



County of Fairfax, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005



Strong Investment in Education



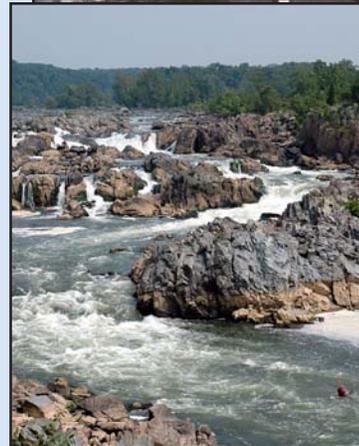
Affordable Housing



Public Safety & Gang Prevention



Transportation Improvements



Environmental Protection

*Protecting and enriching the
Quality of Life
for the people, neighborhoods
and diverse communities of Fairfax County*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005



DEPARTMENT OF FINANCE

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COUNTY OF FAIRFAX, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

TABLE OF CONTENTS

	PAGE
<hr/>	
INTRODUCTORY SECTION	
Letter of Transmittal	VII
Directory of Officials	XXV
Organizational Chart.....	XXVII
Certificate of Achievement for Excellence in Financial Reporting	XXIX
<hr/>	
FINANCIAL SECTION	
Independent Auditors' Report.....	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements</i>	17
<u>Exhibit</u>	
A Statement of Net Assets	18
A-1 Statement of Activities	22
A-2 Balance Sheet – Governmental Funds with Reconciliation	24
A-3 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds with Reconciliation	26
A-4 Statement of Net Assets – Proprietary Funds	28
A-5 Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	30
A-6 Statement of Cash Flows – Proprietary Funds	31
A-7 Statement of Fiduciary Net Assets	32
A-8 Statement of Changes in Plan Net Assets – Pension Trust Funds	33
A-9 Combining Statement of Net Assets – Component Units	34
A-10 Combining Statement of Activities – Component Units	38
<u>Notes to the Financial Statements</u>	
A Summary of Significant Accounting Policies	41
B Deposits and Investments	52
C Property Taxes	61
D Receivables	62
E Interfund Balances and Transfers	63
F Capital Assets	65
G Retirement Plans	67
H Risk Management	75
I Long-Term Obligations	76
J Long-Term Commitments	87
K Contingent Liabilities	91
L Special Items	91

	PAGE
Required Supplementary Information	93
Budgetary Comparison Schedule – General Fund (Budget Basis)	93
Schedule of Funding Progress	94
Schedule of Employer Contributions	95
Notes to Required Supplementary Information	97
Other Supplementary Information	101
<u>Exhibit</u> <u>Governmental Funds</u>	
B Budgetary Comparison Schedule Detail – General Fund (Budget Basis)	102
C Combining Balance Sheet – Nonmajor Governmental Funds	106
C-1 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	107
D Combining Balance Sheet – Special Revenue Funds	112
D-1 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –Special Revenue Funds	116
<i>Budgetary Comparison Schedules – Special Revenue Funds (Budget Basis):</i>	
D-2A County Transit Systems Fund	120
D-2B Dulles Rail Phase I Transportation Improvement District Fund	121
D-2C Federal/State Grant Fund	122
D-2D Aging Grants and Programs Fund	123
D-2E Information Technology Fund	124
D-2F Cable Communications Fund	125
D-2G Fairfax-Falls Church Community Services Board Fund	126
D-2H Reston Community Center Fund	127
D-2I McLean Community Center Fund	128
D-2J Burgundy Village Community Center Fund	129
D-2K Integrated Pest Management Program Fund	130
D-2L Consolidated Community Funding Pool Fund	131
D-2M Contributory Fund	132
D-2N E-911 Fund	133
D-2O Leaf Collection Fund	134
D-2P Refuse Collection and Recycling Operations Fund	135
D-2Q Refuse Disposal Fund	136
D-2R Energy Resource Recovery Facility Fund	137
D-2S I-95 Refuse Disposal Fund	138
D-2T Community Development Block Grant Fund	139
D-2U Housing Trust Fund	140
D-2V HOME Investment Partnership Grant Fund	141
E Combining Balance Sheet – Debt Service Funds	144
E-1 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Funds	145
<i>Budgetary Comparison Schedules – Debt Service Funds (Budget Basis):</i>	
E-2A County Debt Service Fund	146
E-2B School Debt Service Fund	147
F Combining Balance Sheet – Capital Projects Funds	152
F-1 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Funds	156

	PAGE
<u>Exhibit</u>	<u>Internal Service Funds</u>
G	Combining Statement of Net Assets – Internal Service Funds 162
G-1	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds 164
G-2	Combining Statement of Cash Flows – Internal Service Funds 166
	<u>Fiduciary Funds</u>
H	Combining Statement of Plan Net Assets – Pension Trust Funds 171
H-1	Combining Statement of Changes in Plan Net Assets – Pension Trust Funds 172
H-2	Combining Statement of Fiduciary Assets and Liabilities – Agency Funds 174
H-3	Combining Statement of Changes in Assets and Liabilities – Agency Funds 176
	<u>Capital Assets</u>
I	Schedule by Source – Capital Assets Used in Operation of Governmental Funds ... 181
I-1	Schedule by Function and Activity – Capital Assets Used in Operation of Governmental Funds 182
I-2	Schedule of Changes by Function and Activity – Capital Assets Used in Operation of Governmental Funds 184
	<u>Component Units</u>
	<i>Fairfax County Public Schools:</i>
J	Balance Sheet with Reconciliation – Governmental Funds 188
J-1	Statement of Revenues, Expenditures, and Changes in Fund Balances with Reconciliation – Governmental Funds 190
J-2	Budgetary Comparison Schedule – General Fund (Budget Basis) 193
	<i>Budgetary Comparison Schedules – Special Revenue Funds (Budget Basis):</i>
J-3A	Food and Nutrition Services Fund 194
J-3B	Grants and Self-Supporting Programs Fund 195
J-3C	Adult and Community Education Fund 196
J-4	Combining Statement of Net Assets – Internal Service Funds 197
J-5	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds 198
J-6	Combining Statement of Cash Flows – Internal Service Funds 199
J-7	Statement of Fiduciary Net Assets 200
J-8	Statement of Changes in Plan Net Assets – Pension Trust Fund 201
J-9	Statement of Changes in Assets and Liabilities – Agency Fund 202
	<i>Fairfax County Redevelopment and Housing Authority:</i>
K	Statement of Net Assets 204
K-1	Statement of Revenues, Expenses, and Changes in Net Assets 205
K-2	Statement of Cash Flows 206
	<i>Fairfax County Park Authority:</i>
L	Balance Sheet with Reconciliation 208
L-1	Statement of Revenues, Expenditures, and Changes in Fund Balances with Reconciliation 210
	<i>Budgetary Comparison Schedules (Budget Basis):</i>
L-2A	General Fund (Financed by County General Fund) 213
L-2B	Park Revenue Fund 214

<u>Exhibit</u>		PAGE
	<i>Fairfax County Economic Development Authority:</i>	
M	Balance Sheet with Reconciliation	216
M-1	Statement of Revenues, Expenditures, and Changes in Fund Balance with Reconciliation	217
M-2	Budgetary Comparison Schedule – General Fund (Financed by County General Fund) (Budget Basis)	218

STATISTICAL SECTION

<u>Table</u>		
1	Expenditures by Function – Last Ten Fiscal Years	220
2	Revenues by Source – Last Ten Fiscal Years	220
3	Real and Personal Property Tax Levies and Collections – Last Ten Fiscal Years	222
4	Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	222
5	General Property Tax Rates – Last Ten Fiscal Years	223
6	Real Property Tax Rates and Tax Levies – All Overlapping Governments – Last Ten Fiscal Years	223
7	Principal Real Estate Taxpayers	224
8	Computation of Debt Margin	224
9	Comparative Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property and Net Bonded Debt Per Capita – Last Ten Fiscal Years	225
10	Ratio of Annual Debt Service Requirements for General Obligation Bonded Debt to General Fund Expenditures and Operating Transfers Out – Last Ten Fiscal Years	225
11	Computation of Direct and Overlapping and Underlying Debt	226
12	Schedule of Revenue Bond Coverage for the Integrated Sewer System – Last Ten Fiscal Years	226
13	Demographic Statistics – Last Ten Fiscal Years	227
14	Construction and Property Values – Last Ten Fiscal Years	227
15	Miscellaneous Statistical Data	228
16	Continuing Bond Disclosure Supplementary Data	230

Introductory Section

The Introductory Section contains the letter of transmittal, which provides an overview of the County of Fairfax's finances, economic prospects, and achievements. Also, included in this section is the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association. It is the highest form of recognition in governmental financial reporting.



County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 4, 2005

Honorable Chairman, Members of the Board, and Citizens of the County of Fairfax:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Fairfax, Virginia (the County) for the fiscal year ended June 30, 2005, in accordance with the *Code of Virginia*. The financial statements included in this report conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the County's financial affairs.

Our CAFR is divided into three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, a list of the County's principal elected and appointed officials, the organizational chart, and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the independent auditors' report, Management's Discussion and Analysis, which complements this letter of transmittal and should be read in conjunction with it, Basic Financial Statements, including the notes, and Required Supplementary Information. In addition, the financial section contains supplemental data, consisting of combining, individual fund, and component unit financial statements and schedules. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis. The Single Audit Report, which is required for federal grant recipients, is issued separately.

All the financial activities of the reporting entity are included within this report. As used here, the reporting entity comprises the primary government (County of Fairfax, as legally defined) and its component units. Under GASB pronouncements, component units are legally separate entities for which the primary government is financially accountable. The component units of the County include both blended component units and discretely presented component units. Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Accordingly, the Solid Waste Authority of Fairfax County, the Small District One, and the Small District Five are reported as part of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, changes in financial position, and cash flows from those of the primary government. The Fairfax County Public Schools, the Fairfax County Redevelopment and Housing Authority, the Fairfax County Park Authority, and the Fairfax County Economic Development Authority are reported as discretely presented component units.

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GOVERNMENTAL STRUCTURE

The County is located in the northeastern corner of Virginia and encompasses an area of 407 square miles, including land and water. The County is part of the Washington, D.C. Metropolitan area, which includes jurisdictions in Maryland, Northern Virginia, and the District of Columbia.

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 sets policy for the administration of the County. The Board of Supervisors comprises ten members: the Chairman, elected at-large for a four-year term, and one member from each of nine districts, elected for a four-year term by the voters of the district in which each 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.

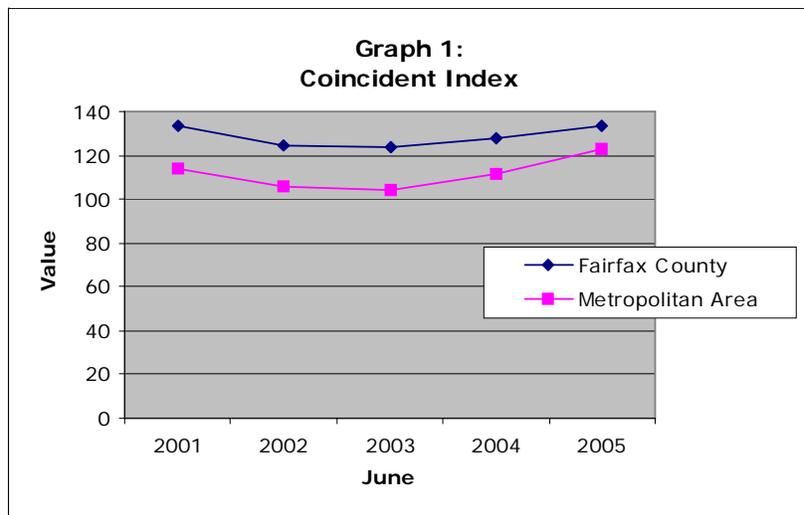
Cities and counties in Virginia are discrete units of government that under Virginia law may not be overlapping districts. Fairfax County surrounds the City of Fairfax and is adjacent to the City of Falls Church and the City of Alexandria. Properties within these cities are not subject to taxation by 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 city residents pursuant to intermunicipal agreements.

The incorporated towns of Clifton, Herndon, and Vienna are underlying units of government within the County. The ordinances and regulations of the County, with certain limitations prescribed by State law, are in effect. Properties in these towns are subject to County taxation, and the County provides certain services to their residents. These towns may incur general obligation bonded indebtedness without the approval of the County.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

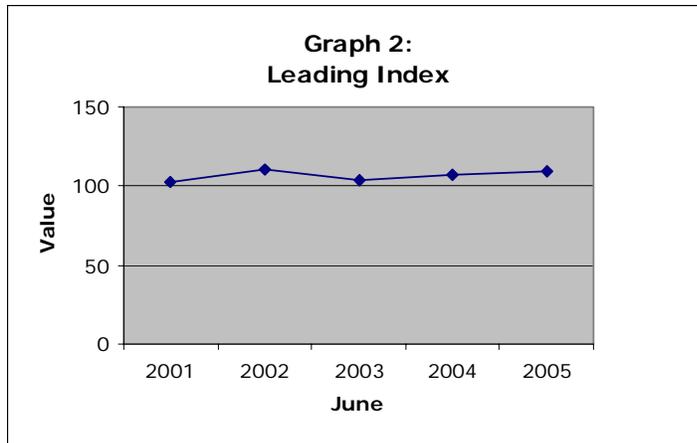
The Coincident Index, which represents the current state of the County's economy based on a value of 100 from 1987, was 133.2 in June 2005, as compared to 127.9 in June 2004. The Coincident Index for the Washington Metropolitan area was 123.4 in June 2005. Components of the Coincident Index include consumer confidence, total employment, transient occupancy tax collections, and sales tax collections. Compared to same-month values in June 2004, each component registered healthy gains over the past twelve months. Specifically, the region's job gains have led the nation's other metropolitan areas every month for five years and are averaging 79,600 new jobs through mid-year on an annualized basis. The County



Source: Economic Indicators, Fairfax County Department of Management and Budget

accounts for approximately one-third of the region's job growth even though it accounts for only 20 percent of its population. Consumer confidence also is trending higher and spending has increased. Graph 1 indicates the strength of the County's economy over the past five years in relation to the Washington Metropolitan area.

The Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance and is based on a value of 100 from 1987, was 109.2 in June 2005, as compared to 107.3 in June 2004. The Leading Index has increased for 27 consecutive months on a monthly over-the-year basis. Components of the Leading Index for the County include claims for unemployment insurance, consumer



Source: Economic Indicators, Fairfax County Department of Management and Budget

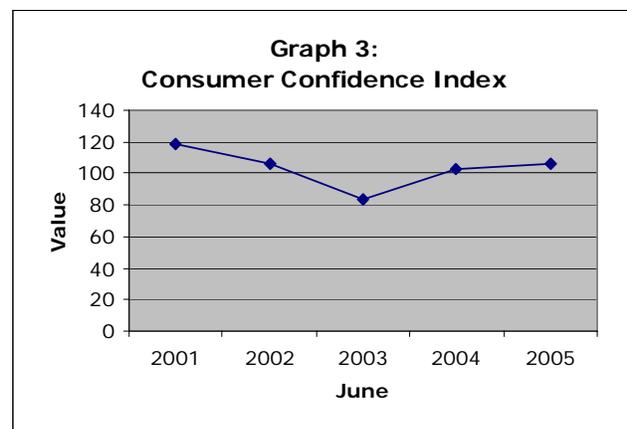
expectations, and new automobile registrations. All three indicators reflected improvements in June 2005. Consumer expectations increased slightly following sharp gains in May 2005; new automobile sales rebounded strongly following two down months; and initial claims for unemployment insurance decreased following gains in April and May 2005. The Leading Index for the County for the past five years is shown in Graph 2.

The Consumer Confidence Index, which is composed of a "present situation" factor and an "expectations" factor, was 106.2 in June 2005, as compared to 102.8 in June 2004.

Strong job growth and a tightening labor market have helped lead the economy's recovery in the Metropolitan area. However, there is indication of a slowing job growth rate and an emerging shortage of qualified workers. In addition, energy prices and interest rates will impact the pace of growth in the region into next year and beyond. A slowdown in consumer spending associated with these factors could reduce the economy's annual growth rate by the end of the year. However, the economy seems on course for a strong year, but perhaps not as strong as in 2004. As Graph 3 indicates, 2005 has shown a continuing increase in consumer confidence as compared to the decrease experienced from 2001 to 2003.

Economic Development

Economic development activities of the County are carried out through the Fairfax County Economic Development Authority (EDA) whose commissioners are appointed by the Board of Supervisors. The EDA promotes Fairfax County as a preferred 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 assists in resolving County-related issues. Pursuant to its enabling legislation, the EDA encourages investment in the County with tax-exempt industrial revenue bond financing.



Source: Economic Indicators, Fairfax County Department of Management and Budget

To promote Fairfax County as the place to locate for a United States presence, the EDA has opened overseas offices in Bangalore, India; Tel Aviv, Israel; London, England; Frankfurt, Germany; and most recently, Seoul, South Korea. A strong foreign-owned business sector helps diversify the County's economy and enhance opportunities for trade. In 2004, the EDA assisted 26 foreign-owned companies with their decision to expand or locate in Fairfax County, making the County home to almost 300 foreign-owned firms.

The total inventory of office space in the County was estimated at 102.2 million square feet at the end of calendar year 2004, making Fairfax County the largest office market in the Commonwealth of Virginia and one of the largest suburban office markets in the United States. Industrial/hybrid space in the County was estimated at 37.2 million square feet. The vacancy rates for the office market (including sublet space) and industrial/hybrid markets were 11.6 percent and 7.1 percent, respectively, in 2004.

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, on the County's western edge. Washington Dulles International Airport 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. Dulles serves over 63,000 passengers daily with nonstop flights to 85 U.S. cities and 40 foreign markets. On the East Coast, the airport is the second largest transatlantic gateway. Nearly 23 million passengers, including more than 4.6 million international travelers, flew in and out of Washington Dulles in 2004.

The Board of Supervisors and the County have supported the redevelopment of the County's more mature business areas. The revitalization of seven designated commercial areas of the County is underway in Annandale, Bailey's 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. A number of capital improvements to the streetscapes, such as new sidewalks, trees, and upgraded street lighting, have enhanced these communities. Two of the County's revitalization efforts won awards from the Community Appearance Alliance, including the transformation of the façade of an older building on Richmond Highway in the southern part of the County and a newly developed mini-park in Annandale.

Tysons Corner Center, located centrally in the County, is one of the premier shopping malls on the East Coast. In fall 2005, the mall unveiled a 350,000+ square foot expansion featuring a 16-screen movie complex with stadium seating, five new restaurants, a food court, a two-level Barnes & Noble store, and 30 upscale retailers. In addition, the expansion will include a Guest Services Center, a children's play area, year-round valet parking, and a new parking terrace.

The County's newest retail center, centrally located in the County, is Fairfax Corner. Fairfax Corner is a pedestrian-oriented center with an urban feel and features shops, restaurants, offices, residential areas, and a 14-screen multiplex cinema. The complex includes a town commons and plaza with a fountain and attractive landscaping. Office space totals 137,000 square feet, and there will be over 1,100 luxury residential units. Construction of the retail area is complete, while residential areas continue to be developed.

Employment

Approximately 31,800 payroll businesses, including corporate and regional headquarters, information technology firms, sales and marketing offices, and business services, are located within Fairfax County. Local businesses create employment in such diverse areas as computer software development and systems

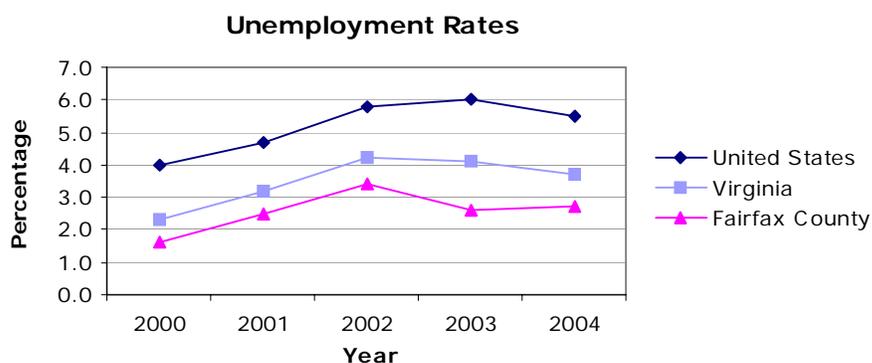
integration; telecommunications; Internet and Internet-related services; wholesale and retail trade; defense and homeland security; and financial services.

Quality firms and industries continue to thrive in Fairfax County. The County is home to 4,700 technology companies, six Fortune 500 companies, almost 300 foreign-owned firms, and nearly 300 trade associations. Eighteen County companies, most in information technology, were on *Inc.* magazine's 2004 list of the 500-fastest growing privately held businesses in the country. Information technology firms continue to lead job growth in the County. In 2004, more than 6,000 new jobs in 52 companies, including L-3 Communications, ManTech International, Titan Corporation, Unisys, and PricewaterhouseCoopers, were created. In the services industry, 19 firms, including Envision EMI, Sunrise Senior Living, Tolin Mechanical Systems, and UTD Incorporated, announced the addition of more than 1,000 positions. Biotechnology; telecommunications; financial, legal, and other professional services; and venture capital firms continue to add to the County's employment base.

The County leads the Washington area in job growth. During 2004, businesses in the County created more than 25,000 jobs. Job growth in the County was approximately 4.4 percent during the year, compared with a nationwide increase of 1.18 percent. The job base grew in large part due to expansion plans of existing firms such as IBM, Booz Allen Hamilton, and Science Applications International Corporation. Through the efforts of the EDA, more than 11,000 jobs will be added by 144 companies during 2005. The County has more than 642,000 jobs and is predicted to outpace the nation in job creation in 2005.

The unemployment rate in the County has decreased slightly to 2.9 percent in June 2005 from 3.0 percent in June 2004. The Commonwealth of Virginia and national unemployment rates in June 2005 were 3.8 percent and 5.0 percent, respectively. In the County, initial claims for unemployment compensation (seasonally adjusted) in June 2005 were 32.05 percent below the number of claims in June 2004.

The graph below shows unemployment rate information for the past five years for the County, the Commonwealth of Virginia, and the United States. Fairfax County is consistently below the national and state averages for unemployment rates primarily due to increased job growth in the areas of information technology and homeland security.



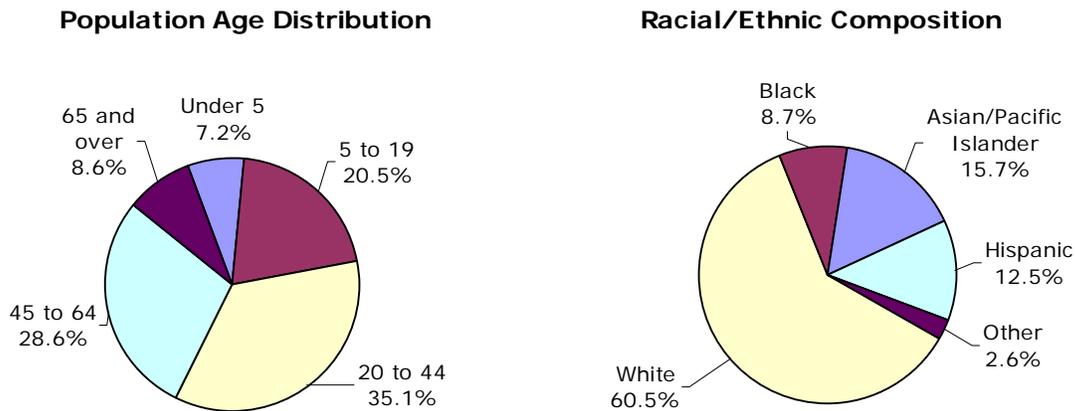
Source: Virginia Employment Commission, Annual Unemployment Statistics

Demographic Information

The estimated population of the County for calendar year 2005 is 1,041,200 people. In 1980, Fairfax County was the third most populous jurisdiction in the Washington, D.C. metropolitan area, as defined by the U.S. Census Bureau (Census), with a population of 596,900. By 1990, Fairfax County, with 818,600 residents,

had become the most populous jurisdiction in the Metropolitan region. In 2002, Fairfax County crossed the one million mark in population, with a population of 1,004,400 people. It is anticipated that the population will grow to 1.2 million people by the year 2025.

As illustrated in the charts below, the composition of the County’s population is quite diverse. In 2004, over one-third of the population was non-white. The Census estimates that from 2000 to 2003, the Hispanic and Asian populations increased 19.0 and 17.0 percent, respectively, in the Washington region, while the overall increase in population was only 6.0 percent. In addition, according to the 2004 American Community Survey by the Census, approximately 32.5 percent of the population spoke a language other than English at home, as compared with 10.7 percent in 1980. In 2004, almost 40.0 percent of the population was 45 years or older, while slightly more than a quarter of the population was under 20 years old.



