia 22035-0016**	6 Date of issue **April 14, 2004**
7 Name of issue **$329,110,000 Public Improvement and Refunding Bonds, Series 2004 A**	8 CUSIP number **303820L85**
9 Name and title of officer or legal representative whom the IRS may call for more information **John Higgins, Deputy Director Of The Department Of Finance**	10 Telephone number of officer or legal representative **(703) 324-3118**

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 ▶ **General Municipal Purposes**	18	$359,534,523.60
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	April 1, 2024	$359,534,523.60	$329,110,000.00	8.7739 years	3.46344%

Part IV Uses of Proceeds of Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	$0.00
23	Issue price of entire issue (enter amount from line 21, column (b))			23	$359,534,523.60
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	$789,521.40		
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	$70,190,566.87		
28	Proceeds used to advance refund prior issues	28	$92,076,037.21		
29	Total (add lines 24 through 28)			29	$163,056,125.48
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	$196,478,398.12

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 ▶ **14.4620** years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ **14.4017** years

33 Enter the last date on which the refunded bonds will be called ▶ **June 1, 2005**

34 Enter the date(s) the refunded bonds were issued ▶ **06/13/1996, 06/26/1997**

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	$0.00
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	$0.00
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	$0.00

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.

▶ Signature of issuer's authorized representative — Date: **April 14, 2004**

▶ **John Higgins** Deputy Director Of Dept. Of Finance — 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

BEIJING
BRUSSELS
CHICAGO
DALLAS
GENEVA
HONG KONG
LONDON

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FOUNDED 1866

LOS ANGELES
NEW YORK
SAN FRANCISCO
SHANGHAI
SINGAPORE
TOKYO
WASHINGTON, D.C.

April 14, 2004

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

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds, Series 2004 A

The bonds are dated the date of their delivery, mature in annual installments on April 1 in each of the years 2005 to 2024, inclusive, bear interest payable semiannually on the 1st days of April and October in each year, commencing October 1, 2004, and are subject to redemption prior to their respective maturities in the manner and upon the terms and conditions set forth in the resolution authorizing the issuance of the bonds adopted by the Board of Supervisors of Fairfax County on March 15, 2004.

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 the 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 the County to the extent other funds of the 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

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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

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WASHINGTON, D.C.

April 14, 2004

Board of Supervisors
of Fairfax County, Virginia
Fairfax, Virginia

Goldman, Sachs & Co.
New York, New York

$329,110,000
Fairfax County, Virginia
Public Improvement and Refunding Bonds
Series 2004 A

In connection with the issuance by Fairfax County, Virginia on the date hereof of its $329,110,000 Public Improvement and Refunding Bonds, Series 2004 A, dated April 14, 2004 (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

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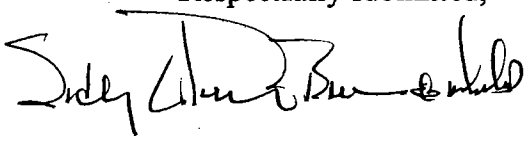
constant yield method based on the compounding of interest, and that a holder's adjusted basis in such Bonds will be increased by the amount of such accruing original issue discount for purposes of determining such holder's gain or loss on disposition of such Bonds.

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)

The Depository Trust Company
55 Water Street
New York, New York 10041

Attention : Underwriting Packaging Department
Phone : (212) 855-8820 or 8821
Fax copy : (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)

FAIR FAX COUNTY, VIRGINIA
PUBLIC IMPROVEMENT & REFUNDING BONDS

CUSIP # 303820J54-285 **$ VALUE** 329,110,000

The Depository Trust Company (DTC) acknowledges receipt from SIDNEY & AUSTIN BROWN (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.

THE AGENT	The Depository Trust Company
By:	**By:**
Title :	**Title :**
Date :	**Date :** 4/13/04

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

DEPOSITORY TRUST COMPANY
04 APR 3 PM 12:44

CERTIFICATE OF SUCCESSFUL BIDDER

Goldman, Sachs & Co., as representative and on behalf of itself and the others of the successful bidders ("underwriters") for **$329,110,000 Fairfax County, Virginia, Public Improvement and Refunding Bonds, Series 2004 A** (the "Bonds"), **HEREBY CERTIFIES**, in accordance with the terms of the Notice of Sale relating to such Bonds:

1. The Official Statement, dated March 31, 2004 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 $329,110,000, bearing interest and maturing as described in the Official Statement.

April 14, 2004

GOLDMAN, SACHS & CO.

By: Goldman Sachs & Co.
Name: Mary M Cannington
Title: VP