Source: U.S. Census Bureau, 2004 American Community Survey

As reported in the American Community Survey, Fairfax County had an annual median household income of \$88,133 in 2004, as compared to \$51,689 in the Commonwealth of Virginia and \$44,684 in the United States. The County’s level in 2004 is more than double the income level in 1983 of \$42,600. In 2002, almost 23 percent of County households had annual family incomes of \$150,000 or more, while only 5 percent had an income level below \$25,000.

The number of households in 2004 was 378,639. Single-family detached housing units continue to account for close to one half of all housing units within Fairfax County, representing 49.4 percent of the total in 2004. Townhouses account for 24.6 percent, and the remaining 26.0 percent is comprised of garden units, high-rise and mid-rise units, multiplex units, and mobile homes. The median value of owned homes in 2004 was \$415,418, representing a 35.1 percent increase over 2003.

Public Schools

Fairfax County Public Schools (FCPS), with a student population of 164,408 for fiscal year 2005, is the largest educational system in the Commonwealth of Virginia and is the twelfth largest in the continental United States. The School Board is composed of nine magisterial (election) district representatives plus three at-large members with each member serving a four-year term. A student representative, selected for a one-year term, participates in discussions but does not vote. The operating costs of FCPS are funded primarily by payments from the General Fund of the County to FCPS; additional funds are provided by the federal government and the Commonwealth of Virginia. Capital funding for public school facilities is provided primarily by the sale of general obligation bonds of the County.

FCPS focuses on excellence in the classroom, in the school, and in the management of its schools. To meet the individual needs of students and to enhance academic achievement, FCPS offers a wide variety of programs, such as English for speakers of other languages (ESOL), Head Start, special needs schools, federally-reduced class sizes, foreign language immersion, magnet programs, and all-day Kindergarten. Programs for gifted students are available at all grades in all schools, and qualified students may attend Thomas Jefferson High School for Science and Technology (TJHSST), which is designated as one of the Governor's magnet schools for science and technology. High schools also offer advanced placement and international baccalaureate programs to academically challenge students.

An extensive program for students pursuing opportunities in technical careers also has 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 physically-challenged 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 vocational and enrichment programs.

FCPS also emphasizes the use of technology throughout its programs. FCPS has a three to one student to computer ratio with more than 70,000 workstations. All teachers and staff members have access to e-mail, and all classrooms and administrative sites are connected for Internet access with Internet content filtering to block inappropriate Web sites. In addition, wireless laptop labs continue to be implemented at many schools. The FCPS 24-7 Learning initiative provides teachers, students, and parents with access to homework and course enrichment resources via the Web. A Web-enabled library system is available for students and parents, and the Keep in Touch system provides citizens the ability to receive school closing announcements and other school-related information via e-mail.

In addition, there is a strong academic program across the County for college-bound students. For school year 2003-2004, 56.9 percent of graduates earned advanced diplomas, and approximately 89.0 percent of high school graduates continued on to post-secondary educational programs. In 2005, 88 students were awarded college-sponsored merit scholarship awards from the National Merit Scholarship Corporation. In 2005, the number of advanced placement exams taken and the number of scores of three or above both increased over 11.0 percent as compared to the 2004 numbers. In 2005, 23,573 advanced placement exams were administered and 15,809 exams received a score of three or above. In 2005, students registered an all-time high for FCPS with an average combined verbal and math SAT score of 1114 as compared to the combined average score for Virginia of 1030 and the national average of 1028.

FCPS has developed strong accountability systems to ensure that every child receives a quality education as compelled by the federal No Child Left Behind Act (NCLB). Results under the fourth annual report for NCLB show that 99.5 and 98.9 percent of the County's public schools met the benchmarks for proficiency in math and English, respectively. In addition, 97.0 percent of FCPS teachers meet the federal definition of "highly qualified" under NCLB.

FCPS also has received numerous accolades for its programs and management. Based on the 2005 *Newsweek* rankings of top high schools in America, FCPS schools are in the top 4.0 percent of all high schools measured. FCPS was the only large school district in the country to have every eligible high school on the list of "The Best High Schools in America," and four Fairfax County schools were ranked in the top 100. In *The Washington Post's* annual Challenge Index, which measures a school's effort to challenge students, all FCPS high schools were rated in the top 5.0 percent. *Expansion Management* magazine

awarded FCPS a “Gold Medal” rating in their 2004 rankings based on graduate outcome, resources invested in the classroom, and community characteristics.

Colleges and Universities

George Mason University (GMU) and Northern Virginia Community College (NVCC) are the two largest higher education institutions located in Fairfax County. For the 2004-2005 school year, GMU had an enrollment of nearly 29,000 students in 148 disciplines, including doctoral programs, while NVCC had approximately 60,000 students in five campuses in Northern Virginia. Other institutions of higher education located in Fairfax County include Averett University, the Keller Graduate School of Management, National-Louis University, the Virginia Polytechnic Institute and State University, and the University of Virginia – the latter two located in the Northern Virginia Graduate Center - and the recently opened University of Virginia Darden School of Business. 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.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Fairfax County = Quality of Life

A study based on 20 statistical measurements, including education levels, homeownership rates, ethnic diversity, and commute times, conducted by the American City Business Journals in May 2004 ranked Fairfax County as one of the top 10 counties in the nation with the best quality of life. In the category of counties with more than 500,000 residents, Fairfax County rated number one. According to *Money* magazine, eight of the “hottest towns” in America are in Fairfax County. Based on these rankings, it is clear that the County continues to rise to the challenge of providing innovative services to its citizens, businesses, and tourists.

Fairfax County’s commitment to continue enhancing the quality of life for its residents is evidenced by initiatives promoting citizen-interactive technology and by the Board of Supervisors’ priorities, including a strong investment in education, public safety and gang prevention, affordable housing, environmental protection, transportation improvements, and revenue diversification to reduce the tax burden on homeowners.

Technology Initiatives

Fairfax County takes a very strategic approach to e-Government and information technology planning and governance as evidenced by recently received accolades. In June 2005, the County was rated the number one digital county for jurisdictions with populations over 500,000 based on a survey by the Center for Digital Government and the National Association of Counties. The County’s award winning e-Government program addresses the digital divide and has been successful in creating a “government without walls, doors, or clocks.” In addition, the County won two technology awards for its advancements in electronic mapping and emergency response at the FOSE trade show in Washington, D.C., in April 2005.

The County’s e-Government program is the centerpiece of its electronic citizen services initiative. The e-Government program is a multi-channel solution that includes the County’s Web site, Interactive Voice Response (IVR) system, 29 multimedia kiosks located throughout the County, mobile access solutions, emergency alerts via text messaging, customer relationship management (CRM) initiatives, and broadcast cable television.

The County's Web site averages 625,000 unique visits per month and 7.5 million unique visits per year. Of these annual visits, 476,000 access multiple Web pages and/or transactions. The County had 881,802 calls to its IVR in fiscal year 2003, and the multimedia kiosks have registered nearly 8.2 million screen touches since 1996. The County's "Contact Us" mobile access application allows constituents to access the County's phone contact and e-mail contact lists and utilize them from their PDAs and mobile phones to directly contact the County.

E-Government access options provide the ability for citizens to receive information and do business with their government electronically. The County provides public computers in libraries and other County facilities. To augment the public computer access points, in late 2005, wireless service also will be offered in public libraries. In addition, the County has created an "Access Fairfax Center" in the South County Human Services Center, where citizens can use technology to access County services. The County also is currently exploring WiFi options for other County facilities that offer public computer use. Through collaboration with cable franchise providers, the County also is implementing video, data, and voice services over a private broadband network, which will connect more than 400 County and FCPS facilities.

Geographic Information System (GIS) data is available to both County employees at their desktops and to the public via the County Web site. GIS information is integrated directly into County systems and also can be accessed for specialized use by various County programs and initiatives. The GIS data warehouse now holds over 470 data layers of information.

A unique collaboration between the Commonwealth of Virginia and the County has produced a new streamlined contractor licensing verification module, known as FIDO (Fairfax Inspections Database Online). FIDO has incorporated the state's electronic contractor licensing database to make the overall building permit process quicker, easier, and more efficient. The County's Department of Public Works and Environmental Services, Department of Planning and Zoning, Fire and Rescue Department, Health Department, and Department of Information Technology all are using the new system to streamline the permit process.

The County's broadcast cable television station, Channel 16, has been named the best government access cable television station in the nation by the Alliance for Community Media. It is the third time the County has won the award in the Overall Excellence of Governmental Access category, with previous awards given in 1996 and 1999. Channel 16 also is the winner of 13 Cable ACE Awards and over 100 other national awards for video excellence. The County's award-winning Channel 16 reaches over 700,000 people in the County and boasts over 100 hours of original programming (including call-in shows), 147 hours of live government meetings, 213 programs describing County services, and 300 hours of captioned meetings. Channel 16 also is available through a live web cast and utilizes bulletin board messaging with 2,500 messages posted to date.

Strong Investment in Education

Education continues to be among the top priorities for the County. When compared to most other school systems in Virginia, the County funds a much larger portion of its school budget with local funds. The average school division in Virginia receives approximately half of its financial support from its local government, while the County funds more than 76 percent of the total operating costs for the public school system. The County continues to work with the School Board and FCPS in a spirit of cooperation in order to maintain the high quality system of public education, while ensuring fiscal responsibility.

In fiscal year 2003, the County transferred 116 acres of land in the southern part of the County to FCPS for the construction of a new high school. Through the issuance of revenue bonds via the EDA, the construction of this high school was completed almost three years ahead of schedule without affecting FCPS's current Capital Improvement Plan. At the end of fiscal year 2005, the County transferred the new South County Secondary School to FCPS at a value of \$68.0 million.

During fiscal year 2005, the County approved a plan to spend \$60.69 million on a new administration building for FCPS through the issuance of facilities revenue bonds via the EDA. The consolidation of administrative personnel and offices is estimated to save approximately \$47.0 million over 30 years. The bonds are to be repaid through lease payments by FCPS using money that would have been used to lease office space, savings from the travel budget, and funds that would have been used to renovate and maintain the existing administration buildings.

Commitment to Public Safety and Gang Prevention

To support the County's commitment to public safety, the County has embarked on an initiative with the Commonwealth of Virginia to create the new Public Safety and Transportation Operations Center (PSTOC). The 142,000 square-foot PSTOC will consolidate regional public safety and transportation operations in a partnership between the County and the State. The centerpiece of the project provides for locating the County's Public Safety Communications Center and an Emergency Operations Center under the same roof with the Virginia State Police communications center and the Virginia Department of Transportation's traffic management center. Co-locating these first responders will create opportunities for better coordination and response. The PSTOC is slated to open in 2007.

The County has long been involved in gang prevention and related public safety activities, such as establishing the police Gang Investigative Unit in 1994, and providing numerous youth recreation and education programs over the years. During fiscal year 2005, the County established a cross-agency, community-wide Coordinating Council on Gang Prevention. The Council works to ensure that schools and neighborhoods remain safe at all times; identifies and coordinates after-school services for youth; educates parents on the issues and signs of possible gang involvement; improves gang awareness, communication, and collaboration among service providers; and improves gang prevention awareness among community partners. In addition, during fiscal year 2005, the County hired a gang prevention coordinator and conducted a Gang Prevention Summit for elected officials, government employees, residents, community-based organizations, and business leaders. Summit participants engaged in discussions centered on a recommended gang-prevention model created by the U.S. Department of Justice outlining five key strategies: mobilizing the community; providing opportunities; social intervention; gang suppression; and organizational change and development. As part of the fiscal year 2005 budget carryover process, the Board allocated \$13.3 million toward public safety requirements including gang prevention activities.

Quality Communities and Affordable Housing

The County's commitment to cultural programs and attractions makes it a quality community. The Steven F. Udvar-Hazy Center of the Smithsonian National Air and Space Museum opened its doors in Fairfax County on December 15, 2003 – the 100th anniversary of flight. The Smithsonian Board of Regents selected 176 acres of Washington Dulles International Airport as the site for this museum in 1990, resulting in a \$238 million expansion of the airport. The museum boasts more than 280 rare and historic aircraft and spacecraft, including the Space Shuttle Enterprise, an SR 71 Blackbird, the Enola Gay, and a Concorde. In addition to the aircraft, the museum also has a 164-foot tall observation tower from which visitors can observe airplanes on their final approach into Washington Dulles International Airport, a 479-seat IMAX theater, discovery

stations, and a flight simulation ride. More than 400,000 people visited the museum in the first three months following its opening. The Smithsonian expects that the Udvar-Hazy Center will draw more than 3 million visitors a year.

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.

The County also prides itself in its diverse communities. In order to serve its communities even better, in July 2005 the County formally unveiled its communication strategy, which consists of new policies and standards, as part of the County's overall strategic planning efforts. The County's print and electronic communications will adopt consistent standards and will be tied more closely to the Board's priorities. Information provided to residents will reinforce the County's values and streamline the communication process.

The County also prides itself on its recreation facilities and libraries. In May 2005, the County's Cub Run RECenter in the western part of the County opened its doors for business. The 65,000 square foot facility includes a 4,860 square foot leisure entertainment pool featuring two water slides and a water playground, a 25-yard by 25-meter swimming pool, a 9,600 square foot fitness center and two multipurpose rooms. The County is scheduled to open two new libraries in 2007, one in Oakton and one in Burke Centre. As part of the fiscal year 2005 budget carryover process, the Board approved \$3.5 million to acquire half of the opening collection of materials for these libraries.

Affordable housing in the County is a Board priority. In November 2004, the Board approved six affordable housing initiatives. These actions ranged from providing assistance to first-time homebuyers to helping public employees, such as public safety personnel, teachers, and others, find housing in the County. Other measures aimed to encourage reinvestment in the County's older neighborhoods. For fiscal year 2006, the Board approved the establishment of a new fund to aid in financing affordable housing. The Housing Flexibility Fund represents the dedication of the value of one cent on the real estate tax rate, or \$17.9 million, in fiscal year 2006 toward the preservation of affordable housing. The Board has set a goal to preserve 1,000 units of affordable housing by 2007. Given that the cost of land and the value of existing property in the County is at an all time high, financing and funding is critical to achieving that goal. As part of the fiscal year 2005 budget carryover process, the Board allocated an additional \$0.2 million to provide affordable housing resources including an ombudsman position and resources to support relocation counseling to households.

Environmental Stewardship

The County's commitment to the environment is evidenced by the awards it has received as well as its initiatives. In June 2004, the County adopted a 20 year environmental vision plan as a blueprint for environmental protections. The Board carried over \$2.0 million from its fiscal year 2004 budget in order to fund projects in the environmental agenda. In fiscal year 2005, the County's Noman M. Cole, Jr. Pollution Control Plant received the Gold Peak Performance Award from the National Association of Clean Water

Agencies to recognize the facility's outstanding accomplishments in wastewater treatment and environmental protection of water quality in the County, as well as improvement of the Chesapeake Bay water quality. Also in fiscal year 2005, the County's Wastewater Collection Division was featured as a case study on the U.S. Environmental Protection Agency's Web site as the County has implemented techniques to help eliminate sewer backups and overflows, extend the life of its sewer system assets, increase customer satisfaction, and improve system rehabilitation and diagnostic methods.

Stormwater management is essential to protect public safety, preserve home values, and support environmental mandates, such as those aimed at protecting the Chesapeake Bay and the water quality of other local waterways. For fiscal year 2006, the Board approved the establishment of a new fund to support the long-term needs of the County's stormwater capital program. The Board designated \$17.9 million to fund this program and added three positions to enhance implementation. Projects will include stabilization of streams, rehabilitation and safety upgrades of dams, repair and replacement of underground pipe systems and surface channels, flood proofing structures, and state-of-the-art regional detention ponds.

Also for fiscal year 2006, the County has begun construction on its second green building, a fire station in the southern part of the County. Green buildings offer energy efficient design and environmentally conscious materials in accordance with national standards of the Leadership in Energy and Environmental Design Building Program.

Transportation Improvements

Recognizing the importance of transportation for residents who work in and around the County, the County has made improvements to transportation a high priority. According to the 2000 Census, the average travel time to work was 30.7 minutes; over 50 percent of County residents commute to work within the County; and over 500,000 workers ages 16 and over from other jurisdictions commute to Fairfax County to work. There are several transportation services available in the County, including the Fairfax Connector and FASTRAN bus systems, Metrobus and Metrorail, and the Virginia Railway Express.

In addition, there are two major state-supported initiatives underway to improve transportation in the County. The Springfield Interchange Improvement Project is an 8-year, 7-phase construction project that began in March 1999 and is on schedule for completion in late 2007. The project consists of building more than 50 bridges and widening Interstate 95 to 24 lanes to improve traffic flow and make driving safer for commuters and long-distance travelers. Another initiative is the Woodrow Wilson Bridge (WWB) Project. The WWB area is a seven and a half mile corridor beginning in Maryland and connecting to Virginia by a bridge over the Potomac River. This multi-jurisdictional project consists of the replacement of the existing WWB and the upgrading of four interchanges to ease traffic congestion within the project area.

Another transportation initiative involves the Dulles Rail Project. This project involves the extension of the Metrorail system for rapid transit in the Dulles corridor. The planned 23+ miles extension will originate from the Orange Line between East and West Falls Church Metro stations and will pass through the Tysons Corner area to Dulles Airport. A two-phased approach has been proposed due to federal funding constraints. Funding is to be shared by the federal government (50 percent), State government (25 percent), and local government (25 percent). In February 2004, in response to a petition from businesses representing a majority of the commercial property in the first phase of the rail project, the Board approved the creation of a special tax district for commercial properties, which will pay the local share for rail. The County is working with the State on implementing the extension with a target date of 2011 for the opening of the first phase.

Telework, or telecommuting, is another way the County is working to improve traffic and air quality. The County began a telework program for government employees in 1995. Currently, more than 400 County employees telework an average of two to four days a month. Telework expansion reflects the Board of Supervisors' support of the regional goal set by the Metropolitan Washington Council of Governments to reach a level of 20 percent of the eligible workforce teleworking at least one day a week by 2005. Telework helps reduce traffic, noise, emissions, and commuter stress.

Revenue Diversification

As a response to the County's reliance on real estate taxes as the primary revenue source and the resulting burden on homeowners, the Board has made revenue diversification a priority in the County. For fiscal year 2005, the Board approved an additional 2.0 percent transient occupancy tax and a \$100 ambulance transport fee as initial steps in revenue diversification. For the fourth consecutive year, the Board approved a reduction in the real property tax rate for fiscal year 2006, bringing the cumulative decrease to 23 cents over the past four years. Also for fiscal year 2006, the Board approved increasing land development services fees to recover program costs, increasing fees for zoning applications and appeals and zoning compliance letters, and increasing the E-911 fee to the State maximum charge of \$3.00 per line per month.

FINANCIAL INFORMATION

Ten Principles of Sound Financial Management

The keystone to the County's ability to maintain its fiscal integrity is the continuing commitment of the County's Board of Supervisors. This commitment is evidenced by the Board's adoption in 1975 of County-developed policies, collectively known as the *Ten Principles of Sound Financial Management*, which remain the policy context in which financial decisions are considered and made. These principles relate primarily to the integration of capital planning, debt planning, cash management, and productivity as a means of ensuring prudent and responsible allocation of the County's resources. From time to time the Board of Supervisors has amended these principles in order to address the changing economic conditions and management practices.

In addition, the County maintains a self-managed investment program under the direction and oversight of an Investment Committee. The committee is comprised of the Director of the Department of Finance (Committee Chairman), the Chief Financial Officer, the Director of the Department of Tax Administration, the Director of the Department of Management and Budget, and certain employees within the Department of Finance. Guided by a formal investment policy, the committee monitors daily investment activity and evaluates investment strategies biweekly. The County's investment policies are thoroughly reviewed on a quarterly basis.

Budgetary and Accounting Controls

The *Code of Virginia* requires that the County adopt a balanced budget. The County maintains extensive budgetary controls at certain legal and managerial/administrative levels. The adopted Fiscal Planning Resolution places legal restrictions on expenditures at the agency or fund level. Managerial budgetary control is maintained and controlled at the fund, department, and character or project level. Any revisions that alter the total expenditures of any agency or fund must be approved by the Board of Supervisors.

The County's budget is adopted by May 1 for the upcoming fiscal year, which commences on July 1. The two budget reviews, the Carryover Review and the Third Quarter Review, serve as the primary mechanisms

for revising appropriations. State law requires that a public hearing be held prior to the adoption of amendments to the current year budget when adjustments exceed \$500,000. In addition, any amendment of \$500,000 or more requires that the Board advertise a synopsis of the proposed changes.

In September 1999, the Board of Supervisors approved the establishment of a Revenue Stabilization Fund, which is included in the General Fund for reporting purposes, to provide a mechanism for maintaining a balanced budget without resorting to tax increases and expenditure reductions that aggravate the stresses imposed by the cyclical nature of the economy. The Board established the fund with the condition that it will not be used as a method of addressing the demand for new or expanded services, but will be used solely as a financial tool in the event of an economic downturn, and then only under certain parameters. The Revenue Stabilization Fund has a targeted balance of 3.0 percent of General Fund disbursements and is separate and distinct from the County's 2.0 percent Managed Reserve, which was initially established in fiscal year 1983. The aggregate of both reserves will not exceed 5.0 percent. As of June 30, 2005, the Revenue Stabilization Fund and Managed Reserve balances were \$47,044,889 and \$57,168,851, respectively.

The County's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial assistance, the County also is responsible for maintaining an adequate internal control structure to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management, the internal audit staff of the County, and independent auditors.

As part of the County's single audit, tests were made of the County's internal control structure and of its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. This testing of major federal financial assistance programs for the year ended June 30, 2005, disclosed no material internal control weaknesses or material violations of laws and regulations. The Single Audit Report is published under separate cover.

Debt Administration

Fairfax County borrows money by issuing tax-exempt general obligation bonds to finance major capital projects. Bond financing spreads the cost of land acquisition and building construction over a period of many years, rather than charging the full cost to current taxpayers. By law, general obligation bonds must be approved in advance by County voters in a referendum. The County continues to maintain its status as a top rated issuer of tax-exempt securities. The County has the highest credit ratings possible for a local government for its general obligation bonds: Aaa from Moody's Investors Service, Inc., AAA from Standard and Poor's Corporation, and AAA from Fitch Investor Service. The County has had an Aaa rating since October 1975 when it first received a rating from Moody's. Standard and Poor's Corporation first gave Fairfax County an AAA rating in October 1978, and Fairfax County has maintained that rating. The Fitch Investor Service rating was first received in the spring of 1997, and has been maintained since then.

Factors contributing to Fairfax County's high credit rating include recognized excellence in financial management, excellent tax collection rates, low debt ratios, and high income levels. As of fiscal year 2005,

only 7 of 50 states, 24 of 3,107 counties, and 21 of 22,529 cities in the U.S. have such high bond ratings from all three rating agencies. The high credit ratings enable Fairfax County to sell bonds at interest rates significantly lower than those of most municipalities, representing substantial savings for County taxpayers throughout the life of the bonds.

The details of bonds outstanding and bonds authorized-but-not-issued are shown in Note I to the financial statements. Tables 8 through 12 of the Statistical Section provide detailed historical information regarding the debt position and debt service requirements of the County.

OTHER INFORMATION

Independent Audit

The County's financial statements have been audited as required by the *Code of Virginia* and have earned an unqualified opinion by the accounting firm of KPMG LLP. In addition to meeting the requirements of the state statutes, the audit was designed to meet the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Uniform Financial Reporting requirements for Virginia counties and municipalities as established by the Auditor of Public Accounts of the Commonwealth of Virginia. The report of the independent auditors on the basic financial statements can be found in the financial section of this annual report. The Single Audit Report, issued separately, contains the independent auditors' reports related specifically to the single audit.

Awards

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The County has received a Certificate of Achievement for every year since 1977.

Distinguished Budget Presentation Award

The GFOA has presented the Award for Distinguished Budget Presentation to Fairfax County for its annual budget for each year since fiscal year 1987. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications device.

Investment Policy Award

The Association of Public Treasurers of the United States and Canada has awarded the County a certification for its investment policy, confirming that the County met the high standards set forth by the Association. This is the seventh consecutive award to the County, which was one of only two municipal governments in Virginia to receive this honor in 2005.

Annual National Association of Counties (NACo) Awards

The NACo awards are national recognition of significant innovative programs and activities that improve the organization, management, or service of county governments. The County received the following 11 NACo Achievement Awards and one Acts of Caring Award for innovative programs in 2005:

Chesapeake Bay Supplement: Comprehensive Plan – The County’s Chesapeake Bay Supplement is a policy document that guides the County in improving water quality. While the supplement was developed in response to the state’s comprehensive planning requirements, the County used the document to further the Board’s 20-year environmental vision plan. Not only did this supplement go far beyond state requirements, but it also provided a comprehensive overview of water quality conditions, trends, and initiatives in the County. The supplement made 42 specific recommendations to address water pollution, infill development, redevelopment, shoreline erosion control, and shoreline access. Notably, the geographic information systems technology was used to develop maps for the supplement, including maps showing shoreline erosion, accretion, and access. The use of oblique aerial photographs for mapping shoreline conditions saved the County thousands of dollars compared to using traditional field surveys.

Children Helping Children – This program encourages youth enrolled in the County’s 131 child care centers for school-aged children to engage in community service projects benefiting other kids. Projects range from clothing exchanges within individual centers to a Countywide partnership with INOVA Fairfax Hospital for Children. Project participants collected more than 3,000 books for sick children at INOVA, made “cuddle” pillows for children receiving emergency care, and collected gallons of pop top tabs to raise money for families who stay at INOVA’s Ronald McDonald House while their children receive cancer treatment.

Demonstrating Innovation: A Stormwater Retrofit at the Providence Supervisor’s Office – This innovative demonstration project at the Providence District Supervisor’s office filters and retains stormwater before it becomes runoff. The project uses an integrated system of stormwater management practices that is the first of its kind in the County. A portion of the office’s parking lot is being retrofitted with a rain garden and permeable pavers with an underlying gravel infiltration bed. A green roof has been installed on a nearby storage building. Reducing the amount of polluted stormwater that reaches County watersheds is a priority for the Board. The project pushes forward the Board’s 20-year environmental vision plan, which encourages the use of rain gardens and green roofs.

Diversity Program: Many Faces of Fairfax – The Office of Equity Programs conducted a diversity conference for County employees with 306 employees from 31 agencies attending. This day-long conference offered 17 workshops to help employees serve the County’s diverse population. Organized around the theme “Many Faces of Fairfax,” topics included “Finding Your Voice: Communicating Across Cultures,” “Across the Divide: Tools for Effectively Interacting with Limited English Proficient Customers,” and “The Toolkit for Outreach to Minority Elders.”

Enhancing Emergency Management Through Partnerships, Facilities, and Technology – To effectively respond to potential emergencies, the Office of Emergency Management created partnerships between public and private sector organizations, improved its emergency operations facilities, and installed enhanced technology. The office created the Emergency Management Coordinating Committee that brings together County agencies, the Virginia Department of Transportation, local utilities, and the American Red Cross. Upgrading its facilities, the office built a new, state-of-the-art alternate emergency operations center in the County’s main administrative office building. This center offers enhanced communication, information, and video technology, including a digital 800MHz radio system, a computer-aided dispatch system for police and fire vehicles, and a live video feed from the center to all cable subscribers in the County.

Health Access Assistance Team – The newly formed health assistance teams offer one-stop shopping for uninsured, low-income County residents seeking health care. The teams, which are located at each of the County’s three outpatient clinics for the uninsured, enroll eligible residents into federal, state, or County health care programs. Bringing four County agencies together in partnership, the program allows County residents to receive health care more quickly and efficiently, and the program maximizes the County’s resources by matching residents with federal or state programs first. Previously, residents navigated the complex eligibility and documentation requirements for federal and state programs without this assistance, leaving some residents without the health care services for which they were eligible. The teams serve 750 residents per month, and 79 percent of these consumers are successfully enrolled in a federal, state, or County health care program.

Employee Travel Policy and Outreach Program – The Department of Finance led the effort to develop a new travel policy that incorporates the best practices of the federal and state governments. The new policy establishes uniform, equitable standards for travel authorization and reimbursement while providing maximum flexibility to County employees. Notably, the County has reduced costs through its new policy. Travel advances and reimbursements are now paid through electronic deposits into employees’ bank accounts, thereby eliminating the cost of processing checks. The County also adopted flat per diem rates for incidental and meal reimbursements, eliminating administrative costs for auditing and reimbursing these expenses.

Environmental Excellence Program: E-2 Certification – Because of the environmental management plan developed by the Department of Vehicle Services and the Solid Waste Division of the Department of Public Works and Environmental Services, these two departments won certification in the Virginia Environmental Excellence Program and membership in the Business for the Chesapeake Bay Program. The County received these two awards for the first time last year. Among the many positive accomplishments resulting from the management plan’s implementation, the County has achieved a recycling rate of 34 percent, exceeding the 25 percent mandated by the State. The County also has cut air pollution by retrofitting its diesel school buses and purchasing hybrid vehicles.

Magnet Housing Pilot Program – This innovative pilot program aims to improve workforce housing for the County’s firefighters. Because of high housing costs, only 22 percent of the County’s firefighters live in the County. Therefore, the Department of Housing and Community Development and the Fire and Rescue Department established a partnership to address the problem. Their pilot program allows fire and rescue trainees and their families to rent affordable housing for up to two years during their training and probationary period of employment. The program provides 10 affordable rental units and has recently expanded its participation to include police cadets.

Improving Air Quality in the Washington Metropolitan Area: A Commitment to Air Quality Excellence – The County adopted an air quality protection strategy that offers a menu of recommended actions the County can take to improve air quality. Since the strategy’s adoption, the Board has been implementing these recommendations in phases. To date, the Board has funded or implemented many actions, including funding the purchase of clean-fueled public transportation vehicles; buying low-emissions lawn and garden equipment; offering free Connector bus rides on Ozone Action days; and encouraging telework on Code Red days. The state and other local jurisdictions have embraced some of the recommendations outlined in the County’s strategy.

Institute for Early Learning and Emerging Literacy – The Office for Children created an institute to train child care providers to teach early literacy skills. The Office partnered with the County’s public schools to design a curriculum that would teach children the skills they need to succeed at school. Child care providers can earn up to \$750 for completing 36 hours of training, which includes a 16-hour “Foundations in Emerging Literacy” course. Since its inception, the institute has trained more than 3,300 child care providers.

Laurel Hill Public/Private Partnership – The County’s Board of Supervisors, School Board, and park and economic development authorities entered into a partnership with a private developer to redevelop Laurel Hill, the former site for the District of Columbia’s Lorton prison complex. The partnership’s innovative financing structure allowed the County to build new facilities on an accelerated schedule without diverting funds from existing projects. As a result, a new high school was constructed three years ahead of schedule without using general obligation bonds to pay for the project; the Park Authority built a golf course 12 years earlier than anticipated in its master plan; and the County sold 46 acres at Laurel Hill to the developer for creation of senior living and graduated care facilities.

ACKNOWLEDGMENTS

We express our sincere appreciation to all staff who contributed to this report, especially the members of the CAFR Project Team in the Financial Reporting and Financial Operations Divisions of the Department of Finance, who prepared and compiled this report. We commend them for their professionalism, hard work, and continued efforts to improve this report. In addition, we acknowledge the cooperation and assistance of each County department throughout the year in the efficient administration of the County’s financial operations.

This CAFR reflects our commitment to the citizens of Fairfax County, the Board of Supervisors, and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

Respectfully,



Anthony H. Griffin
County Executive



Edward L. Long, Jr.
Chief Financial Officer



Robert L. Mears
Director of Finance

**COUNTY OF FAIRFAX,
VIRGINIA**

Urban County Executive Form of Government
As of June 30, 2005

BOARD OF SUPERVISORS

Gerald E. Connolly, Jr., Chairman	At large
Sharon S. Bulova, Vice Chairman	Braddock District
Gerald W. Hyland	Mount Vernon District
Lynda Q. Smyth	Providence District
Cathy M. Hudgins	Hunter Mill District
Michael R. Frey	Sully District
Penelope A. Gross	Mason District
Dana Kauffman	Lee District
Elaine N. McConnell	Springfield District
Joan M. Dubois	Dranesville District

CLERK TO THE BOARD

Nancy J. Vehrs

COUNTY EXECUTIVE

Anthony H. Griffin

DEPUTY COUNTY EXECUTIVES

Verdia L. Haywood

Robert A. Stalzer

CHIEF FINANCIAL OFFICER

Edward L. Long, Jr.

CHIEF INFORMATION OFFICER

David J. Molchany

DEPARTMENT OF MANAGEMENT AND BUDGET

Susan W. Datta, Director

DEPARTMENT OF FINANCE

Robert L. Mears, Director

DEPARTMENT OF TAX ADMINISTRATION

Kevin C. Greenlief, Director

DEPARTMENT OF PURCHASING AND SUPPLY MANAGEMENT

Cathy A. Muse, Director

OFFICE OF THE COUNTY ATTORNEY

David P. Bobzien, County Attorney

OFFICE OF PUBLIC AFFAIRS

Merni C. Fitzgerald, Director

INTERNAL AUDIT OFFICE

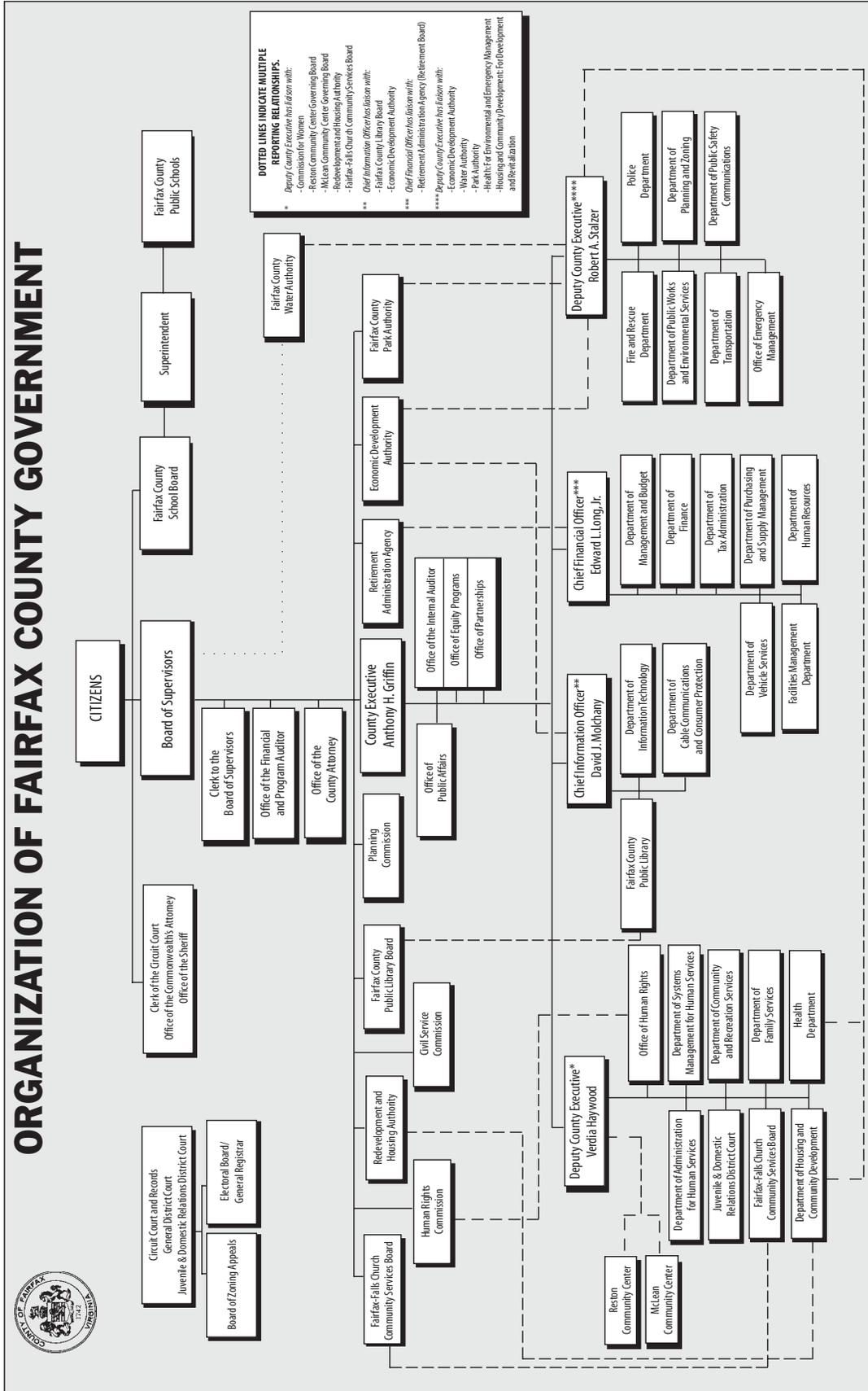
Christopher J. Pietsch, Director

INDEPENDENT AUDITORS

KPMG LLP



ORGANIZATION OF FAIRFAX COUNTY GOVERNMENT



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
 - Recreation and Leisure Authority
 - Fairfax Falls Church Community Services Board
- Chief Information Officer has liaison with:**
 - Fairfax County Library Board
 - Economic Development Authority
- Chief Financial Officer has liaison with:**
 - Retirement Administration Agency (Retirement Board)
- Deputy County Executive has liaison with:**
 - Water Department Authority
 - Water Authority
 - Park Authority
 - Health for Environmental and Emergency Management
 - Housing and Community Development for Development and Rehabilitation

This report was prepared by:

COUNTY OF FAIRFAX, VIRGINIA
DEPARTMENT OF FINANCE

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A special thanks to Cathy Lemmon of the Office of Public Affairs for designing the cover.

**GOVERNMENT
FINANCE
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ASSOCIATION
AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The County has received a Certificate of Achievement for every year since 1977.

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Fairfax,
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Egan

Executive Director



Financial Section

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



KPMG LLP
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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these 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, which represents 2.08% and .27%, respectively, of total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's aggregate discretely presented component units financial statements, insofar as it relates to the amounts included for the discretely presented component units of FCRHA, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (specifications). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. All financial statements of the discretely presented component units of FCRHA were audited in accordance with auditing standards generally accepted in the United States of America, and certain financial statements of these discretely presented component units were also audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.



In our opinion, based on our audit and the reports of the other auditors, the 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, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

As discussed in note B to the basic financial statements, the County has implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, effective July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3 through 16 and the Required Supplementary Information on pages 93 through 99 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and the statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 28, 2005

Management's Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Fairfax, Virginia's (the County) Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is also contained in this CAFR.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- The County's assets exceeded liabilities by \$1,090.2 million on a government-wide basis at June 30, 2005.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to \$3,131.2 million. Expenses amounted to \$3,109.2 million.
- For the fiscal year, revenues of the County's business-type activities were \$128.8 million, and expenses were \$125.4 million.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The County's governmental funds reported an increase in fund balance of \$65.2 million for fiscal year 2005, as compared to \$68.0 million for fiscal year 2004.
- The County's General Fund reported a fund balance of \$236.5 million, an increase of \$43.4 million from June 30, 2004.

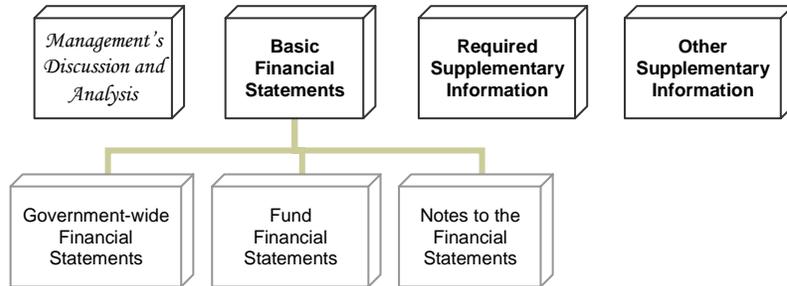
General Financial Highlights

- In January 2005, the Economic Development Authority issued \$60.69 million of facilities revenue bonds on behalf of the County to finance the acquisition of land and an office building for the Public Schools administration.
- In October 2004, the Sewer System issued \$94.0 million of refunding bonds to advance refund certain outstanding bonds in order to save the County \$16.8 million in future debt service payments.
- In October 2004, the County issued \$311.81 million of general obligation public improvement and refunding bonds. Of this total, \$185.4 million are being used to finance school, park, public safety, and other general County improvements, and \$126.41 million were used to advance refund certain outstanding general obligation bonds in order to save \$12.7 million in future debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: (1) management’s discussion and analysis (presented here), (2) basic financial statements, (3) required supplementary information, and (4) other supplementary information.

Components of the Financial Section



The County’s basic financial statements consist of two kinds of statements, each with a different view of the County’s finances. The government-wide financial statements provide both long- and short-term information about the County’s

overall financial status. The fund financial statements focus on major aspects of the County’s operations, reporting those operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains the budgetary comparison schedule for the General Fund and trend data pertaining to the retirement systems. In addition to these required elements, the County includes other supplementary information with combining and individual fund statements to provide details about the governmental, internal service, and fiduciary funds; capital assets; and component units.

Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the County’s net assets and how they have changed during the fiscal year.

The first government-wide statement—the statement of net assets—presents information on all of the County’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. Additionally, non-financial factors, such as a change in the County’s property tax base or the condition of County facilities, should be considered to assess the overall health of the County.

The second statement—the statement of activities—presents information showing how the County’s net assets changed during the fiscal year. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The government-wide financial statements are divided into three categories, as follows:

Governmental Activities – Most of the County’s basic services are reported here, including public safety; public works; judicial administration; health and welfare services; community development; parks, recreation, and cultural programs; education; and general administration. These activities are financed primarily by property taxes, other local taxes, and federal and state grants. Included in the governmental activities are the governmental funds and internal service funds.

Business-type Activities – The County's only business-type activity, the Integrated Sewer System (Sewer System), is reported here.

Discretely Presented Component Units – The County includes four other entities in its annual financial report: Fairfax County Public Schools (Public Schools), Fairfax County Redevelopment and Housing Authority (FCRHA), Fairfax County Park Authority (Park Authority), and Fairfax County Economic Development Authority (EDA). Although legally separate, these component units are included because the County is financially accountable for them.

The County's governmental and business-type activities are collectively referred to as the primary government. Together, the primary government and its discretely presented component units are referred to as the reporting entity.

Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County has the following three types of funds:

Governmental Funds – Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the governmental activities in the government-wide financial statements, additional information is provided to explain the relationship (or differences). The General Fund accounts for the main operating activities of the County and consequently, is the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital projects funds, are collectively referred to as nonmajor governmental funds.

Proprietary Funds – Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long- and short-term financial information. The County's only enterprise fund, the Sewer System, is reported as the County's business-type activity in the government-wide statements. The fund financial statements provide additional information, such as cash flows, for the Sewer System. The internal service funds are used to account for the provision of general liability, malpractice, and workers' compensation insurance, health benefits for employees and retirees, vehicle services, document services, and technology infrastructure support to County departments on a cost reimbursement basis.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County's fiduciary funds consist of pension trust funds and agency funds. The pension trust funds are 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. The agency funds are 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.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets

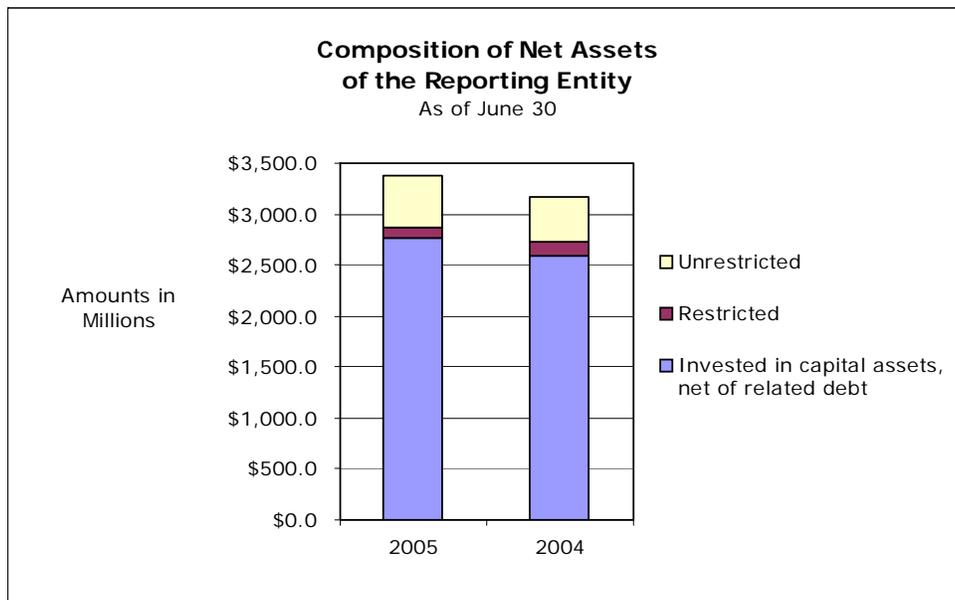
The following tables present a summary of the Statements of Net Assets for the reporting entity as of June 30, 2005 and 2004:

Summary of Net Assets As of June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets	\$ 3,410.9	3,045.5	\$ 148.7	180.1	\$ 3,559.6	3,225.6
Capital assets (net)	1,456.1	1,417.0	1,168.7	1,146.4	2,624.8	2,563.4
Total assets	4,867.0	4,462.5	1,317.4	1,326.5	6,184.4	5,789.0
Liabilities:						
Current liabilities	2,472.7	2,245.2	13.6	14.1	2,486.3	2,259.3
Long-term liabilities	2,211.7	2,064.7	396.2	408.2	2,607.9	2,472.9
Total liabilities	4,684.4	4,309.9	409.8	422.3	5,094.2	4,732.2
Net assets:						
Invested in capital assets, net of related debt	1,034.3	995.2	787.9	755.7	1,822.2	1,750.9
Restricted	30.4	42.7	56.5	85.0	86.9	127.7
Unrestricted	(882.1)	(885.3)	63.2	63.5	(818.9)	(821.8)
Total net assets	\$ 182.6	152.6	\$ 907.6	904.2	\$ 1,090.2	1,056.8

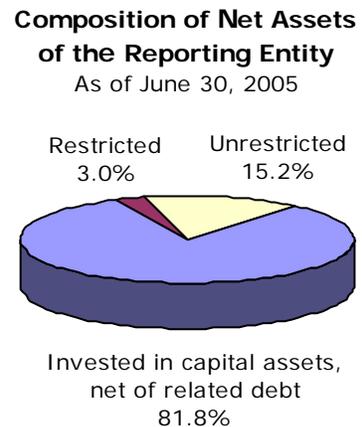
Summary of Net Assets - continued As of June 30 (\$ in millions)								
	Total Primary Government		Component Units		Reclassifications		Total Reporting Entity	
	2005	2004	2005	2004	2005	2004	2005	2004
Assets:								
Current and other assets	\$ 3,559.6	3,225.6	\$ 507.9	458.7	\$ -	-	\$ 4,067.5	3,684.3
Capital assets (net)	2,624.8	2,563.4	2,245.8	2,041.3	-	-	4,870.6	4,604.7
Total assets	6,184.4	5,789.0	2,753.7	2,500.0	-	-	8,938.1	8,289.0
Liabilities:								
Current liabilities	2,486.3	2,259.3	193.5	168.6	-	-	2,679.8	2,427.9
Long-term liabilities	2,607.9	2,472.9	269.0	221.3	-	-	2,876.9	2,694.2
Total liabilities	5,094.2	4,732.2	462.5	389.9	-	-	5,556.7	5,122.1
Net assets:								
Invested in capital assets, net of related debt	1,822.2	1,750.9	2,079.1	1,929.0	(1,133.1)	(1,095.4)	2,768.2	2,584.5
Restricted	86.9	127.7	35.2	35.3	(21.6)	(22.4)	100.5	140.6
Unrestricted	(818.9)	(821.8)	176.9	145.7	1,154.7	1,117.8	512.7	441.7
Total net assets	\$ 1,090.2	1,056.8	\$ 2,291.2	2,110.0	\$ -	-	\$ 3,381.4	3,166.8

The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing general obligation debt to finance capital assets, such as public schools, for their component units. The component units are then responsible to account for and maintain the assets purchased or constructed with the debt proceeds. While Governmental Accounting Standards Board (GASB) No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total financial reporting entity, be accounted for separately on the face of the basic financial statements, the net assets of the total financial reporting entity best represent the entity's financial position. The reclassification column represents the matching of the primary government's outstanding debt to the component units' related capital assets from a financial reporting entity perspective.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the reporting entity, assets exceeded liabilities by \$3,381.4 million at fiscal year end 2005, representing an increase of \$214.6 million from the net assets at June 30, 2004, as shown below.



As shown on the right, the largest portion of net assets is the investment in capital assets (e.g., land, buildings, infrastructure, and equipment, net of depreciation and amortization), less the outstanding debt that was used to acquire those assets. The restricted net assets portion represents resources that are subject to external restrictions on how they may be used. Net assets of the reporting entity are restricted for various uses, some of which include sewer improvements (\$51.7 million), grant programs (\$16.2 million), housing projects (\$12.0 million), community centers (\$7.7 million), and capital projects (\$6.5 million). Unrestricted net assets represent the remaining amount of net assets that are neither related to capital assets nor restricted for specific uses.



Statement of Activities

The following table summarizes the changes in net assets for the primary government for the fiscal years ended June 30, 2005 and 2004:

Summary of Changes in Net Assets For the Fiscal Years Ended June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 227.8	214.1	\$ 118.0	117.4	\$ 345.8	331.5
Operating grants and contributions	225.1	236.8	-	-	225.1	236.8
Capital grants and contributions	55.3	47.1	7.3	8.9	62.6	56.0
General revenues:						
Real property tax	1,638.7	1,502.9	-	-	1,638.7	1,502.9
Personal property tax	277.7	272.6	-	-	277.7	272.6
Business licenses tax	114.4	103.2	-	-	114.4	103.2
Local sales and use tax	168.7	160.9	-	-	168.7	160.9
Consumers utility tax	96.2	92.5	-	-	96.2	92.5
Other taxes	102.0	70.3	-	-	102.0	70.3
Unrestricted grants and contributions	200.8	201.5	-	-	200.8	201.5
Revenue from the use of money and property	24.5	20.0	3.5	2.6	28.0	22.6
Total revenues	3,131.2	2,921.9	128.8	128.9	3,260.0	3,050.8
Expenses:						
General government administration	182.2	118.6	-	-	182.2	118.6
Judicial administration	36.4	35.0	-	-	36.4	35.0
Public safety	481.9	436.8	-	-	481.9	436.8
Public works	155.5	146.5	125.4	124.4	280.9	270.9
Health and welfare	423.2	400.8	-	-	423.2	400.8
Community development	167.1	130.0	-	-	167.1	130.0
Parks, recreation, and cultural	126.2	123.8	-	-	126.2	123.8
Education	1,453.7	1,371.0	-	-	1,453.7	1,371.0
Interest on long-term debt *	83.0	77.3	-	-	83.0	77.3
Total expenses	3,109.2	2,839.8	125.4	124.4	3,234.6	2,964.2
Increase (decrease) in net assets before special item	22.0	82.1	3.4	4.5	25.4	86.6
Special items:						
Gain on sale of land	8.0	-	-	-	8.0	-
Loss on redemption of bonds	-	-	-	(1.8)	-	(1.8)
Increase (decrease) in net assets	30.0	82.1	3.4	2.7	33.4	84.8
Beginning net assets	152.6	70.5	904.2	901.5	1,056.8	972.0
Ending net assets	\$ 182.6	152.6	\$ 907.6	904.2	\$ 1,090.2	1,056.8

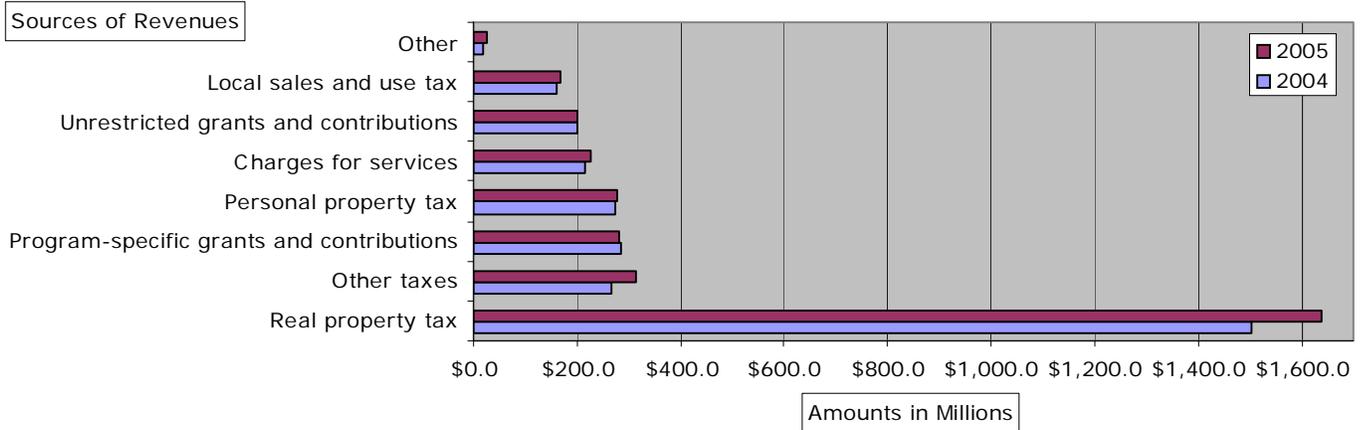
* For business-type activities, interest on long-term debt is included in the functional expense category.

Governmental Activities

Revenues for the County's governmental activities were \$3,131.2 million for fiscal year 2005, representing an increase of \$209.3 million over fiscal year 2004. Sources of revenues for fiscal years 2005 and 2004 are comprised of the following items:

Governmental Activities - Revenues by Source

For the Fiscal Years Ended June 30, 2005 and 2004

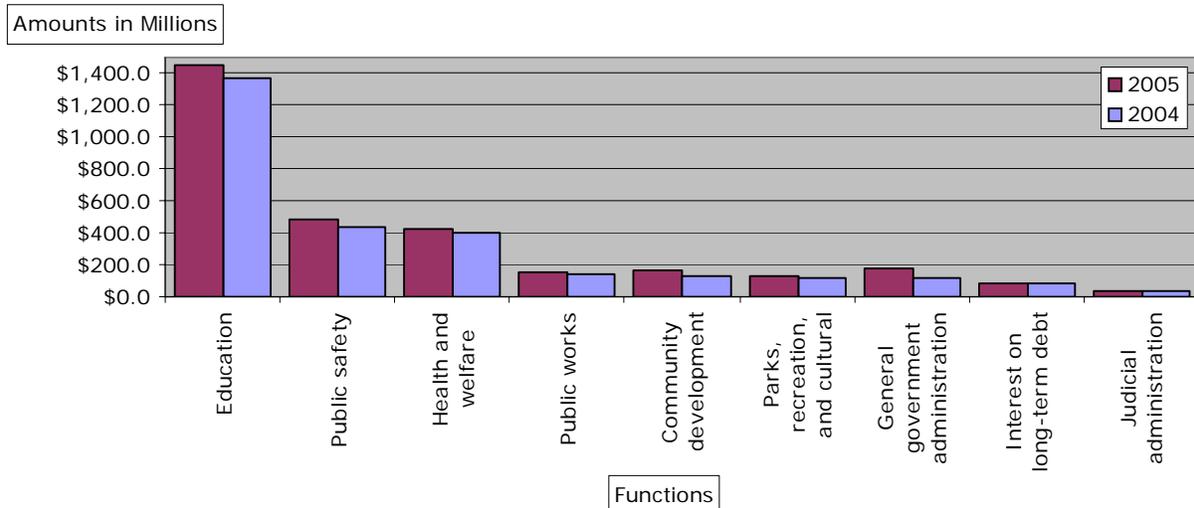


Taxes constitute the largest source of County revenues, amounting to \$2,397.7 million for fiscal year 2005, an increase of \$195.3 million over fiscal year 2004, primarily due to real property taxes. Real property taxes (\$1,638.7 million) represent over 68.3 percent of total taxes and over half of all revenues combined. Tax revenues for fiscal year 2005 benefited from an average increase of 12.04 percent in real property assessments. Unrestricted grants and contributions include \$194.0 million in revenues from the Commonwealth of Virginia to reimburse Fairfax County as part of the Personal Property Tax Relief Act (see Note C to the financial statements).

Total cost of all of the County's governmental activities for fiscal year 2005 was \$3,109.2 million, representing an increase of \$269.4 million over fiscal year 2004. As the chart below indicates, education continues to be the County's largest program. Education expenses totaled \$1.5 billion in fiscal year 2005, an

Governmental Activities - Expenses by Function

For the Fiscal Years Ended June 30, 2005 and 2004



increase of \$82.7 million over fiscal year 2004 due primarily to the support of ongoing costs of school construction and renovations. Public safety expenses represent the second largest expense, totaling \$481.9 million in fiscal year 2005. Public safety expenses increased \$45.1 million over fiscal year 2004 primarily as a result of increased costs associated with gang prevention and salary requirements. General government administration expenses increased \$63.6 million, or 53.6 percent, over fiscal year 2004 primarily as a result of the transfer of South County Secondary School to Public Schools valued at \$68.0 million.

The table on the right depicts the total cost of each of the County's six largest programs—education, public safety, health and welfare, community development, public works, and general government administration—as well as the net cost of each program (total cost less fees generated by the programs and program-specific intergovernmental aid).

Net Cost of County's Governmental Activities For the Fiscal Years Ended June 30 (\$ in millions)				
Functions/Programs	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Education	\$ 1,453.7	1,371.0	\$ 1,453.7	1,371.0
Public safety	481.9	436.8	377.6	331.8
Health and welfare	423.2	400.8	243.2	211.3
Community development	167.1	130.0	122.2	77.6
Public works	155.5	146.5	38.2	46.2
General government administration	182.2	118.6	163.0	109.7
Other	245.6	236.1	203.0	194.2
Total	\$ 3,109.2	2,839.8	\$ 2,600.9	2,341.8

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$227.8 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$280.4 million). Of the \$2,600.9 million net cost of services, the amount that our taxpayers paid for these programs through County taxes was \$2,397.7 million.

Business-type Activities

The Sewer System recovers its costs primarily through user service charges and availability fees. For fiscal year 2005, the Sewer System reported an increase in net assets of \$3.4 million. Total revenues of the Sewer System were relatively static as compared to fiscal year 2004. The decrease in capital contributions of \$1.6 million from fiscal year 2004 to 2005 was offset by an increase in interest revenue of \$0.9 million and a slight increase in charges for services of \$0.6 million due to a rate increase implemented in fiscal year 2005.

Total expenses of the Sewer System for fiscal year 2005 were also stable at \$125.4 million, representing an increase of \$1.0 million over fiscal year 2004. This increase resulted primarily from a \$6.6 million increase in the amortization expense related to the Sewer System's purchased capacity in the Alexandria Sanitation Authority's (ASA) wastewater treatment plant following the completion of major improvements necessary to meet required water quality standards, offset by reductions in contractual services costs of \$2.9 million and a decrease in interest expense of \$3.5 million achieved primarily through recent refunding of long-term debt.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of June 30, 2005, the County's governmental funds had a combined fund balance of \$740.8 million, as compared to \$675.7 million at June 30, 2004. Of the fiscal year 2005 fund balance, \$222.0 million is reserved, indicating that it is not available for new spending because it has already been committed for items such as existing purchase orders and construction contracts. Approximately 70.0 percent (\$518.7 million) of the total 2005 fund balance is unreserved, representing resources available for appropriation. Of the

unreserved fund balance, by nature of the individual funds, 59.4 percent (\$308.0 million) has been designated to meet the program needs in the special revenue, capital projects, and debt service funds. Additionally, \$139.7 million of the General Fund's unreserved fund balance of \$210.7 million is designated for emergency needs, revenue stabilization for periods of economic downturn, and tax relief and other Board considerations.

The increase in fund balances for all governmental funds (excluding the change in inventory) was \$65.2 million for the fiscal year ended June 30, 2005, as compared to \$67.8 million for the fiscal year ended June 30, 2004. Total revenues, other financing sources, and the special item were \$4,027.9 million, and total expenditures and other financing uses were \$3,962.7 million, resulting in the increase to the fund balances.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the unreserved fund balance was \$71.0 million after considering the designated amount of \$139.7 million. This \$71.0 million represents approximately 3.0 percent of the General Fund's total expenditures. Revenues of \$2,840.5 million less expenditures of \$2,348.3 million and other financing uses (net) of \$448.8 million resulted in a net change in fund balance of \$43.4 million. Key factors in the growth of the fund balance include the following:

- The County experienced stronger than anticipated economic growth fueled by the real estate market and low interest rates primarily affecting recordation and real estate taxes.
- The collection of delinquent real estate taxes was higher than expected due to significant efforts by the Department of Tax Administration combined with housing market activity, as delinquent taxes must be paid prior to closing on a home.
- The collection of personal property taxes was higher than projected as collection efforts were enhanced in order to collect as much vehicle levy as possible before year end as the State passed new legislation whereby fiscal year 2005 receipts determine the County's share of the capped reimbursement for Personal Property Tax Relief in fiscal year 2007.
- Business, professional, and occupational license (BPOL) tax receipts were higher than anticipated as a result of an increase in federal procurement spending in the County and an increase of real estate brokers and money lenders.
- Spending for personnel services and other operating costs was less than anticipated due to savings associated with departmental efforts to manage position vacancies and operating requirements as part of ongoing objectives to restrain spending and provide services as efficiently as possible.

The County's enterprise fund provides the same type of information found in the government-wide financial statements, as the basis of accounting is the same. Factors relating to the financial results of the Sewer System have been addressed in the discussion of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget appropriations, which include expenditures and transfers out, were more than the original budget amounts by \$113.6 million or 4.2 percent. This increase is due primarily to the carryover of prior year commitments. The final amended budget revenues and transfers in exceeded the original budget by \$74.0 million or 2.7 percent, primarily because of greater than anticipated tax collections (property taxes, recordation taxes, BPOL taxes, consumer utility taxes, and sales and use taxes) and investment returns.

Actual revenues exceeded final budget amounts by \$36.5 million, while actual expenditures were \$48.6 million less than final budget amounts, thus eliminating the need to draw upon the existing fund balance. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2005, include the following:

- Actual tax revenues exceeded budgeted amounts by \$21.1 million from real property, personal property, BPOL, recordation, and occupancy taxes, primarily due to housing market activity and improvement in the economy.
- Intergovernmental revenues were \$7.7 million higher than budgeted amounts primarily as a result of additional revenue associated with public assistance programs and State reimbursement associated with Hurricane Isabel and funding for the Adult Detention Center.
- Revenue from fines and forfeitures were \$2.6 million, or 20.4 percent, higher than budgeted amounts due to increased collections for General District Court fines as a result of rigorous traffic enforcement.
- Actual public safety expenditures were \$13.8 million, or 4.1 percent, lower than budgeted amounts primarily as a result of remaining local cash match funding associated with the Community Oriented Policing Services (COPS) Universal Hiring Program and COPS in Schools grant programs in the Police Department spanning multiple years and a delay in awarding a contract for the purchase of the Electronic Patient Care Reporting System for the Fire and Rescue Department.
- Actual health and welfare expenditures were \$11.3 million, or 4.6 percent, lower than budgeted amounts due to savings in personnel services as a result of managing position vacancies and difficulty in recruiting and hiring for certain job classifications.
- Actual nondepartmental expenditures were \$9.3 million, or 5.1 percent, lower than budgeted amounts as a result of lower than anticipated health insurance premiums, savings due to the implementation of the DROP (deferred retirement option program) program, and savings due to lower than anticipated negotiated rates for group life insurance.
- General government administration expenditures were \$5.2 million, or 5.6 percent, lower than budgeted amounts as a result of managed position vacancies and reduced travel and printing expenses in several departments.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets as of June 30, 2005, amounted to \$2.6 billion (net of accumulated depreciation and amortization), which represents an increase of \$61.4 million, or 2.4 percent, over last year. Capital assets as of June 30, 2005 and 2004, are summarized below:

Capital Assets As of June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 331.6	330.4	\$ 17.5	17.5	\$ 349.1	347.9
Buildings, improvements, and infrastructure	1,320.9	1,245.8	917.9	767.6	2,238.8	2,013.4
Equipment and library collections	303.3	279.5	10.7	10.8	314.0	290.3
Construction in progress	56.0	65.9	19.3	138.0	75.3	203.9
Purchased capacity	-	-	645.4	614.9	645.4	614.9
Total capital assets	2,011.8	1,921.6	1,610.8	1,548.8	3,622.6	3,470.4
Less: Accumulated depreciation and amortization	(555.7)	(504.6)	(442.1)	(402.4)	(997.8)	(907.0)
Total capital assets, net	\$ 1,456.1	1,417.0	\$ 1,168.7	1,146.4	\$ 2,624.8	2,563.4

The major capital assets events for fiscal year 2005 included the following:

- The cost related to the construction of the South County Secondary School in the Laurel Hill area in the southern part of the County totaled \$30.6 million, funded with lease revenue bond proceeds. The school was transferred by the County to Public Schools in the cumulative amount of \$68.0 million.
- The ongoing expansion costs for the Huntington Operations Facility, which provides garage and maintenance services for the Fairfax Connector buses, totaled \$2.5 million, funded with general revenues.
- The ongoing construction costs for police and fire stations in the Springfield District totaled \$7.0 million, funded with general obligation bond proceeds and general revenues.
- The ongoing construction costs for improvements and expansion to the Judicial Center Complex in the Providence District totaled \$21.3 million, funded with general obligation bond proceeds.
- The purchase of library books and audio/video materials totaled \$4.9 million, funded from general revenues.
- The developer conveyance of stormwater management facilities, public drainage systems, and trails and walkways totaled \$40.2 million, and the developer contributions of sewer lines and manholes totaled \$5.9 million.
- The ongoing expansion and improvement costs of the Sewer System's wastewater treatment facilities at its Noman M. Cole, Jr. Pollution Control Plant amounted to \$15.1 million, using funds generated from operations.
- The Sewer System's share of the ongoing expansion costs of the ASA's and the District of Columbia's wastewater treatment facilities, which provide services to certain County residents, were \$17.4 million and \$10.9 million, respectively, using funds generated from operations.

Additional information pertaining to the County's capital assets can be found in the notes to the financial statements.

Long-term Debt

There is no legal limit on the amount of long-term indebtedness that the County can at any time incur or have outstanding. However, all general obligation bonded indebtedness must be approved by voter referendum prior to issuance. The Board of Supervisors has established the following self-imposed limits with respect to long-term debt:

- A limit of \$1 billion of general obligation bond sales over a five-year period, for an average of \$200 million annually, with a maximum of \$225 million in any given year, excluding refunding bonds;
- A limitation that total long-term debt (excluding capital leases for equipment and sewer revenue bonds) not exceed 3 percent of the total market value of taxable real and personal property in the County and that annual debt service payments not exceed 10 percent of annual General Fund expenditures and transfers out. For fiscal year 2005, these percentages were 1.22 percent and 8.0 percent, respectively.

In October 2004, the County issued \$311.81 million of Series 2004B General Obligation Public Improvement and Refunding Bonds with a true interest cost of 3.567 percent and a premium of \$28.8 million. Proceeds of \$185.4 million are being used to fund new facilities and improvements, as follows (in millions):

County facilities:	
Public safety facilities	\$ 50.70
Other purposes	<u>4.50</u>
Total County facilities	55.20
Public Schools facilities	116.28
Park Authorities facilities	<u>13.92</u>
Total bonds issued for new projects	<u>\$185.40</u>

The remaining Series 2004B Bonds were used to advance refund certain outstanding Series 1997B, 1998A, and 1999B General Obligation Bonds, thereby taking advantage of lower interest rates to reduce the County's debt service payments by \$12.7 million over the next 15 years and obtaining a present value gain of \$8.5 million.

In January 2005, the EDA issued \$60.69 million of Series 2005 Facilities Revenue Bonds on behalf of the County to finance the acquisition of land and an office building for the Public Schools administration. The related debt service on these bonds is being paid by Public Schools through a direct financing lease agreement with the County.

In October 2004, the Sewer System issued \$94.0 million of Series 2004 Refunding Bonds to advance refund certain Series 1996 Sewer Revenue Bonds, thereby taking advantage of lower interest rates to reduce debt service payments by approximately \$16.8 million and obtaining a present value gain of approximately \$7.7 million.

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2005 and 2004:

Outstanding Long-term Debt As of June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General obligation bonds issued for:						
County facilities	\$ 314.7	288.8	\$ -	-	\$ 314.7	288.8
Public Schools facilities	1,028.7	995.1	-	-	1,028.7	995.1
Park Authority facilities	125.9	122.7	-	-	125.9	122.7
Washington Metropolitan Area Transit Authority	54.6	62.5	-	-	54.6	62.5
Northern Virginia Regional Park Authority	9.3	10.8	-	-	9.3	10.8
Commonwealth of Virginia (roads)	128.2	138.9	-	-	128.2	138.9
Revenue bonds	241.7	167.4	-	-	241.7	167.4
Sewer revenue bonds	-	-	398.6	405.6	398.6	405.6
Capital leases and other	52.1	50.8	-	-	52.1	50.8
Total County outstanding debt	\$ 1,955.2	1,837.0	\$ 398.6	405.6	\$ 2,353.8	2,242.6

Additional information related to the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors are reflected in the General Fund budget for fiscal year 2006:

- The assessed value of all real property increased \$34.0 billion over the fiscal year 2005 value. The increase was 23.49 percent, as compared to 12.04 percent in fiscal year 2005.
- In fiscal year 2005, for the fifth consecutive year, average residential real estate assessments have increased by double digits.
- For fiscal year 2006, the increase in residential equalization – the reassessment of existing property – is 23.09 percent, reflecting the strength of the housing market in the County and throughout the Northern Virginia area. Nonresidential equalization increased 12.74 percent, as compared to negative rates in fiscal year 2004.
- The average unemployment rate in the County for fiscal year 2005 was 2.6 percent as compared to 2.9 percent in fiscal year 2004.
- Federal procurement spending in the region remains strong with federal contractors in Fairfax County capturing \$16.1 billion, or 60.9 percent of all award value in Northern Virginia during calendar year 2004.

The Fiscal Year 2006 Adopted Budget includes revenues of \$2.99 billion, a 6.76 percent increase over the fiscal year 2005 level. Real and personal property taxes represent the majority of budgeted revenues, comprising 75.6 percent of the fiscal year 2006 General Fund revenue. Revenue from real property taxes alone makes up 59.5 percent of total revenues, as compared to 59.6 percent in the Fiscal Year 2005 Adopted Budget.

Budgeted disbursements, which include expenditures and transfers out, are \$3.02 billion, a 5.69 percent increase over the fiscal year 2005 level. For fiscal year 2006, the County has budgeted an increase of \$112.72 million over fiscal year 2005 in its funding to Public Schools. County funding for Public Schools is

\$1.56 billion – which approximates 52 percent of the County's total General Fund budget. This funding supports operating costs, school construction, and debt service. Other County spending increases have been minimized, limiting direct expenditures to an increase of 2.85 percent over fiscal year 2005.

The County has added two new initiatives to the fiscal year 2006 budget. The Board approved the dedication of the value of \$0.01 of the real property tax revenues for the preservation of affordable housing and the value of \$0.01 of the real property tax revenues to address stormwater improvement projects. The County's commitment to programs such as education, public safety, health and welfare, community development, public works, and parks, recreation, and cultural activities remains strong.

The Board also approved the following tax rate and fee adjustments for fiscal year 2006 as a result of the economic indicators discussed above:

- The Board decreased the real property tax rate from \$1.13 per \$100 of assessed value to \$1.00 per \$100 of assessed value. This thirteen-cent reduction results in a decrease to budgeted revenues of \$232.7 million.
- The Board increased the E-911 fee from \$2.50 per line per month to the state maximum of \$3.00 per line per month.
- The Sewer Service Charge rate was increased from \$3.20 to \$3.28 per 1,000 gallons of water consumption for fiscal year 2006 to help cover operating expenses. Also, sewer availability fees were increased by 4.5 percent.

For the fourth consecutive year, the Board of Supervisors approved a reduction in the real property tax rate, bringing the cumulative decrease to 23 cents over the past four years. In addition, the Board emphasized that their funding decisions reflect their commitment to achieving the strategic priorities of a strong investment in education; public safety and gang prevention; affordable housing; environmental protection; transportation improvements; and revenue diversification to reduce the burden on the homeowner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County of Fairfax, Virginia, Department of Finance, 12000 Government Center Parkway, Fairfax, Virginia, 22035. This report can also be found on the County's website at www.fairfaxcounty.gov.

Basic Financial Statements

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



COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2005

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
ASSETS			
Equity in pooled cash and temporary investments	\$ 848,416,654	57,659,740	906,076,394
Cash in banks	-	-	-
Investments	-	244,600	244,600
Receivables (net of allowances):			
Accounts	22,841,225	-	22,841,225
Accrued interest	3,836,105	215,126	4,051,231
Property taxes:			
Delinquent	20,068,841	-	20,068,841
Not yet due	2,027,457,065	-	2,027,457,065
Business license taxes - delinquent	2,531,844	-	2,531,844
Loans	4,806,954	-	4,806,954
Notes	-	-	-
Other	17,515	-	17,515
Due from intergovernmental units (net of allowances):			
Property tax relief:			
Delinquent	5,581,951	-	5,581,951
Not yet due	186,432,200	-	186,432,200
Other	67,357,520	20,059,531	87,417,051
Due from primary government	-	-	-
Due from component units	2,028,472	-	2,028,472
Loan to component unit	15,530,000	-	15,530,000
Lease to component unit	60,690,000	-	60,690,000
Interfund receivables	245,454	(245,454)	-
Inventories of supplies	3,178,500	439,950	3,618,450
Other assets	76,961	-	76,961
Restricted assets:			
Equity in pooled cash and temporary investments	122,988,529	58,363,881	181,352,410
Cash with fiscal agents	983,225	-	983,225
Certificates of deposit - performance bonds	329,180	-	329,180
Investments	8,940,433	11,630,069	20,570,502
Land held for sale	-	-	-
Capital assets:			
Non-depreciable:			
Land	331,547,121	17,535,818	349,082,939
Construction in progress	56,019,368	19,314,369	75,333,737
Depreciable/amortizable:			
Equipment	254,463,045	10,733,151	265,196,196
Library collections	48,868,464	-	48,868,464
Purchased capacity	-	645,354,101	645,354,101
Buildings and improvements	828,811,726	917,863,337	1,746,675,063
Infrastructure	492,121,466	-	492,121,466
Accumulated depreciation	(555,693,842)	(352,750,880)	(908,444,722)
Accumulated amortization	-	(89,360,833)	(89,360,833)
Deferred bond issuance costs (net of amortization)	6,505,838	363,896	6,869,734
Total assets	\$ 4,866,981,814	1,317,420,402	6,184,402,216

See accompanying notes to the financial statements.

EXHIBIT A

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
ASSETS			
382,060,402	-	1,288,136,796	Equity in pooled cash and temporary investments
7,939,804	-	7,939,804	Cash in banks
-	-	244,600	Investments
2,075,631	-	24,916,856	Receivables (net of allowances):
432,925	-	4,484,156	Accounts
-	-	-	Accrued interest
-	-	20,068,841	Property taxes:
-	-	2,027,457,065	Delinquent
-	-	2,531,844	Not yet due
-	-	4,806,954	Business license taxes - delinquent
7,100,588	-	7,100,588	Loans
-	-	17,515	Notes
-	-	-	Other
-	-	-	Due from intergovernmental units (net of allowances):
-	-	5,581,951	Property tax relief:
-	-	186,432,200	Delinquent
-	-	-	Not yet due
41,209,730	-	128,626,781	Other
3,891,916	-	3,891,916	Due from primary government
-	-	2,028,472	Due from component units
-	-	15,530,000	Loan to component unit
-	-	60,690,000	Lease to component unit
-	-	-	Interfund receivables
4,039,727	-	7,658,177	Inventories of supplies
526,384	-	603,345	Other assets
22,315,243	-	203,667,653	Restricted assets:
8,232,675	-	9,215,900	Equity in pooled cash and temporary investments
573,609	-	902,789	Cash with fiscal agents
26,337,523	-	46,908,025	Certificates of deposit - performance bonds
692,948	-	692,948	Investments
-	-	-	Land held for sale
-	-	-	Capital assets:
-	-	-	Non-depreciable:
349,788,573	-	698,871,512	Land
142,624,589	-	217,958,326	Construction in progress
-	-	-	Depreciable/amortizable:
180,249,650	-	445,445,846	Equipment
33,385,752	-	82,254,216	Library collections
-	-	645,354,101	Purchased capacity
2,485,952,123	-	4,232,627,186	Buildings and improvements
-	-	492,121,466	Infrastructure
(946,161,216)	-	(1,854,605,938)	Accumulated depreciation
-	-	(89,360,833)	Accumulated amortization
446,115	-	7,315,849	Deferred bond issuance costs (net of amortization)
2,753,714,691	-	8,938,116,907	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2005

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
LIABILITIES			
Accounts payable and accrued liabilities	\$ 61,390,112	3,543,262	64,933,374
Accrued salaries and benefits	38,847,113	841,255	39,688,368
Contract retainages	5,410,549	5,852,326	11,262,875
Accrued interest payable	15,655,773	3,343,689	18,999,462
Due to primary government	-	-	-
Due to component units	2,270,552	-	2,270,552
Matured bond principal and interest payable	81,638	-	81,638
Deferred revenue:			
Property taxes not yet due	2,232,221,600	-	2,232,221,600
Other	37,733,785	-	37,733,785
Performance and other deposits	79,097,439	-	79,097,439
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds payable, net	150,861,980	-	150,861,980
Revenue bonds payable, net	7,825,788	9,773,667	17,599,455
Notes payable	-	-	-
Compensated absences payable	50,793,494	1,153,178	51,946,672
Landfill closure and postclosure obligation	7,000,000	-	7,000,000
Obligations under capital leases and installment purchases	7,968,079	-	7,968,079
Insurance and benefit claims payable	16,001,795	-	16,001,795
Other	2,417,789	-	2,417,789
Portion due or payable after one year:			
General obligation bonds payable, net	1,563,949,659	-	1,563,949,659
Revenue bonds payable, net	241,635,001	384,556,280	626,191,281
Notes payable	-	-	-
Compensated absences payable	32,613,726	768,786	33,382,512
Landfill closure and postclosure obligation	58,705,550	-	58,705,550
Obligations under capital leases and installment purchases	42,113,959	-	42,113,959
Insurance and benefit claims payable	14,672,966	-	14,672,966
Loan from primary government	-	-	-
Other	15,102,804	-	15,102,804
Total liabilities	4,684,371,151	409,832,443	5,094,203,594
NET ASSETS			
Invested in capital assets, net of related debt	1,034,317,673	787,889,313	1,822,206,986
Restricted for:			
Grant programs	16,224,310	-	16,224,310
Sewer improvements	-	51,726,809	51,726,809
Repair and replacement	-	-	-
Community centers	7,684,179	-	7,684,179
Housing	-	-	-
Capital projects	6,505,988	-	6,505,988
Debt service	-	4,736,944	4,736,944
Unrestricted (deficit)	(882,121,487)	63,234,893	(818,886,594)
Total net assets	\$ 182,610,663	907,587,959	1,090,198,622

See accompanying notes to the financial statements.

EXHIBIT A
concluded

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
LIABILITIES			
73,219,754	-	138,153,128	Accounts payable and accrued liabilities
90,270,865	-	129,959,233	Accrued salaries and benefits
8,693,983	-	19,956,858	Contract retainages
2,620,511	-	21,619,973	Accrued interest payable
2,025,122	-	2,025,122	Due to primary government
-	-	2,270,552	Due to component units
-	-	81,638	Matured bond principal and interest payable
-	-	-	Deferred revenue:
-	-	2,232,221,600	Property taxes not yet due
13,030,590	-	50,764,375	Other
3,687,913	-	82,785,352	Performance and other deposits
-	-	-	Long-term liabilities:
-	-	150,861,980	Portion due or payable within one year:
873,617	-	18,473,072	General obligation bonds payable, net
3,882,919	-	3,882,919	Revenue bonds payable, net
20,469,887	-	72,416,559	Notes payable
-	-	7,000,000	Compensated absences payable
16,499,704	-	24,467,783	Landfill closure and postclosure obligation
14,526,587	-	30,528,382	Obligations under capital leases and installment purchases
149,695	-	2,567,484	Insurance and benefit claims payable
-	-	-	Other
-	-	1,563,949,659	Portion due or payable after one year:
22,317,332	-	648,508,613	General obligation bonds payable, net
52,640,803	-	52,640,803	Revenue bonds payable, net
10,359,254	-	43,741,766	Notes payable
-	-	58,705,550	Compensated absences payable
98,544,259	-	140,658,218	Landfill closure and postclosure obligation
11,908,350	-	26,581,316	Obligations under capital leases and installment purchases
15,530,000	-	15,530,000	Insurance and benefit claims payable
1,251,210	-	16,354,014	Loan from primary government
462,502,355	-	5,556,705,949	Other
			Total liabilities
NET ASSETS			
2,079,120,720	(1,133,052,597)	2,768,275,109	Invested in capital assets, net of related debt
-	-	16,224,310	Restricted for:
-	-	51,726,809	Grant programs
700,000	-	700,000	Sewer improvements
-	-	7,684,179	Repair and replacement
12,044,727	-	12,044,727	Community centers
21,615,243	(21,615,243)	6,505,988	Housing
839,655	-	5,576,599	Capital projects
176,891,991	1,154,667,840	512,673,237	Debt service
2,291,212,336	-	3,381,410,958	Unrestricted (deficit)
			Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Statement of Activities
For the fiscal year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government administration	\$ 182,163,429	4,558,986	7,278,190	7,340,291
Judicial administration	36,370,091	22,170,617	2,588,921	118,562
Public safety	481,881,184	41,565,418	60,093,701	2,587,675
Public works	155,502,766	72,715,488	5,162,487	39,443,886
Health and welfare	423,218,014	48,998,685	130,988,795	-
Community development	167,075,768	21,728,858	17,257,598	5,855,924
Parks, recreation, and cultural	126,227,717	16,027,743	1,719,802	-
Education - for Public Schools	1,453,746,126	-	-	-
Interest on long-term debt	82,981,808	-	-	-
Total governmental activities	<u>3,109,166,903</u>	<u>227,765,795</u>	<u>225,089,494</u>	<u>55,346,338</u>
Business-type activities:				
Public works - Sewer	125,435,224	118,013,675	-	7,248,130
Total business-type activities	<u>125,435,224</u>	<u>118,013,675</u>	<u>-</u>	<u>7,248,130</u>
Total primary government	<u>3,234,602,127</u>	<u>345,779,470</u>	<u>225,089,494</u>	<u>62,594,468</u>
Component units:				
Public Schools	1,941,676,799	85,348,029	144,149,695	201,405,585
Redevelopment and Housing Authority	68,349,950	22,227,869	45,287,366	4,126,949
Park Authority	69,469,119	30,544,336	-	159,369
Economic Development Authority	7,413,673	-	-	-
Total component units	<u>\$ 2,086,909,541</u>	<u>138,120,234</u>	<u>189,437,061</u>	<u>205,691,903</u>

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
- 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, 2004

Net assets, June 30, 2005

See accompanying notes to the financial statements.

EXHIBIT A-1

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Total	
Governmental Activities	Business-type Activities	Total Primary Government	Component Units	Functions/Programs
(162,985,962)	-	(162,985,962)	-	Primary government:
(11,491,991)	-	(11,491,991)	-	Governmental activities:
(377,634,390)	-	(377,634,390)	-	General government administration
(38,180,905)	-	(38,180,905)	-	Judicial administration
(243,230,534)	-	(243,230,534)	-	Public safety
(122,233,388)	-	(122,233,388)	-	Public works
(108,480,172)	-	(108,480,172)	-	Health and welfare
(1,453,746,126)	-	(1,453,746,126)	-	Community development
(82,981,808)	-	(82,981,808)	-	Parks, recreation, and cultural
(2,600,965,276)	-	(2,600,965,276)	-	Education - for Public Schools
				Interest on long-term debt
				Total governmental activities
	(173,419)	(173,419)		Business-type activities:
	(173,419)	(173,419)		Public works - Sewer
				Total business-type activities
(2,600,965,276)	(173,419)	(2,601,138,695)	-	Total primary government
				Component units:
			(1,510,773,490)	Public Schools
			3,292,234	Redevelopment and Housing Authority
			(38,765,414)	Park Authority
			(7,413,673)	Economic Development Authority
			(1,553,660,343)	Total component units
				General revenues:
				Taxes:
1,638,739,052	-	1,638,739,052	-	Real property
277,668,819	-	277,668,819	-	Personal property
114,434,467	-	114,434,467	-	Business licenses
168,740,477	-	168,740,477	-	Local sales and use
96,189,365	-	96,189,365	-	Consumers utility
19,802,772	-	19,802,772	-	Motor vehicle decals
48,743,007	-	48,743,007	-	Recordation
33,376,957	-	33,376,957	-	Occupancy, tobacco, and other
				Grants and contributions not restricted to specific programs
200,817,597	-	200,817,597	328,039,112	Revenue from the use of money
24,483,041	3,505,410	27,988,451	2,471,110	Revenue from primary government
-	-	-	1,390,951,670	Other
-	-	-	3,822,868	
8,000,000	-	8,000,000	9,562,325	Special item - gain on sale of land
2,630,995,554	3,505,410	2,634,500,964	1,734,847,085	Total general revenues and special item
30,030,278	3,331,991	33,362,269	181,186,742	Change in net assets
152,580,385	904,255,968	1,056,836,353	2,110,025,594	Net assets, July 1, 2004
\$ 182,610,663	907,587,959	1,090,198,622	2,291,212,336	Net assets, June 30, 2005

COUNTY OF FAIRFAX, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2005

EXHIBIT A-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Equity in pooled cash and temporary investments	\$ 272,665,551	468,047,624	740,713,175
Receivables (net of allowances):			
Accounts	13,134,999	9,691,745	22,826,744
Accrued interest	3,018,723	709,417	3,728,140
Property taxes:			
Delinquent	20,068,841	-	20,068,841
Not yet due	2,027,457,065	-	2,027,457,065
Business license taxes - delinquent	2,531,844	-	2,531,844
Loans	-	4,806,954	4,806,954
Due from intergovernmental units (net of allowances):			
Property tax relief:			
Delinquent	5,581,951	-	5,581,951
Not yet due	186,432,200	-	186,432,200
Other	31,959,263	35,398,257	67,357,520
Due from component units	279,416	1,745,706	2,025,122
Loan to component unit	-	15,530,000	15,530,000
Lease to component unit	-	60,690,000	60,690,000
Interfund receivables	12,542,999	-	12,542,999
Inventories of supplies	1,391,543	-	1,391,543
Other assets	60,689	18,547	79,236
Restricted assets:			
Equity in pooled cash and temporary investments	66,986,957	56,001,572	122,988,529
Cash with fiscal agents	557,404	238,821	796,225
Certificates of deposit - performance bonds	329,180	-	329,180
Investments	-	8,940,433	8,940,433
Total assets	\$ 2,644,998,625	661,819,076	3,306,817,701
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 31,840,271	25,329,873	57,170,144
Accrued salaries and benefits	31,724,743	6,108,749	37,833,492
Contract retainages	-	5,410,549	5,410,549
Accrued interest payable	-	1,028,167	1,028,167
Due to component units	2,085,514	185,038	2,270,552
Interfund payables	-	12,432,730	12,432,730
Matured bond principal and interest payable	-	81,638	81,638
Deferred revenue:			
Property taxes not yet due	2,232,221,600	-	2,232,221,600
Other	43,323,443	95,177,450	138,500,893
Performance and other deposits	67,316,137	11,781,302	79,097,439
Total liabilities	2,408,511,708	157,535,496	2,566,047,204
Fund balances:			
Reserved for:			
Encumbrances	24,370,387	170,031,157	194,401,544
Inventories of supplies	1,391,543	-	1,391,543
Long-term loans	-	20,336,954	20,336,954
Certain capital projects	-	5,898,699	5,898,699
Unreserved, reported in:			
General fund	210,724,987	-	210,724,987
Special revenue funds	-	180,570,230	180,570,230
Debt service funds	-	14,302,670	14,302,670
Capital projects funds	-	113,143,870	113,143,870
Total fund balances	236,486,917	504,283,580	740,770,497
Total liabilities and fund balances	\$ 2,644,998,625	661,819,076	3,306,817,701

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, 2005

EXHIBIT A-2
concluded

Fund balances - Total governmental funds \$ 740,770,497

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	\$	329,608,433
Construction in progress		56,019,368
Depreciable assets:		
Equipment		172,568,688
Library collections		48,868,464
Buildings and improvements		813,209,576
Infrastructure		<u>492,121,466</u>
Total capital assets		1,912,395,995
Less accumulated depreciation		<u>(500,000,766)</u>
		1,412,395,229

Some of the County's receivables will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds:

Delinquent taxes (net of allowances):		
Property	\$	22,803,655
Business license		2,531,844
Sales and use taxes		13,354,375
EMS transport charges		2,184,818
Lease to component unit		<u>60,690,000</u>
		101,564,692

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. 6,505,838

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	\$	110,244,059
Capital assets		99,435,195
Less accumulated depreciation		(55,693,076)
Liabilities		<u>(46,955,722)</u>
		107,030,456

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	\$	(1,714,811,639)
Revenue bonds payable, net		(249,460,789)
Compensated absences payable		(80,576,878)
Landfill closure and postclosure obligation		(65,705,550)
Obligations under capital leases and installment purchases		(42,952,994)
Other long-term liabilities		(17,520,593)
Accrued interest on long-term debt		<u>(14,627,606)</u>
		<u>(2,185,656,049)</u>

Net assets of governmental activities \$ 182,610,663

COUNTY OF FAIRFAX, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2005

EXHIBIT A-3

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,380,973,970	17,303,265	2,398,277,235
Permits, privilege fees, and regulatory licenses	27,970,206	12,621,665	40,591,871
Intergovernmental	324,013,415	111,473,482	435,486,897
Charges for services	47,620,294	134,696,339	182,316,633
Fines and forfeitures	15,542,064	12,200	15,554,264
Developers' contributions	-	5,024,324	5,024,324
Revenue from the use of money and property	36,327,328	8,648,602	44,975,930
Recovered costs	7,082,927	4,052,315	11,135,242
Gifts, donations, and contributions	984,484	911,673	1,896,157
Total revenues	2,840,514,688	294,743,865	3,135,258,553
EXPENDITURES			
Current:			
General government administration	106,045,894	14,891,535	120,937,429
Judicial administration	34,432,301	977,531	35,409,832
Public safety	410,908,261	50,479,382	461,387,643
Public works	60,799,266	119,296,905	180,096,171
Health and welfare	269,055,575	152,003,434	421,059,009
Community development	45,165,193	67,210,271	112,375,464
Parks, recreation, and cultural	44,282,284	9,870,702	54,152,986
Intergovernmental:			
Community development	8,147,065	34,566,880	42,713,945
Parks, recreation, and cultural	29,901,631	35,530,627	65,432,258
Education - for Public Schools	1,327,521,519	188,535,971	1,516,057,490
Capital outlay:			
General government administration	6,295	2,556,602	2,562,897
Judicial administration	119,710	166,291	286,001
Public safety	3,377,200	35,813,625	39,190,825
Public works	431,252	4,021,309	4,452,561
Health and welfare	736,357	963,678	1,700,035
Community development	5,788	27,323,255	27,329,043
Parks, recreation, and cultural	5,333,035	2,593,598	7,926,633
Education - for Public Schools	-	30,560,818	30,560,818
Debt service:			
Principal retirement	1,812,428	147,520,848	149,333,276
Interest and other charges	267,852	90,402,463	90,670,315
Total expenditures	2,348,348,906	1,015,285,725	3,363,634,631
Excess (deficiency) of revenues over (under) expenditures	492,165,782	(720,541,860)	(228,376,078)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,666,444	452,947,226	454,613,670
Transfers out	(451,242,462)	(7,272,048)	(458,514,510)
General obligation bonds issued, including premium of \$14,175,128	-	199,575,128	199,575,128
Revenue bonds issued, including premium of \$1,375,856	-	81,040,856	81,040,856
General obligation refunding bonds issued, including premium of \$14,671,070	-	141,081,070	141,081,070
Payments to refunded bonds escrow agent	-	(140,525,562)	(140,525,562)
Capital leases and installment purchases	807,522	-	807,522
Total other financing sources (uses)	(448,768,496)	726,846,670	278,078,174
SPECIAL ITEM			
Proceeds from the sale of land	-	15,500,000	15,500,000
Net change in fund balances	43,397,286	21,804,810	65,202,096
Fund balances, July 1, 2004	193,235,113	482,478,770	675,713,883
Decrease in reserve for inventories of supplies	(145,482)	-	(145,482)
Fund balances, June 30, 2005	\$ 236,486,917	504,283,580	740,770,497

See accompanying notes to the financial statements.

continued

COUNTY OF FAIRFAX, VIRGINIA
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, 2005

EXHIBIT A-3
concluded

Net change in fund balances - Total governmental funds	\$	65,202,096
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	\$	114,008,813
Less depreciation expense		<u>(53,425,329)</u>
		60,583,484
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 net book value (i.e., depreciated cost) of the following capital asset dispositions:		
Transfer of South County Secondary School to Public Schools	(67,992,467)	
Other, including the special item cost of land sold of \$7,500,000	<u>(10,246,467)</u>	(78,238,934)
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.		
		47,708,197
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 property taxes	\$	(1,972,522)
Delinquent business license taxes		477,779
Sales and use taxes		332,602
EMS transport charges		<u>2,184,818</u>
		1,022,677
Expenditures for certain assets provided to a component unit via a capital lease do not result in expenses in the statement of activities.		
		60,690,000
The issuance of long-term debt, including premiums, is reported as other financing sources in the governmental funds and thus, increases 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 2004B General Obligation Bonds	\$	(340,656,198)
FCRHA Lease Revenue Bonds		(19,250,946)
EDA Facilities Revenue Bonds		(61,789,910)
Principal amounts of new capital leases and installment purchases		<u>(807,522)</u>
		(422,504,576)
The costs, net of amortization, incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.		
		2,858,461
The 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	\$	143,287,822
Payment to escrow agent to refund bonds		143,355,562
Principal payments of capital leases and installment purchases		<u>6,045,454</u>
		292,688,838
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 affected as this interest accrues and as bond-related items are amortized. This difference in interest reporting is as follows:		
Accrued interest on bonds, loans, and capital leases	\$	(4,643,909)
Amortization of bond premiums		8,501,275
Amortization of deferred losses on bond refundings		<u>(1,801,385)</u>
		2,055,981
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	\$	(4,462,279)
Compensated absences		(4,886,219)
Net pension obligations		(10,956,331)
Other		<u>925,883</u>
		(19,378,946)
Internal service funds are used by management to provide certain goods and services to governmental funds.		
The increase in net assets is reported with governmental activities.		<u>17,343,000</u>
Change in net assets of governmental activities	\$	<u>30,030,278</u>

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities - <u>Enterprise Fund</u> Integrated Sewer System	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Equity in pooled cash and temporary investments	\$ 57,659,740	107,703,479
Investments	244,600	-
Restricted investments	4,736,944	-
Accounts receivable	-	14,481
Accrued interest receivable	215,126	107,965
Due from intergovernmental units (net of allowance)	20,059,531	-
Interfund receivables	-	443,102
Inventories of supplies	439,950	1,786,957
Other assets	-	1,075
Total current assets	<u>83,355,891</u>	<u>110,057,059</u>
Long-term assets:		
Restricted assets:		
Equity in pooled cash and temporary investments	58,363,881	-
Cash with fiscal agents	-	187,000
Investments	6,893,125	-
Total restricted assets	<u>65,257,006</u>	<u>187,000</u>
Capital assets:		
Non-depreciable:		
Land	17,535,818	1,938,688
Construction in progress	19,314,369	-
Depreciable/amortizable:		
Equipment	10,733,151	81,894,357
Purchased capacity	645,354,101	-
Buildings and improvements	917,863,337	15,602,150
Accumulated depreciation	(352,750,880)	(55,693,076)
Accumulated amortization	(89,360,833)	-
Total capital assets, net	<u>1,168,689,063</u>	<u>43,742,119</u>
Other long-term asset - Deferred bond issuance costs (net of amortization)	<u>363,896</u>	<u>-</u>
Total long-term assets	<u>1,234,309,965</u>	<u>43,929,119</u>
Total assets	<u>\$ 1,317,665,856</u>	<u>153,986,178</u>

See accompanying notes to the financial statements.

EXHIBIT A-4

	Business-type Activities - <u>Enterprise Fund</u> Integrated Sewer System	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,543,262	4,219,968
Accrued salaries and benefits	841,255	1,013,621
Contract retainages	5,852,326	-
Interfund payables	245,454	290,402
Accrued interest payable	3,343,689	-
Deferred revenue	-	797,584
Revenue bonds payable, net	9,773,667	-
Compensated absences payable	1,153,178	1,641,599
Obligations under capital leases	-	2,009,611
Insurance and benefit claims payable	-	16,001,795
Total current liabilities	24,752,831	25,974,580
Long-term liabilities:		
Revenue bonds payable, net	384,556,280	-
Compensated absences payable	768,786	1,188,743
Obligations under capital leases	-	5,119,433
Insurance and benefit claims payable	-	14,672,966
Total long-term liabilities	385,325,066	20,981,142
Total liabilities	410,077,897	46,955,722
NET ASSETS		
Invested in capital assets, net of related debt	787,889,313	36,613,075
Restricted for:		
Sewer improvements	51,726,809	-
Debt service	4,736,944	-
Unrestricted	63,234,893	70,417,381
Total net assets	\$ 907,587,959	107,030,456

COUNTY OF FAIRFAX, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2005

EXHIBIT A-5

	Business-type Activities - <u>Enterprise Fund</u> Integrated Sewer System	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 86,710,115	168,775,393
Other	-	180,498
Total operating revenues	<u>86,710,115</u>	<u>168,955,891</u>
OPERATING EXPENSES:		
Personnel services	19,752,758	23,367,667
Materials and supplies	10,772,931	1,113,983
Equipment operation and maintenance	-	42,502,998
Risk financing and benefit payments	-	73,570,545
Depreciation and amortization	40,242,429	10,347,136
Professional consultant and contractual services	36,700,182	6,479,015
Other	-	577,906
Total operating expenses	<u>107,468,300</u>	<u>157,959,250</u>
Operating income (loss)	<u>(20,758,185)</u>	<u>10,996,641</u>
NONOPERATING REVENUES (EXPENSES):		
Availability fees	31,303,560	-
Intergovernmental revenue	-	1,010,000
Interest revenue	3,505,410	920,805
Interest expense	(18,020,181)	(55,935)
Amortization expense for bond issuance costs	(44,038)	-
Amortization of deferred gain on bond refunding	140,442	-
Gain (loss) on disposal of capital assets	(43,147)	544,507
Total nonoperating revenues (expenses)	<u>16,842,046</u>	<u>2,419,377</u>
Income (loss) before contributions and transfers	(3,916,139)	13,416,018
Capital contributions	7,248,130	26,142
Transfers in	-	3,900,840
Change in net assets	3,331,991	17,343,000
Total net assets, July 1, 2004	<u>904,255,968</u>	<u>89,687,456</u>
Total net assets, June 30, 2005	<u>\$ 907,587,959</u>	<u>107,030,456</u>

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2005

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	\$ 87,148,430	-
Receipts from interfund services provided	-	168,966,452
Payments to suppliers and contractors	(47,463,469)	(21,013,116)
Payments to employees	(19,678,167)	(23,019,543)
Claims and benefits paid	-	(73,126,108)
Payments for interfund services used	-	(28,491,774)
Net cash provided by operating activities	20,006,794	23,315,911
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	3,900,840
Net cash provided by noncapital financing activities	-	3,900,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Availability fees received	31,303,560	-
Intergovernmental revenue received	1,306,639	1,010,000
Principal payments on sewer revenue bonds	(8,938,788)	-
Interest payments on sewer revenue bonds	(18,351,065)	-
Revenue refunding bonds issued, including premium	96,757,664	-
Payment of bond issuance costs	(374,758)	-
Payments to refunded bonds escrow agent	(99,545,336)	-
Proceeds from sale of capital assets	30,954	1,102,240
Purchase of capital assets, other than purchased capacity	(26,218,273)	(12,190,722)
Acquisition of purchased capacity	(30,404,721)	-
Principal payments on obligations under capital leases	-	(676,065)
Interest payments on obligations under capital leases	-	(55,935)
Net cash (used) by capital and related financing activities	(54,434,124)	(10,810,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of restricted investments (net)	906,616	-
Purchases of investments (net)	25,790,525	-
Interest received	3,325,401	825,709
Net cash provided by investing activities	30,022,542	825,709
Net increase (decrease) in cash and cash equivalents	(4,404,788)	17,231,978
Cash and cash equivalents, July 1, 2004	120,428,409	90,658,501
Cash and cash equivalents, June 30, 2005	\$ 116,023,621	107,890,479
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (20,758,185)	10,996,641
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	40,242,429	10,347,136
Change in assets and liabilities:		
(Increase) in accounts receivable	-	(9,046)
Decrease in intergovernmental receivables	438,315	-
(Increase) in interfund receivables	-	(47,792)
(Increase) in inventories of supplies	(57,792)	(177,258)
(Increase) decrease in other assets	778	(269)
Increase in accounts payable and accrued liabilities	42,199	1,985,080
Increase in accrued salaries and benefits	63,184	166,061
Increase in interfund payables	35,866	55,358
Total adjustments to operating income (loss)	40,764,979	12,319,270
Net cash provided by operating activities	\$ 20,006,794	23,315,911
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines, manholes, and equipment	\$ 5,941,491	26,142
Initiation of an obligation under capital lease	-	7,805,109
Net decrease in long-term debt resulting from the issuance of refunding bonds	619,329	-
Increase in fair value of investments not classified as cash and cash equivalents	213,753	-

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2005

EXHIBIT A-7

	Pension Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and temporary investments	\$ 10,828,256	2,193,355
Cash collateral for securities lending	391,907,763	-
Accounts receivable	-	116,366
Contributions receivable	4,349,338	-
Accrued interest and dividends receivable	14,294,880	4,381
Receivable from sale of pension investments	96,534,073	-
Investments, at fair value:		
U.S. Government securities	228,131,794	-
Asset-backed securities	421,876,273	29,090,469
Corporate and other bonds	297,012,008	-
Common and preferred stock	1,607,590,338	-
Money market funds	-	4,525,252
Pooled and mutual funds	932,882,703	-
Alternative investments	133,981,594	-
Repurchase agreements	-	2,078,976
Short-term investments	279,427,171	-
Equipment	-	2,372,300
Total assets	<u>4,418,816,191</u>	<u>\$ 40,381,099</u>
LIABILITIES		
Accounts payable and accrued liabilities	4,934,271	8,446
Accrued salaries and benefits	65,100	-
Payable for purchase of pension investments	142,793,061	-
Liabilities for collateral received under securities lending agreements	391,907,763	-
Liabilities under reimbursement agreements	-	39,746,531
Interfund payable	17,515	-
Obligations under capital leases	-	626,122
Total liabilities	<u>539,717,710</u>	<u>\$ 40,381,099</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 3,879,098,481</u>	

(A schedule of funding progress is presented on page 94.)

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, 2005

EXHIBIT A-8

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 89,051,974
Plan members	45,448,437
Total contributions	<u>134,500,411</u>
Investment income:	
From investment activities:	
Net appreciation in fair value of investments	307,848,945
Interest	87,092,468
Dividends	34,250,003
Total income from investment activities	<u>429,191,416</u>
Less investment activities expenses:	
Management fees	17,210,366
Other	1,524,977
Total investment activities expenses	<u>18,735,343</u>
Net income from investment activities	<u>410,456,073</u>
From securities lending activities:	
Securities lending income	<u>7,228,686</u>
Less securities lending expenses:	
Borrower rebates	5,934,919
Management fees	390,052
Total securities lending activities expenses	<u>6,324,971</u>
Net income from securities lending activities	<u>903,715</u>
Net investment income	<u>411,359,788</u>
Total additions	<u>545,860,199</u>
DEDUCTIONS	
Benefits	159,415,028
Refunds of contributions	7,830,017
Administrative expenses	1,468,265
Total deductions	<u>168,713,310</u>
Net increase	377,146,889
Net assets, July 1, 2004	<u>3,501,951,592</u>
Net assets, June 30, 2005	<u>\$ 3,879,098,481</u>

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2005

	Public Schools	Redevelopment and Housing Authority	Park Authority
ASSETS			
Equity in pooled cash and temporary investments	\$ 331,209,200	32,167,455	18,683,747
Cash in banks	-	7,939,804	-
Receivables (net of allowances):			
Accounts	388,063	1,661,601	25,967
Accrued interest	261,574	117,538	53,813
Notes	-	7,100,588	-
Due from intergovernmental units	41,209,730	-	-
Due from primary government	1,824,064	-	1,653,078
Inventories of supplies	4,039,727	-	-
Other assets	45,543	480,841	-
Restricted assets:			
Equity in pooled cash and temporary investments	-	-	22,315,243
Cash with fiscal agents	-	8,232,675	-
Certificates of deposit - performance bonds	-	573,609	-
Investments	15,139,807	3,942,227	7,255,489
Land held for sale	-	692,948	-
Capital assets:			
Non-depreciable:			
Land	50,775,897	32,729,130	266,283,546
Construction in progress	113,585,603	3,382,126	25,656,860
Depreciable:			
Equipment	164,077,445	2,935,355	13,174,728
Library collections	33,385,752	-	-
Buildings and improvements	2,109,767,343	157,965,946	218,218,834
Accumulated depreciation	(754,189,993)	(78,570,437)	(113,371,452)
Deferred bond issuance costs (net of amortization)	-	24,087	422,028
Total assets	\$ 2,111,519,755	181,375,493	460,371,881

See accompanying notes to the financial statements.

EXHIBIT A-9

Economic Development Authority	Total Component Units	
ASSETS		
-	382,060,402	Equity in pooled cash and temporary investments
-	7,939,804	Cash in banks
		Receivables (net of allowances):
-	2,075,631	Accounts
-	432,925	Accrued interest
-	7,100,588	Notes
-	41,209,730	Due from intergovernmental units
414,774	3,891,916	Due from primary government
-	4,039,727	Inventories of supplies
-	526,384	Other assets
		Restricted assets:
-	22,315,243	Equity in pooled cash and temporary investments
-	8,232,675	Cash with fiscal agents
-	573,609	Certificates of deposit - performance bonds
-	26,337,523	Investments
-	692,948	Land held for sale
		Capital assets:
		Non-depreciable:
-	349,788,573	Land
-	142,624,589	Construction in progress
		Depreciable:
62,122	180,249,650	Equipment
-	33,385,752	Library collections
-	2,485,952,123	Buildings and improvements
(29,334)	(946,161,216)	Accumulated depreciation
-	446,115	Deferred bond issuance costs (net of amortization)
447,562	2,753,714,691	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2005

	Public Schools	Redevelopment and Housing Authority	Park Authority
LIABILITIES			
Accounts payable and accrued liabilities	\$ 62,490,141	8,509,408	1,940,571
Accrued salaries and benefits	87,268,379	364,569	2,502,777
Contract retainages	7,694,727	-	999,256
Accrued interest payable	-	2,387,851	232,660
Due to primary government	-	1,846,227	178,895
Deferred revenue	8,566,288	859,804	3,604,498
Performance and other deposits	728,148	2,835,725	124,040
Long-term liabilities:			
Portion due or payable within one year:			
Revenue bonds payable, net	-	358,577	515,040
Notes payable	-	3,882,919	-
Compensated absences payable	17,362,677	401,250	2,556,607
Obligations under capital leases and installment purchases	16,499,704	-	-
Insurance and benefit claims payable	14,526,587	-	-
Other	-	149,695	-
Portion due or payable after one year:			
Revenue bonds payable, net	-	11,511,777	10,805,555
Notes payable	-	52,640,803	-
Compensated absences payable	7,970,672	549,910	1,776,626
Obligations under capital leases and installment purchases	98,544,259	-	-
Insurance and benefit claims payable	11,908,350	-	-
Loan from primary government	-	-	15,530,000
Other	-	1,251,210	-
Total liabilities	333,559,932	87,549,725	40,766,525
NET ASSETS			
Invested in capital assets, net of related debt	1,630,223,936	60,028,688	388,835,308
Restricted for:			
Repair and replacement	-	-	700,000
Housing	-	12,044,727	-
Capital projects	-	-	21,615,243
Debt service	-	-	839,655
Unrestricted (deficit)	147,735,887	21,752,353	7,615,150
Total net assets	\$ 1,777,959,823	93,825,768	419,605,356

See accompanying notes to the financial statements.

EXHIBIT A-9
concluded

Economic Development Authority	Total Component Units	
LIABILITIES		
279,634	73,219,754	Accounts payable and accrued liabilities
135,140	90,270,865	Accrued salaries and benefits
-	8,693,983	Contract retainages
-	2,620,511	Accrued interest payable
-	2,025,122	Due to primary government
-	13,030,590	Deferred revenue
-	3,687,913	Performance and other deposits
		Long-term liabilities:
		Portion due or payable within one year:
-	873,617	Revenue bonds payable, net
-	3,882,919	Notes payable
149,353	20,469,887	Compensated absences payable
-	16,499,704	Obligations under capital leases and installment purchases
-	14,526,587	Insurance and benefit claims payable
-	149,695	Other
		Portion due or payable after one year:
-	22,317,332	Revenue bonds payable, net
-	52,640,803	Notes payable
62,046	10,359,254	Compensated absences payable
-	98,544,259	Obligations under capital leases and installment purchases
-	11,908,350	Insurance and benefit claims payable
-	15,530,000	Loan from primary government
-	1,251,210	Other
<u>626,173</u>	<u>462,502,355</u>	Total liabilities
NET ASSETS		
32,788	2,079,120,720	Invested in capital assets, net of related debt
		Restricted for:
-	700,000	Repair and replacement
-	12,044,727	Housing
-	21,615,243	Capital projects
-	839,655	Debt service
(211,399)	176,891,991	Unrestricted (deficit)
<u>(178,611)</u>	<u>2,291,212,336</u>	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Activities
Component Units
For the fiscal year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Schools:				
Education	\$1,941,676,799	85,348,029	144,149,695	201,405,585
Redevelopment and Housing Authority:				
Community development	68,349,950	22,227,869	45,287,366	4,126,949
Park Authority:				
Parks, recreation, and cultural	69,469,119	30,544,336	-	159,369
Economic Development Authority:				
Community development	<u>7,413,673</u>	-	-	-
Total component units	\$2,086,909,541	138,120,234	189,437,061	205,691,903

General revenues:

- Grants and contributions not restricted to specific programs
- Revenue from the use of money
- 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, 2004

Net assets, June 30, 2005

See accompanying notes to the financial statements.

EXHIBIT A-10

Net (Expense) Revenue and Changes in Net Assets				
Public Schools	Redevelopment and Housing Authority	Park Authority	Economic Development Authority	Total Component Units
(1,510,773,490)	-	-	-	(1,510,773,490)
-	3,292,234	-	-	3,292,234
-	-	(38,765,414)	-	(38,765,414)
-	-	-	(7,413,673)	(7,413,673)
(1,510,773,490)	3,292,234	(38,765,414)	(7,413,673)	(1,553,660,343)
320,813,139	-	6,625,973	600,000	328,039,112
1,272,295	696,696	502,119	-	2,471,110
1,321,224,654	-	62,967,795	6,759,221	1,390,951,670
3,822,868	-	-	-	3,822,868
9,562,325	-	-	-	9,562,325
1,656,695,281	696,696	70,095,887	7,359,221	1,734,847,085
145,921,791	3,988,930	31,330,473	(54,452)	181,186,742
1,632,038,032	89,836,838	388,274,883	(124,159)	2,110,025,594
\$ 1,777,959,823	93,825,768	419,605,356	(178,611)	2,291,212,336



COUNTY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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.

Dulles Rail Phase I Transportation Improvement District - The Board of Supervisors created the Dulles Rail Phase I Transportation Improvement District in 2004 to provide funds for the construction of certain transportation improvements in the district. This district is reported as a separate special revenue fund of the County because it is governed by certain members of the Board, which has the ability to impose its will on the district. Separate financial statements are not prepared for the Dulles Rail Phase I Transportation Improvement District.

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 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 Fairfax Water and the Industrial Development Authority of Fairfax County (IDAF), but the County's accountability does not extend beyond making the appointments. The IDAF does not have a significant operational or financial relationship with the County. Fairfax Water bills and collects for the sales of sewer services on behalf of the County's sewer system. During fiscal year 2005, Fairfax Water collected approximately \$69.6 million on behalf of the County, and as of June 30, 2005, the County has receivables of approximately \$14.1 million due from Fairfax Water.

Joint Ventures

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 financial 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, 14631 Compton Road, Centreville, Virginia 20121.

The County is a participant in the Northern Virginia Regional Park Authority (NVRPA). NVRPA is a joint venture created under the Virginia Park Authorities Act of 1959 to protect and preserve Northern Virginia's rich heritage of woods, meadows, lakes, and streams. The governing body of NVRPA is comprised of two members from each of the 6 member jurisdictions: Fairfax, Arlington, and Loudoun Counties, and the Cities of Alexandria, Falls Church, and Fairfax. Each member jurisdiction provides contributions in direct proportion to its share of the region's population. The County's contributions are accounted for in the Northern Virginia Regional Park Authority capital projects fund. The County has no explicit and measurable financial interest in NVRPA. Complete financial statements of NVRPA can be obtained by writing to NVRPA, 5400 Ox Road, Fairfax Station, Virginia 22039.

Jointly Governed Organization

The State Route 28 Highway Transportation Improvement District (District) was created in 1987 under the provisions of the Transportation Improvements District Act by the County and Loudoun County, Virginia, in conjunction with the Commonwealth of Virginia Transportation Board (CVTB), for the purpose of undertaking various improvements to State Route 28. The District is governed by a nine-member Commission comprised of four members from each of the Boards of Supervisors of the County and Loudoun County and the Chairman of the CVTB or his designee. The County has no financial interest in the District. See Note I-7 for additional information related to the District.

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, 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 only those 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 and component units 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. As of June 30, 2005, 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, 2005, interest earned by these funds and assigned directly to the County’s General Fund is as shown on the right.

<u>Primary Government</u>	
Nonmajor Governmental Funds	\$ 6,654,693
Internal Service Funds	801,081
Total primary government	7,455,774
<u>Component Units</u>	
Public Schools	4,580,383
FCRHA	131,651
Park Authority	492,727
Total component units	5,204,761
Total reporting entity	\$ 12,660,535

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 2005, the Systems invested in the following derivative instruments that were not reported in the financial statements as of June 30, 2005: futures contracts, interest rate swaps, options on futures and swaps, forwards, and collateralized mortgage obligations (CMO). However, as of June 30, 2005, 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 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. The ERS, URS, and ERFC routinely entered into futures contracts during the year. At June 30, 2005, these Systems had futures contracts as described below:

Futures Contracts as of June 30, 2005			
Type	Notional Value	Fair Value	Maturity Date
ERS:			
S&P 500 and Russell 2000	\$ 122,301,240	\$ 122,301,240	September 2005
Foreign equity	68,286,439	68,286,439	September 2005
Foreign currency	66,912,911	66,912,911	September 2005
U.S. Treasury	15,038,282	15,038,282	September 2005
URS:			
Money market futures	23,500,000	22,567,050	December 2005
Money market futures	5,250,000	5,039,738	June 2006
Money market futures	1,750,000	1,679,213	December 2006
Government futures	3,400,000	4,013,203	September 2005
ERFC:			
Money market futures	29,500,000	28,623,850	December 2005
Government futures	8,700,000	9,489,125	September 2005

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 counterparty credit risk associated with interest rate swaps is controlled by the Systems' investment guidelines and limited by periodic resets to mark-to-market. The market risk is equivalent to holding the exposure to the index. At June 30, 2005, the ERS, URS, and ERFC had swaps as described below:

Interest Rate Swaps as of June 30, 2005			
Type	Notional Value	Fair Value	Maturity Date
ERS:			
Swap	\$ 52,594,201	\$ 109,685	July 2005
URS:			
Swap	3,900,000	(192,272)	September 2015
ERFC:			
Swap	4,300,000	(218,639)	December 2025

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. 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. As of June 30, 2005, the URS had options as described below:

Options on Futures and Swaps as of June 30, 2005			
Type	Notional Value	Fair Value	Maturity Date
URS:			
On government futures	\$ (4,400,000)	\$ (2,906)	September 2005
On money market futures	(11,650,919)	-	December 2005
On swaps	(3,400,000)	(5,862)	September 2005
On swaps	(5,600,000)	(8,372)	August 2005

Forwards are means of managing interest rate exposure at the longer end of the yield curve. At June 30, 2005, ERFC had a forward contract with a notional value and market value of \$500,000 and \$707,911, respectively, and a maturity date of February 2021.

CMOs are high quality investments backed by pools of mortgage loans providing higher yield and income. At June 30, 2005, ERFC held CMOs with notional and market values of \$274,420 and \$274,030, respectively, and maturity dates ranging from October 2025 through September 2030.

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 funds. 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 and cash deposits 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, and cash deposits 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 cash deposits and proceeds from the certificates to correct or complete the project as necessary. The amount of the certificates and cash deposits held is reported as restricted assets 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. Certain assets are restricted to fund the construction of nitrogen removal facilities. As of June 30, 2005, the Sewer System has cash and investments that are restricted for the following uses:

Restricted Assets of the Sewer System	
Extensions and improvements	\$ 51,726,809
Long-term debt service requirements	13,530,197
Current debt service requirements	4,736,944
Total restricted assets	<u>\$ 69,993,950</u>

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 and unspent amounts from general obligation bonds issued by the County.

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.

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

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 left.

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 \$1,154.7 million is reclassified as shown below to present the total reporting entity column of Exhibit A:

Net Assets (summarized)	Primary Government	Component Units	Reclassification of Debt Issued for:		Total Reporting Entity
			Public Schools Facilities	Park Authority Facilities	
Invested in capital assets, net of related debt	\$1,822,206,986	2,079,120,720	(1,028,762,747)	(104,289,850)	2,768,275,109
Restricted for:					
Capital projects	6,505,988	21,615,243	-	(21,615,243)	6,505,988
Other	80,372,242	13,584,382	-	-	93,956,624
Unrestricted	(818,886,594)	176,891,991	1,028,762,747	125,905,093	512,673,237
Total net assets	\$1,090,198,622	2,291,212,336	-	-	3,381,410,958

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, 2005, have the following significant designations:

Designation	Amount
Primary Government	
General Fund:	
Revenue stabilization during periods of economic downturn	\$ 47,044,889
Emergency needs and loss of revenue sources through actions of other governments	57,168,851
Tax relief and other Board considerations	35,523,293
Nonmajor Governmental Funds:	
Landfill closure and postclosure costs	65,705,550
Solid waste disposal	30,755,685
Total primary government	\$ 236,198,268
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. Deposit and Investment Policies**

The County implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, which is effective for reporting periods beginning after June 15, 2004. Accordingly, this is the initial year that the notes to financial statements have been revised to comply with this new standard.

The reporting entity maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state, and other legal requirements; diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions; and attainment of a market rate of return. Oversight of investment activity is

the responsibility of the Investment Committee, which is comprised of the chief financial officer and certain key management and investment staff.

It is the reporting entity's policy to pool for investing purposes all available funds of the County and its component units that aren't otherwise required to be kept separate. The investment policy, therefore, applies to the activities of the reporting entity with regard to investing the financial assets of its pooled investment funds.

The primary government's pension trust funds have adopted investment policies to provide a well-managed investment program to meet the long-term ends of the pension trust funds, provide a high degree of diversification, maintain appropriate asset coverage of fund liabilities, and also optimize investment return without introducing higher volatility to contribution levels. Investment decisions for the funds' assets are made by the Boards of Trustees or investment managers selected by the Boards of Trustees. While the pension trust funds are not subject to the provisions of the Employee Retirement Income Security Act (ERISA), the Boards of Trustees endeavor to adhere to the spirit of ERISA. The Boards of Trustees believe that risks can be managed by establishing constraints on the investment portfolio and by properly monitoring the investment markets, the pension trust funds' asset allocation, and investment managers. Furthermore, investment portfolios have specific benchmarks and investment guidelines.

The component unit's pension trust fund's investment decisions are made by its Board of Trustees or the investment advisors selected by the Board of Trustees. The Board of Trustees manages the fund's investments under the umbrella of an approved set of investment objectives, guidelines, and performance standards. The objectives are formulated in response to the fund's anticipated financial needs, risk tolerance, and the need to document and communicate objectives, guidelines, and standards to the fund's investment managers. The Board of Trustees may grant exceptions to the investment guidelines based on written requests and appropriate justification. All exceptions that are approved are included in an appendix to the written guidelines.

The Code of Virginia (Code) authorizes the reporting entity to purchase the following types of investments:

- Commercial paper
- U.S. Treasury and agency securities
- U.S. Treasury strips
- Negotiable certificates of deposits and bank notes
- Money market funds
- Bankers acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank

- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the 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 institution within the Commonwealth that complies with the Code

However, the investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, or security lending programs.

The Code also authorizes the reporting entity to purchase other investments for its pension trust funds, including common and preferred stocks and corporate bonds that meet the standard of judgment and care set forth in the Code. The pension trust funds' Boards of Trustees' investment policies permit these 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.

2. Interest Rate Risk

The reporting entity's policy is to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the reporting entity structures the pooled investment portfolio so that sufficient securities mature to meet cash

Investment Type	Fair Value	Weighted Average Maturity (Days)
Primary Government - Pooled Investments:		
Discount GSE securities	\$ 279,501,120	125.67
Commercial paper	228,210,480	77.86
Banker's acceptances	28,852,720	61.01
Money market funds	71,690,400	1.00
Bank notes	86,400,000	138.00
Corporate notes	36,000,000	314.00
GSE bullets	<u>36,000,000</u>	197.00
Total fair value	<u>\$ 766,654,720</u>	
Portfolio weighted average maturity		110.93
Component Units - Pooled Investments:		
Discount GSE securities	\$ 108,694,880	125.67
Commercial paper	88,748,520	77.86
Banker's acceptances	11,220,502	61.01
Money market funds	27,879,600	1.00
Bank notes	33,600,000	138.00
Corporate notes	14,000,000	314.00
GSE bullets	<u>14,000,000</u>	197.00
Total fair value	<u>\$ 298,143,502</u>	
Portfolio weighted average maturity		110.93

requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year. The reporting entity's pooled investments as of June 30, 2005, are summarized at fair value on the previous page.

The primary government's pension trust funds manage interest rate risk for its fixed income accounts by limiting the credit quality of the securities held as well as the duration of the portfolio against the duration of the benchmark. The component unit's pension trust fund's fixed income managers utilize the modified duration method to manage interest rate risk. In addition, the fund's investment policy states that the average effective duration of each manager's portfolio should be within 25 percent of the portfolio's benchmark duration. The investments in debt securities of the pension trust funds of the reporting entity as of June 30, 2005, are summarized below at fair value:

Investment Type	Fair Value	Duration (years)
Primary Government - Pension Trust Funds:		
U.S. Government securities	\$ 22,216,541	0.0-0.9
	86,182,416	1.0-4.9
	32,080,803	5.0-9.9
	87,652,034	10.0-19.9
Corporate and other bonds	73,824,464	0.0-0.9
	160,715,716	1.0-4.9
	54,742,581	5.0-9.9
	6,243,697	10.0-19.9
	1,485,550	unrated
Asset-backed securities *	26,465,161	<0.0
	136,904,362	0.0-0.9
	146,806,201	1.0-4.9
	33,935,400	5.0-9.9
	30,340,345	10.0-19.9
	47,424,804	>20.0
Short-term investments	279,427,171	0.0-0.2
Fixed pooled funds	187,139,445	7.4
Alternative investments	133,981,594	20.1
Total fair value	<u>\$1,547,568,285</u>	
Component Unit - Pension Trust Fund:		
U.S. Government securities	\$ 126,260,280	4.6
Discount GSE securities	15,391,706	4.0
Asset-backed securities *	136,718,426	2.8
Money market funds	31,262,273	2.5
Corporate bonds	81,528,068	5.5
Municipal bonds	4,432,352	9.7
International bonds	39,123,191	5.5
Convertible bonds	3,677,913	3.8
Emerging markets	8,984,835	6.2
Other	6,149,916	3.4
Total fair value	<u>\$ 453,528,960</u>	

* The underlying assets of the asset-backed securities are predominantly mortgages.

3. Credit Risk

The reporting entity's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The reporting entity pre-qualifies financial institutions, broker-dealers, intermediaries, and advisers with which the County does business. In addition, the reporting entity limits its pooled investments to the safest types of securities and diversifies its pooled investment portfolio so that potential losses on individual securities will be minimized. Also, new investments shall not be made in securities that are listed on Moody's Investors Service, Inc. (Moody's) Watchlist or Standard & Poor's, Inc. (S&P) Credit Watch with a negative rating. The policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government sponsored enterprise instruments shall be rated by both Moody's and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be as rated by at least two of the following: Moody's, with a minimum rating of Prime 1; S&P, with a minimum rating of A-1; Fitch Investor's Services, Inc. (Fitch), with a minimum rating of F-1; or by Duff and Phelps, Inc., with a minimum rating of D-1.
- Mutual funds must have a rating of AA or better by S&P, Moody's, or another nationally recognized rating agency.
- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's.
- Banker's acceptances must have a rating by Fitch of at least B/C.
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P.

While the overall investment guidelines for the primary government's pension trust funds do not specifically address credit risk, investment managers have specific quality limits appropriate for the type of mandate they are managing and that fit within the total risk tolerance of the fund. The component unit's pension trust fund's investment policy states that the average credit quality of a fixed income portfolio must be at least AA. The policy also permits up to 10 percent of the portfolio to be invested in Moody's or S&P's quality rating below Baa or BBB, respectively. If a security is downgraded below the minimum rating, the investment manager must notify the Board of Trustees and an exception to the guidelines must be granted in order for the security to remain in the portfolio.

As of June 30, 2005, the reporting entity had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities as follows:

Investment Type	Credit Quality Rating *								
	AAA	AA	A	BBB	BB	B	Below B	Unrated	
Primary Government									
Pooled Investments:									
Discount GSE securities	36.5 %	- %	- %	- %	- %	- %	- %	- %	- %
Commercial paper	14.2	5.6	9.9	-	-	-	-	-	-
Banker's acceptances	-	3.7	-	-	-	-	-	-	-
Money market funds	9.4	-	-	-	-	-	-	-	-
Bank notes	-	4.7	6.6	-	-	-	-	-	-
Corporate notes	-	4.7	-	-	-	-	-	-	-
GSE bullets	4.7	-	-	-	-	-	-	-	-
Pension Trust Funds:									
U.S. Government securities	13.7 %	- %	- %	- %	- %	- %	- %	- %	1.0 %
Corporate and other bonds	2.4	0.1	0.8	2.0	2.2	7.2	3.5	0.9	
Asset-backed securities	26.5	-	0.1	0.2	-	-	0.2	0.3	
Short-term investments	-	18.1	-	-	-	-	-	-	
Fixed pooled funds	-	12.1	-	-	-	-	-	-	
Alternative investments	-	-	-	-	-	-	-	-	8.7
Component Units									
Pooled Investments:									
Discount GSE securities	36.5 %	- %	- %	- %	- %	- %	- %	- %	- %
Commercial paper	14.2	5.6	9.9	-	-	-	-	-	-
Banker's acceptances	-	3.7	-	-	-	-	-	-	-
Money market funds	9.4	-	-	-	-	-	-	-	-
Bank notes	-	4.7	6.6	-	-	-	-	-	-
Corporate notes	-	4.7	-	-	-	-	-	-	-
GSE bullets	4.7	-	-	-	-	-	-	-	-
Pension Trust Fund:									
U.S. Government and GSE securities	23.2 %	0.4 %	- %	- %	- %	- %	- %	- %	- %
Asset-backed securities	23.7	-	0.1	-	0.1	-	0.1	9.8	
Money market funds	5.9	0.4	4.0	0.2	-	-	-	2.3	
Corporate bonds	1.3	0.6	2.0	4.1	2.9	2.8	1.1	2.5	
International bonds	3.2	0.1	-	0.2	2.1	1.5	-	3.6	
Other bonds	-	-	-	0.3	0.1	0.3	-	-	
Other	0.1	1.0	-	-	-	-	-	-	

* Credit quality ratings are determined using S&P's long-term rating schema, which approximates the greatest degree of risk as of June 30, 2005.

4. Concentration of Credit Risk

The reporting entity’s investment policy sets the following limits for the types of securities held in its pooled investment portfolio:

Repurchase agreements and mutual funds	30%	maximum
Bank notes and banker's acceptances	40%	maximum
Commercial paper	35%	maximum
Corporate notes	25%	maximum

In addition, not more than 5 percent of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, banker’s acceptances, corporate notes, and bank notes. Also, the maximum amount of funds that may be placed in repurchase agreements with a single dealer shall be \$125 million.

While the overall investment guidelines for the primary government’s pension trust funds do not specifically address concentration of credit risk, investment managers have specific concentration limits appropriate for the type of mandate they are managing and that fit within the total risk tolerance of the fund. The pension trust funds do not have investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represents 5 percent or more of net assets available for benefits. The component unit’s pension trust fund’s policy for equity holdings is to limit securities of any one issuer to the greater of 5 percent or the security’s weight in the benchmark index plus 2 percent of each equity portfolio at market value. For fixed income holdings, the securities of any one issuer with the exception of U.S. Government and its agencies are limited to 10 percent at cost and 15 percent at market of each fixed income portfolio. In addition, the combined allocation to non-U.S. bonds, below investment grade securities, emerging market debt, and convertible bonds may not exceed 35 percent of the portfolio. Concerning cash, no more than 10 percent of the cash portfolio shall be invested in certificates of deposit or bankers acceptances issued by any single bank. Up to 35 percent of the cash portfolio may be invested in commercial paper and corporate bonds, with no more than 5 percent invested with any single issuer. Each manager’s portfolio should have no more than 5 percent of its assets allocated to cash. These policies were implemented to ensure diversification of the portfolio.

5. Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the reporting entity’s deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool’s collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

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

The Boards of Trustees of the pension trust funds permit the funds to participate in a securities lending program, which is administered by a custodian. Under this program, certain securities are loaned to approved broker/dealers who borrow the securities and provide collateral in the form of cash, U.S. Treasury or government agency securities, letters of credit, and other securities as specified in the securities lending agreement. The value of the collateral for domestic securities must equal 102 percent of the market value of the security and 105 percent of the market value of the foreign security. The custodian monitors the market value of the collateral on a daily basis. Cash collateral is invested in a fund which is maintained by the custodian or its affiliate. The pension trust funds did not impose any restrictions during the period on the amounts of loans security lending agents made on their behalf, and the agents have agreed to indemnify the pension trust 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 trust funds had no custodial credit risk exposure to borrowers because the amounts the pension trust funds owed the borrower exceeded the amounts the borrowers owed the pension trust funds. Information pertaining to the securities lending transactions as of June 30, 2005, is as follows:

Securities Lent	Underlying Securities	Cash Collateral Investment Value	Securities Collateral Investment Value
Primary Government - Pension Trust Funds:			
Lent for cash collateral:			
U.S. Government securities	\$ 185,743,293	189,314,825	-
Short-term investments	8,883,693	9,026,912	-
Asset-backed securities	17,669,642	18,640,375	-
Corporate bonds	35,891,329	36,875,300	-
Common and preferred stock	132,433,826	138,050,351	-
Lent for securities collateral:			
U.S. Government securities	35,816,603	-	36,607,766
Short-term investments	219,585	-	223,977
Asset-backed securities	3,750,007	-	3,819,000
Corporate bonds	9,046,213	-	9,338,362
Common and preferred stock	4,809,366	-	7,994,689
Total securities lent	\$ 434,263,557	391,907,763	57,983,794
Component Unit - Pension Trust Fund:			
Lent for cash collateral:			
U.S. Government and GSE securities	\$ 34,279,693	35,274,682	-
Corporate bonds	6,599,363	6,968,570	-
International bonds	5,966,945	6,137,559	-
Common and preferred stock	45,121,793	46,791,336	-
International stock	39,759,448	41,757,213	-
Lent for securities collateral:			
U.S. Government securities	3,790,894	-	3,908,257
Total securities lent	\$ 135,518,136	136,929,360	3,908,257

6. Foreign Currency Risk

Per the reporting entity’s policy, pooled investments are limited to U.S. dollar denominated instruments.

The pension trust funds are allowed to invest in foreign currency denominated instruments. The component unit’s pension trust fund’s policy allows investment managers to invest up to 25 percent of the portfolio in securities issued by non-U.S. guarantors with up to 10 percent in emerging markets. As of June 30, 2005, the fair value in U.S. dollars of the pension trust funds’ foreign currency investments are as follows:

International Securities	Cash and Cash Equivalents	Equity	Convertible and Fixed Income	Total U.S. Dollars
Primary Government - Pension Trust Funds:				
Australian dollar	\$ (12,519,993)	9,599,254	13,183,050	10,262,311
Brazil real	3,850,538	533,713	399	4,384,650
British pound sterling	1,501,453	67,047,637	4,786,867	73,335,957
Canadian dollar	9,819,514	4,481,701	5,311,720	19,612,935
Euro currency unit	(8,976,805)	112,801,831	14,239,888	118,064,914
Hong Kong dollar	-	-	4,395,416	4,395,416
Japanese yen	21,706,788	73,396,817	-	95,103,605
Polish zloty	(629,823)	3,164,191	5,059,491	7,593,859
Singapore dollar	66,112	410,881	4,002,061	4,479,054
Swedish krona	34,370	7,580,503	-	7,614,873
Swiss franc	(831,083)	15,943,792	94,306	15,207,015
Other currencies	(2,944,927)	25,608,455	9,708,790	32,372,318
International mutual funds and similar securities	218,509,725	-	-	218,509,725
Total fair value	\$ 229,585,869	320,568,775	60,781,988	610,936,632
Component Unit - Pension Trust Fund:				
Australian dollar	\$ 61,698	7,156,950	-	7,218,648
Brazil real	-	-	622,091	622,091
British pound sterling	(76,195)	34,260,993	-	34,184,798
Canadian dollar	42,797	7,652,965	6,312,247	14,008,009
Danish krone	1,018	739,769	-	740,787
Euro currency unit	53,432	62,077,551	-	62,130,983
Hong Kong dollar	5,507	6,305,527	-	6,311,034
Indonesian rupiah	14,973	612,114	-	627,087
Japanese yen	55,080	30,142,034	-	30,197,114
Malaysian ringgit	-	339,020	-	339,020
Mexican new peso	205,106	2,783,167	2,234,008	5,222,281
New Zealand dollar	8,098	-	5,919,791	5,927,889
Norwegian krone	-	2,114,167	-	2,114,167
Romanian leu	3,383	128,591	-	131,974
South African comm rand	21,011	949,053	-	970,064
Singapore dollar	49,504	2,054,104	6,041,174	8,144,782
Swedish krona	10,167	5,424,921	-	5,435,088
Swiss franc	11,656	10,455,069	-	10,466,725
Thailand baht	20,977	-	1,665,757	1,686,734
Total fair value	\$ 488,212	173,195,995	22,795,068	196,479,275

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, 2005, after allowances for uncollectible amounts, is \$20,068,841, of which \$2,031,945 has been included in tax revenue for fiscal year 2005 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 2005 as receivables (net of taxes collected in advance totaling \$18,332,335 reported as other deferred revenue) and deferred revenue because the County has an enforceable legal claim to these resources at June 30, 2005; however, these resources, which amount to \$2,213,889,265, will not be available to the County until fiscal year 2006.

The 1998 Virginia General Assembly enacted the Personal Property Tax Relief Act to provide property tax relief on the first \$20,000 of value of motor vehicles not used for business purposes. Due to budget constraints, the 2003 Virginia General Assembly froze the tax reduction at 70 percent. The 2005 Virginia General Assembly revised this measure further to limit its tax relief payments to all localities to a total of \$950 million per tax year beginning with 2006 (fiscal year 2007). Each locality's share of the \$950 million will be a fixed amount to be determined by its share of the total payments made to all localities by the Commonwealth for tax year 2004 (fiscal year 2005). The 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 2005, this revenue from the Commonwealth totaled \$194,031,587 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, 2005, consist of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total (Exhibit A)	Fiduciary Funds	Total Primary Government
Receivables:							
Accounts	\$ 13,775,276	9,974,654	-	14,481	23,764,411	116,366	23,880,777
Accrued interest	3,018,723	709,417	215,126	107,965	4,051,231	14,299,261	18,350,492
Property taxes:							
Delinquent	43,342,047	-	-	-	43,342,047	-	43,342,047
Not yet due	2,032,639,365	-	-	-	2,032,639,365	-	2,032,639,365
Business license taxes - delinquent	7,388,721	-	-	-	7,388,721	-	7,388,721
Receivable from sale of pension investments	-	-	-	-	-	96,534,073	96,534,073
Loans	-	5,933,119	-	-	5,933,119	-	5,933,119
Other	-	-	-	-	17,515 *	-	17,515
Total receivables	2,100,164,132	16,617,190	215,126	122,446	2,117,136,409	110,949,700	2,228,086,109
Allowances for uncollectibles:							
Accounts receivable	(640,277)	(282,909)	-	-	(923,186)	-	(923,186)
Property taxes:							
Delinquent	(23,273,206)	-	-	-	(23,273,206)	-	(23,273,206)
Not yet due	(5,182,300)	-	-	-	(5,182,300)	-	(5,182,300)
Business license taxes - delinquent	(4,856,877)	-	-	-	(4,856,877)	-	(4,856,877)
Loans	-	(1,126,165)	-	-	(1,126,165)	-	(1,126,165)
Total allowances for uncollectibles	(33,952,660)	(1,409,074)	-	-	(35,361,734)	-	(35,361,734)
Total net receivables	\$2,066,211,472	15,208,116	215,126	122,446	2,081,774,675	110,949,700	2,192,724,375

* The other receivables amount represents the amount due from fiduciary funds on a government-wide basis.

Receivables of the component units, excluding fiduciary funds, at June 30, 2005, consist of the following:

	Public Schools	FCRHA	Park Authority	Total Component Units
Receivables:				
Accounts	\$ 388,063	1,859,080	25,967	2,273,110
Accrued interest	261,574	117,538	53,813	432,925
Notes	-	8,777,365	-	8,777,365
Total receivables	649,637	10,753,983	79,780	11,483,400
Allowances for uncollectibles	-	(1,874,256)	-	(1,874,256)
Total net receivables	\$ 649,637	8,879,727	79,780	9,609,144

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2005, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2004	\$ 8,163,963	5,599,899	13,763,862
2003	1,845,766	5,992,423	7,838,189
2002	663,759	4,815,312	5,479,071
Prior years	1,335,504	8,967,126	10,302,630
Total delinquent taxes	12,008,992	25,374,760	37,383,752
Penalty and interest			5,958,295
Total delinquent taxes, penalty and interest			43,342,047
Allowances for uncollectibles			(23,273,206)
Net delinquent tax receivables			\$ 20,068,841

Amounts due to the primary government and component units from other governmental units at June 30, 2005, include the following:

	Primary Government				Component Unit - Public Schools
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total (Exhibit A)	
Federal government	\$ 844,553	26,716,289	196,700	27,757,542	19,445,803
State government:					
Property tax relief:					
Delinquent	20,254,823	-	-	20,254,823	-
Allowance for uncollectibles	(14,672,872)	-	-	(14,672,872)	-
Not yet due	190,704,000	-	-	190,704,000	-
Allowance for uncollectibles	(4,271,800)	-	-	(4,271,800)	-
Other	30,062,880	8,546,978	-	38,609,858	21,763,927
Local governments	1,051,830	134,990	19,862,831	21,049,651	-
Total intergovernmental units	\$ 223,973,414	35,398,257	20,059,531	279,431,202	41,209,730

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, 2005, is as shown on the right.

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund	\$ 12,542,999	-
Nonmajor Governmental Funds	-	12,432,730
Enterprise Fund	-	245,454
Internal Service Funds	443,102	290,402
Fiduciary Funds	-	17,515
Total primary government	\$ 12,986,101	12,986,101
Component Unit		
Public Schools:		
General Fund	\$ 5,100,000	-
Major Governmental Funds	-	3,500,000
Internal Service Funds	-	1,600,000
Total component units	\$ 5,100,000	5,100,000

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, 2005, are as follows:

Receivable Entity	Payable Entity	Amount
<u>Component Units</u>	<u>Primary Government</u>	
Public Schools	Government-wide long-term obligation	\$ 1,621,364
Public Schools	General Fund	202,700
Park Authority	General Fund	1,468,040
Park Authority	Nonmajor Governmental Fund	185,038
EDA	General Fund	414,774
Total		\$ 3,891,916
<u>Primary Government</u>	<u>Component Unit</u>	
General Fund	FCRHA	\$ 100,521
Nonmajor Governmental Funds	FCRHA	1,745,706
General Fund	Park Authority	178,895
Total		\$ 2,025,122

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2005, are as follows:

	Transfers In	Transfers Out
<u>Primary Government</u>		
General Fund	\$ 1,666,444	451,242,462
Nonmajor Governmental Funds	452,947,226	7,272,048
Internal Service Funds	3,900,840	-
Total primary government	\$ 458,514,510	458,514,510
<u>Component Unit</u>		
Public Schools:		
General Fund	\$ -	30,777,747
Capital Projects Fund	13,412,549	-
Nonmajor Governmental Funds	16,998,953	-
Internal Service Funds	366,245	-
Park Authority:		
Major Governmental Funds	900,000	900,000
Total component units	\$ 31,677,747	31,677,747

F. CAPITAL ASSETS

Capital assets activity for the primary government for the year ended June 30, 2005, is as follows:

	Balances July 1, 2004	Increases	Decreases	Balances June 30, 2005
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 330,350,073	9,927,898	(8,730,850)	331,547,121
Construction in progress	65,905,438	72,433,510	(82,319,580)	56,019,368
Total capital assets, not being depreciated	396,255,511	82,361,408	(91,050,430)	387,566,489
Capital assets, being depreciated:				
Equipment	235,556,365	32,845,366	(13,938,686)	254,463,045
Library collections	43,931,856	4,936,608	-	48,868,464
Buildings	737,978,795	96,234,333	(67,992,467)	766,220,661
Improvements	61,696,852	894,213	-	62,591,065
Infrastructure	446,129,494	46,786,635	(794,663)	492,121,466
Total capital assets, being depreciated	1,525,293,362	181,697,155	(82,725,816)	1,624,264,701
Less accumulated depreciation for:				
Equipment	(159,642,217)	(26,875,978)	12,604,876	(173,913,319)
Library collections	(27,520,038)	(5,672,014)	-	(33,192,052)
Buildings	(188,090,377)	(16,736,283)	-	(204,826,660)
Improvements	(28,306,300)	(2,563,599)	-	(30,869,899)
Infrastructure	(101,022,445)	(11,924,591)	55,124	(112,891,912)
Total accumulated depreciation	(504,581,377)	(63,772,465)	12,660,000	(555,693,842)
Total capital assets, being depreciated, net	1,020,711,985	117,924,690	(70,065,816)	1,068,570,859
Total capital assets, net - Governmental activities	1,416,967,496	200,286,098	(161,116,246)	1,456,137,348
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	17,535,818	-	-	17,535,818
Construction in progress	137,991,672	25,602,086	(144,279,389)	19,314,369
Total capital assets, not being depreciated/amortized	155,527,490	25,602,086	(144,279,389)	36,850,187
Capital assets, being depreciated/amortized:				
Equipment	10,750,668	616,187	(633,704)	10,733,151
Purchased capacity	614,949,380	30,404,721	-	645,354,101
Buildings	57,257,549	-	-	57,257,549
Improvements	710,384,908	150,220,880	-	860,605,788
Total capital assets, being depreciated/amortized	1,393,342,505	181,241,788	(633,704)	1,573,950,589
Less accumulated depreciation/amortization for:				
Equipment	(7,606,759)	(975,991)	559,604	(8,023,146)
Purchased capacity	(67,941,175)	(21,419,658)	-	(89,360,833)
Buildings	(26,524,680)	(1,188,225)	-	(27,712,905)
Improvements	(300,356,274)	(16,658,555)	-	(317,014,829)
Total accumulated depreciation/amortization	(402,428,888)	(40,242,429)	559,604	(442,111,713)
Total capital assets, being depreciated/amortized, net	990,913,617	140,999,359	(74,100)	1,131,838,876
Total capital assets, net - Business-type activities	1,146,441,107	166,601,445	(144,353,489)	1,168,689,063
Total capital assets, net - Primary government	\$ 2,563,408,603	366,887,543	(305,469,735)	2,624,826,411

BASIC FINANCIAL STATEMENTS

Capital assets activity for the component units for the year ended June 30, 2005, is as follows:

	Balances July 1, 2004	Increases	Decreases	Balances June 30, 2005
Component Units				
Public Schools				
Capital assets, not being depreciated:				
Land	\$ 46,913,397	6,000,000	(2,137,500)	50,775,897
Construction in progress	248,449,748	124,303,050	(259,167,195)	113,585,603
Total capital assets, not being depreciated	295,363,145	130,303,050	(261,304,695)	164,361,500
Capital assets, being depreciated:				
Equipment	153,922,844	17,383,643	(7,229,042)	164,077,445
Library collections	29,034,740	4,351,012	-	33,385,752
Buildings	802,934,532	159,449,412	-	962,383,944
Improvements	932,375,500	215,007,899	-	1,147,383,399
Total capital assets, being depreciated	1,918,267,616	396,191,966	(7,229,042)	2,307,230,540
Less accumulated depreciation for:				
Equipment	(83,689,377)	(14,397,408)	6,755,610	(91,331,175)
Library collections	(16,912,589)	(3,912,476)	-	(20,825,065)
Buildings	(314,291,609)	(18,449,376)	-	(332,740,985)
Improvements	(264,323,926)	(44,968,842)	-	(309,292,768)
Total accumulated depreciation	(679,217,501)	(81,728,102)	6,755,610	(754,189,993)
Total capital assets, being depreciated, net	1,239,050,115	314,463,864	(473,432)	1,553,040,547
Total capital assets, net - Public Schools	1,534,413,260	444,766,914	(261,778,127)	1,717,402,047
FCRHA				
Capital assets, not being depreciated:				
Land	32,517,627	211,503	-	32,729,130
Construction in progress	2,058,823	1,323,303	-	3,382,126
Total capital assets, not being depreciated	34,576,450	1,534,806	-	36,111,256
Capital assets, being depreciated:				
Equipment	2,935,355	-	-	2,935,355
Buildings and improvements	155,948,722	2,017,224	-	157,965,946
Total capital assets, being depreciated	158,884,077	2,017,224	-	160,901,301
Less accumulated depreciation for:				
Equipment	(2,731,218)	(119,663)	-	(2,850,881)
Buildings and improvements	(70,278,866)	(5,440,690)	-	(75,719,556)
Total accumulated depreciation	(73,010,084)	(5,560,353)	-	(78,570,437)
Total capital assets, being depreciated, net	85,873,993	(3,543,129)	-	82,330,864
Total capital assets, net - FCRHA	120,450,443	(2,008,323)	-	118,442,120
Park Authority				
Capital assets, not being depreciated:				
Land	260,269,825	6,013,721	-	266,283,546
Construction in progress	33,130,546	22,761,361	(30,235,047)	25,656,860
Total capital assets, not being depreciated	293,400,371	28,775,082	(30,235,047)	291,940,406
Capital assets, being depreciated:				
Equipment	12,340,458	1,206,610	(372,340)	13,174,728
Buildings and improvements	187,940,343	30,278,491	-	218,218,834
Total capital assets, being depreciated	200,280,801	31,485,101	(372,340)	231,393,562
Less accumulated depreciation for:				
Equipment	(10,194,408)	(950,810)	370,124	(10,775,094)
Buildings and improvements	(97,128,651)	(5,467,707)	-	(102,596,358)
Total accumulated depreciation	(107,323,059)	(6,418,517)	370,124	(113,371,452)
Total capital assets, being depreciated, net	92,957,742	25,066,584	(2,216)	118,022,110
Total capital assets, net - Park Authority	386,358,113	53,841,666	(30,237,263)	409,962,516
EDA				
Capital assets, being depreciated - Equipment	62,122	-	-	62,122
Less accumulated depreciation - Equipment	(18,310)	(11,024)	-	(29,334)
Total capital assets, net - EDA	43,812	(11,024)	-	32,788
Total capital assets, net - Component units	\$ 2,041,265,628	496,589,233	(292,015,390)	2,245,839,471

Depreciation and amortization expense for the year ended June 30, 2005, 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	\$ 6,596,403	-	-
Judicial administration	1,166,583	-	-
Public safety	12,053,187	-	-
Public works	10,478,286	40,242,429	-
Health and welfare	3,469,689	-	-
Community development	7,847,386	-	-
Parks, recreation, and cultural	11,813,795	-	-
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based on asset usage.	10,347,136	-	-
Component Units			
Public Schools	-	-	81,728,102
FCRHA	-	-	5,560,353
Park Authority	-	-	6,418,517
EDA	-	-	11,024
Total depreciation and amortization expense	\$ 63,772,465	40,242,429	93,717,996

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.

For fiscal year 2005, the reporting entity contributed a contractually fixed rate of 8.08 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, 2005, 2004, and 2003, the County's and Public Schools' annual pension costs and actual contributions were as follows:

	Annual Pension Costs and Actual Contributions for Years Ended June 30		
	2005	2004	2003
County	\$ 34,314,915	25,119,274	23,462,211
Public Schools	12,643,198	9,298,777	8,521,497
Total	\$ 46,958,113	34,418,051	31,983,708

For the years ended June 30, 2005, 2004, and 2003, the County's and Public Schools' annual required contributions (ARC) were as follows:

	ARC for Years Ended June 30		
	2005	2004	2003
County	\$ 49,688,676	37,945,264	26,707,817
Public Schools	18,307,601	14,046,767	9,700,304
Total	\$ 67,996,277	51,992,031	36,408,121

The ARC for fiscal year 2005 were determined as part of the July 1, 2003, 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 percent, including an inflation component of 4.0 percent.
- 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, 2004, is 13.6 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.

Effective October 1, 2003, a Deferred Retirement Option Program (DROP) was established for eligible members of the PORS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0 percent per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP with increases equal to the annual COLA adjustment provided for retirees.

The 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 range. Once outside the range, the rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the range. The range for the PORS is a minimum funding ratio of 90 percent and a maximum funding ratio of 120 percent. The fiscal year 2005 employer contribution rate is 17.96 percent of annual covered payroll.

Annual Pension Cost

Information related to the County's annual pension cost, ARC, actual contributions, and net pension obligation (NPO) for fiscal years 2005, 2004, and 2003 is as follows:

	2005	2004	2003
ARC, for the year ended June 30	\$ 20,744,793	17,356,995	14,918,405
Interest on NPO from prior year	348,789	149,595	-
Actuarial adjustment	(392,800)	(168,471)	-
Annual pension cost	20,700,782	17,338,119	14,918,405
Actual contributions	(14,901,070)	(14,682,201)	(12,923,806)
Increase (decrease) in the NPO, for the year ended June 30	5,799,712	2,655,918	1,994,599
NPO, beginning of year	4,650,517	1,994,599	-
NPO, end of year	\$ 10,450,229	4,650,517	1,994,599

The ARC for the year ended June 30, 2005, was determined as part of the July 1, 2003, 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 10.0 percent, including an inflation component of 4.0 percent.
- 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, 2004, is 13.5 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.

Effective October 1, 2003, a Deferred Retirement Option Program (DROP) was established for eligible members of the URS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0 percent per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP with increases equal to the annual COLA adjustment provided for retirees.

The 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 range. Once outside the range, the rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the range. The range for the URS is a minimum funding ratio of 90 percent and a maximum funding ratio of 120 percent. The fiscal year 2005 employer contribution rate is 24.3 percent of annual covered payroll.

Annual Pension Cost

Information related to the County's annual pension cost, ARC, actual contributions, and NPO for fiscal years 2005, 2004, and 2003 is as follows:

	2005	2004	2003
ARC, for the year ended June 30	\$ 32,320,929	25,186,003	21,548,814
Interest on NPO from prior year	(225,708)	(255,328)	(145,827)
Actuarial adjustment	254,189	287,547	164,228
Annual pension cost	32,349,410	25,218,222	21,567,215
Actual contributions	(27,192,791)	(24,823,288)	(23,027,237)
Increase (decrease) in the NPO, for the year ended June 30	5,156,619	394,934	(1,460,022)
NPO, beginning of year	(3,009,444)	(3,404,378)	(1,944,356)
NPO, end of year	\$ 2,147,175	(3,009,444)	(3,404,378)

The ARC for the year ended June 30, 2005, was determined as part of the July 1, 2003, 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 8.5 percent, including an inflation component of 4.0 percent.
- 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, 2004, is 14 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 Descriptions

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 structure.

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 a variety of benefit payment types. Minimum eligibility conditions for receipt of full benefits for ERFC members are either attaining the age of 55 with 25 years of creditable service or completing five years of creditable service prior to age 65. Minimum eligibility conditions for receipt of full benefits for ERFC 2001 members are either completing five years of creditable service prior to age 60 or any age with 30 years of creditable service. A description of each of the types of benefits payments is contained in the actuarial valuation and the Plan Documents. 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 with the approval of the School Board. All members are required to contribute 4.0 percent of their covered salaries. The employer is required to contribute at an actuarially determined rate. For fiscal year 2005, Public Schools is required to contribute 3.37 percent of annual covered payroll for educational employees and civil service employees.

Annual Pension Cost

For each of the years ended June 30, 2005, 2004, and 2003, the Public Schools' annual pension cost of \$32,198,596, \$37,331,203, and \$34,506,630, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2005, was determined as part of the June 30, 2003, 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 3.75 percent.
- b. Projected annual salary increases of 4.0 to 8.2 percent, including an inflation component of 4.0 percent.
- 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, 2004, was 28 years.

In April 2004, the Board of Trustees agreed to transition the actuarial valuations to a calendar year basis to provide a more current employer contribution rate (which will remain on a fiscal year basis). The most recent actuarial valuation was for the period ending December 31, 2004.

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 2005 was 6.03 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, 2005, 2004, and 2003, were \$90,556,009, \$42,418,186, and \$33,837,799, respectively, equal to the required contributions for each year.

6. Current Plan Membership

At July 1, 2004 (December 31, 2004, 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	4,619	698	996	7,451
Terminated employees entitled to, but not yet receiving, benefits	398	17	26	1,780
DROP participants	n/a	19	48	n/a
Active employees	14,330	1,298	1,646	18,720
Total number of plan members	19,347	2,032	2,716	27,951

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 liabilities do not include nonincremental claim adjustment expenses.

The claims liabilities in the self-insurance funds are discounted at 2.5 percent at June 30, 2005 and 2004, to reflect anticipated investment income. Changes in the balances of claims liabilities during fiscal years 2005 and 2004 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, 2003	\$ 21,244,546	7,095,585	15,600,820	13,200,000
Claims and changes in estimates	9,747,626	52,299,189	7,250,815	144,902,888
Claims payments	(8,658,199)	(51,523,881)	(8,133,981)	(143,708,888)
Liability balances, June 30, 2004	22,333,973	7,870,893	14,717,654	14,394,000
Claims and changes in estimates	9,425,785	53,906,313	7,863,437	164,131,941
Claims payments	(8,888,951)	(53,973,252)	(6,562,154)	(168,109,941)
Liability balances, June 30, 2005	\$ 22,870,807	7,803,954	16,018,937	10,416,000

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, 2005 (in thousands):

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	\$ 1,618,775	311,810	(269,200)	1,661,385	141,790
Premium on bonds payable	55,029	28,846	(7,203)	76,672	11,183
Deferred amount on refundings	(13,043)	(11,596)	1,394	(23,245)	(2,111)
Revenue bonds payable:					
Principal amount of bonds payable	167,354	79,665	(5,287)	241,732	6,869
Premium on bonds payable	13,354	1,376	(1,298)	13,432	1,364
Deferred amount on refundings	(6,111)	-	408	(5,703)	(407)
Compensated absences payable	78,467	52,934	(47,994)	83,407	50,793
Landfill closure and postclosure obligation	61,243	5,608	(1,145)	65,706	7,000
Obligations under capital leases and installment purchases	48,191	8,613	(6,722)	50,082	7,968
Insurance and benefit claims payable	30,205	63,332	(62,862)	30,675	16,002
Other:					
Obligation to component unit	3,243	-	(1,621)	1,622	1,622
Net pension obligation	4,650	7,947	-	12,597	-
HUD Section 108 loan	2,070	-	(115)	1,955	115
Obligations for claims and judgments	710	850	(300)	1,260	610
Special assessment debt with governmental commitment	375	-	(375)	-	-
State Literary Fund loans	158	-	(72)	86	71
Total governmental activities	2,064,670	549,385	(402,392)	2,211,663	242,869
Business-type activities:					
Sewer revenue bonds payable:					
Principal amount of bonds payable	405,586	125,871	(132,855)	398,602	9,910
Premium (discount) on bonds payable	(677)	2,753	597	2,673	120
Deferred amount on refundings	1,431	(8,500)	124	(6,945)	(256)
Compensated absences payable	1,898	1,159	(1,135)	1,922	1,153
Total business-type activities	408,238	121,283	(133,269)	396,252	10,927
Total long-term liabilities - Primary government	\$2,472,908	670,668	(535,661)	2,607,915	253,796

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Component Units					
Public Schools					
Compensated absences payable	\$ 24,565	17,472	(16,704)	25,333	17,363
Obligations under capital leases and installment purchases	36,297	95,211	(16,464)	115,044	16,500
Insurance and benefit claims payable	29,112	171,995	(174,672)	26,435	14,526
Total Public Schools	89,974	284,678	(207,840)	166,812	48,389
FCRHA					
Mortgage revenue bonds payable	12,205	-	(335)	11,870	358
Notes payable	69,657	6,741	(19,874)	56,524	3,883
Compensated absences payable	914	462	(425)	951	401
Other - Public housing loans payable	1,545	-	(144)	1,401	150
Total FCRHA	84,321	7,203	(20,778)	70,746	4,792
Park Authority					
Revenue bonds payable:					
Principal amount of bonds payable	12,700	-	(555)	12,145	570
Discount on bonds payable	(84)	-	5	(79)	(5)
Deferred amount on refundings	(795)	-	50	(745)	(50)
Revenue notes payable	14,736	14,938	(29,674)	-	-
Loan from primary government	15,530	-	-	15,530	-
Compensated absences payable	4,178	2,624	(2,469)	4,333	2,557
Total Park Authority	46,265	17,562	(32,643)	31,184	3,072
EDA					
Compensated absences payable	168	162	(119)	211	149
Total long-term liabilities - Component units	\$ 220,728	309,605	(261,380)	268,953	56,402

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 I-95 Refuse Disposal Fund, a special revenue fund. In addition, the County, FCRHA, Park Authority, and EDA are required to adhere to and are in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage investment earnings on certain bond proceeds.

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, 2005, the amount of general obligation bonds authorized and unissued is summarized to the right (in thousands).

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

Bond Purpose	Amount
School improvements	\$ 435,865
Transportation improvements	200,640
Parks and park facilities	75,000
Commercial and redevelopment area improvements	8,630
Human services facilities	33,685
Adult detention facilities	5,750
Public safety facilities	49,750
Public library facilities	52,500
Total authorized but unissued bonds	<u>\$ 861,820</u>

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, 2005.

In October 2004, the County issued \$311,810,000 of Series 2004B General Obligation Public Improvement and Refunding Bonds, with an average interest rate of 4.71 percent. The Refunding Bonds, totaling \$126,410,000, were issued to advance refund \$36,000,000 of outstanding Series 1997B bonds, \$45,600,000 of outstanding Series 1998A bonds, and \$50,160,000 of outstanding Series 1999B bonds with average interest rates of 4.88, 4.98, and 5.13 percent, respectively. Proceeds of \$141,081,070, plus the County's \$2,830,000 total equity contribution, were used to purchase U.S. Government securities which were deposited in an irrevocable escrow account to provide for the resources to redeem the Series 1997B bonds on December 1, 2005, the Series 1998A bonds on June 6, 2006, and the Series 1999B bonds on December 1, 2007. The reacquisition prices exceeded the net carrying amounts of the refunded bonds by \$11,595,561, 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 15 years by approximately \$12.7 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 \$8.5 million.

Detailed information regarding the general obligation bonds outstanding as of June 30, 2005, is contained in Section 4 of this note.

2. Revenue Bonds

In March 1994, the EDA issued \$116,965,000 of lease revenue bonds (Series 1994) to finance the County's acquisition of certain land and office buildings adjacent to its main government center. In October 2003, the EDA issued \$85,650,000 of lease revenue refunding bonds to advance refund \$88,405,000 of outstanding Series 1994 lease revenue bonds. 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. In January 2005, the EDA issued \$60,690,000 of facilities revenue bonds to finance the acquisition of land and a building and for renovations to that building; this building will be used to consolidate numerous Public Schools administrative offices. 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 the bonds, have been recorded in the County's financial statements and not in those of EDA.

From 1996 through 2003, the FCRHA issued a total of \$15,420,000 of lease revenue bonds for the purpose of financing the construction, renovation, and expansion of three community center buildings, the construction of an adult day care center, and the creation of facilities for child care and ancillary training programs. In August 2004, the FCRHA issued \$10,870,000 of lease revenue bonds to finance the construction and renovation of the James Lee Community Center. In June 2005, the FCRHA issued \$8,105,000 to finance the construction of the Herndon Harbor House Senior 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 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.

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, 2005, is contained in Section 4 of this note.

3. Sewer Revenue Bonds

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. In October 2004, the Sewer System issued \$94,005,000 of Series 2004 Sewer Revenue Refunding Bonds with an average interest rate of 4.61 percent to advance refund \$91,430,000 of the outstanding Series 1996 Sewer Revenue Bonds with an average interest rate of 5.82 percent. Net proceeds of \$96,287,570 together with \$3,257,766 of the Sewer System's resources being held in reserve for debt service on the Series 1996 bonds were used to purchase U.S. Government securities which were deposited into an irrevocable escrow account to provide the resources to redeem the Series 1996 bonds on July 15, 2006. As a result, the advance refunded Series 1996 bonds are considered defeased, and the liability for these bonds has been removed from the Sewer System's statement of net assets. Although the reacquisition price exceeded the net carrying values of the refunded bonds by \$9,119,135, which is being amortized over the life of the new refunding bonds, the Sewer System reduced total debt service payments over future years by approximately \$16.8 million and obtained an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$7.7 million.

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 1995, UOSA issued \$288,600,000 of Regional Sewer System Revenue Bonds to finance the cost of expanding the capacity of its wastewater treatment facilities 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. On December 15, 2003, UOSA issued \$58,150,000 of Regional Sewer System Revenue Refunding Bonds, the Sewer System's share of which was \$36,848,116, to advance refund the outstanding Series 1993 bonds, resulting in a \$1,514,494 accounting gain, which is being amortized over the life of the new bonds. On November 9, 2004, UOSA issued \$49,395,000 of Regional Sewer System Revenue Refunding Bonds, the Sewer System's share of which was \$31,866,527, to advance refund a portion of the outstanding Series 1995 bonds, resulting in a \$619,329 accounting gain, which is being amortized over the life of the new bonds. The Sewer System's share of UOSA's total outstanding debt at June 30, 2005, is \$220,498,281, and it is subordinate to the sewer revenue bonds issued by the 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, 2005, is contained in Section 4 of this note.

4. County Debt and Related Interest to Maturity

The County’s outstanding general obligation bonds, revenue bonds, HUD Section 108 loans, State Literary Fund loans, Sewer System revenue bonds, and the related interest to maturity as of June 30, 2005, 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 1998A Public Improvement	4.50	05-15-98	06-01-06	\$ 2,435	48,710	2,478	109	2,587
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	2,710	54,200	37,940	13,194	51,134
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	4,272-8,379	76,043	65,630	13,724	79,354
Series 1999B Public Improvement	5.50	12-01-99	12-01-07	180	3,600	694	41	735
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	1,900	38,000	28,500	11,823	40,323
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	110-115	2,250	1,790	696	2,486
Series 2001A Public Improvement	4.25-5.00	06-01-01	06-01-21	2,120	42,400	33,920	13,492	47,412
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	3,281-14,423	82,238	47,987	5,258	53,245
Series 2002A Public Improvement	4.00-5.00	06-01-02	06-01-22	3,400	68,000	57,800	24,443	82,243
Series 2002A Refunding	4.00-5.00	06-01-02	06-01-15	1,680-3,421	26,149	19,891	4,705	24,596
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,650-10,089	82,407	51,635	9,179	60,814
Series 2003B Public Improvement	2.00-5.00	05-15-03	06-01-23	3,315-3,330	66,490	59,830	25,080	84,910
Series 2004A Public Improvement	2.00-5.25	04-14-04	04-01-24	3,170-3,180	63,530	60,355	27,613	87,968
Series 2004A Refunding	2.00-5.25	04-14-04	04-01-17	2,955-5,690	67,200	64,765	20,643	85,408
Series 2004B Public Improvement	4.00-6.00	10-19-04	10-01-24	3,455-3,460	69,120	69,120	31,695	100,815
Series 2004B Refunding	4.00-5.00	10-19-04	10-01-19	825-2,585	30,375	30,375	55,121	85,496
Total general obligation bonds - General County					820,712	632,710	256,816	889,526
Schools:								
Series 1997B Public Improvement	4.50	12-01-97	12-01-05	3,000	60,000	3,000	68	3,068
Series 1998A Public Improvement	4.50	05-15-98	06-01-06	1,365	27,290	1,322	62	1,384
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	5,000	100,000	70,000	24,345	94,345
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-14	3,549-6,961	63,172	54,520	11,402	65,922
Series 1999B Public Improvement	5.50	12-01-99	12-01-07	4,000	80,000	11,846	993	12,839
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	2,500	50,000	37,500	15,558	53,058
Series 2000B Public Improvement	4.38-5.13	12-01-00	12-01-20	2,500	50,000	40,000	15,739	55,739
Series 2001A Public Improvement	4.25-5.00	16-01-01	06-01-21	4,000	80,000	64,000	25,453	89,453
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	2,284-10,037	57,227	33,393	3,659	37,052
Series 2002A Public Improvement	4.00-5.00	06-01-02	06-01-22	6,500	130,000	110,500	46,726	157,226
Series 2002A Refunding	4.00-5.00	06-01-02	06-01-15	1,410-4,474	34,786	29,589	7,605	37,194
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,935-10,866	88,758	55,620	9,888	65,508
Series 2003B Public Improvement	3.00-5.00	05-15-03	06-01-23	6,430-6,435	128,680	115,810	48,586	164,396
Series 2004A Public Improvement	4.00-5.25	04-14-04	04-01-24	6,005-6,015	120,215	114,200	52,238	166,438
Series 2004A Refunding	4.50-5.25	04-14-04	04-01-17	3,155-6,620	78,165	75,060	23,855	98,915
Series 2004B Public Improvement	4.00-6.00	10-19-04	10-01-24	5,810-5,815	116,280	116,280	9,709	125,989
Series 2004B Refunding	4.00-5.00	10-19-04	10-01-19	2,600-8,170	96,035	96,035	36,434	132,469
Total general obligation bonds - Schools					1,360,608	1,028,675	332,320	1,360,995
Total general obligation bonds					\$ 2,181,320	1,661,385	589,136	2,250,521

NOTES TO THE FINANCIAL STATEMENTS

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 2003	2.00-5.00	06-01-03	06-01-33	\$ 105-4,240	70,830	70,830	41,469	112,299	
Series 2003 Refunding	5.00	10-01-03	11-15-18	4,080-7,885	85,650	80,125	33,055	113,180	
Series 2005	3.00-5.00	01-27-05	04-01-35	620-3,615	60,690	60,690	52,571	113,261	
FCRHA Lease Revenue Bonds:									
Series 1996	5.35-5.55	09-15-96	06-01-17	280-505	6,390	4,580	1,797	6,377	
Series 1998	4.00-4.85	12-01-98	06-01-18	235-390	5,500	3,960	1,401	5,361	
Series 1999	4.75-5.38	05-27-99	05-01-29	20-65	1,000	925	734	1,659	
Series 2003	3.50	7-22-03	08-01-23	44-171	2,530	2,372	848	3,220	
Series 2004	2.25-5.25	08-26-04	06-01-19	720-725	10,870	10,145	3,348	13,493	
Series 2005	3.00-3.60	06-16-05	06-01-15	810-815	8,105	8,105	1,497	9,602	
Total revenue bonds						251,565	241,732	136,720	378,452
HUD Section 108 Loan	4.97-6.67	07-01-01	08-01-21	115	2,300	1,955	1,044	2,999	
State Literary Fund Loans - Schools:									
Science Lab #1	3.24	04-01-86	04-01-06	63	1,274	63	1	64	
Science Lab #2	5.00	10-01-87	10-01-08	8	148	23	3	26	
Total State Literary Fund loans						1,422	86	4	90
Total governmental activities						2,436,607	1,905,158	726,904	2,632,062
Business-type activities:									
Sewer Revenue Bonds:									
UOSA Bonds Subordinated	2.00-6.00	01-12-93	07-01-29	4,054-15,574	277,621	220,497	162,505	383,002	
Series 1996 Sewer Improvements	5.63	07-01-96	07-15-06	1,810-1,925	104,000	3,735	213	3,948	
Series 2001 Subordinated	4.10	06-01-01	02-01-21	1,583-2,910	40,000	34,940	13,049	47,989	
Series 2002 Subordinated	3.75	09-01-02	03-01-22	1,952-3,538	50,000	45,425	16,418	61,843	
Series 2004 Refunding	3.00-5.00	10-14-04	07-15-28	510-6,725	94,005	94,005	64,002	158,007	
Total business-type activities						565,626	398,602	256,187	654,789
Total County bond and loan indebtedness						\$ 3,002,233	2,303,760	983,091	3,286,851

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, 2005, are as follows:

Fiscal Year	Governmental Activities						Business-Type Activities			
	General Obligation Bonds		Revenue Bonds		Loans		Sewer System Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 141,790	77,658	6,870	11,478	185	118	9,910	18,220	158,755	107,474
2007	141,755	71,397	7,698	10,726	123	109	10,859	17,725	160,435	99,957
2008	136,500	64,550	10,476	10,403	123	103	11,341	17,280	158,440	92,336
2009	131,530	58,111	11,780	10,009	115	96	11,778	16,849	155,203	85,065
2010	121,505	51,811	12,114	9,565	115	90	12,287	16,354	146,021	77,820
2011-2015	503,970	178,186	66,245	39,800	575	348	73,174	73,229	643,964	291,563
2016-2020	343,480	74,001	62,820	23,127	575	169	92,671	54,614	499,546	151,911
2021-2025	140,855	13,422	25,510	11,801	230	15	93,390	32,322	259,985	57,560
2026-2030	-	-	18,235	7,166	-	-	83,192	9,594	101,427	16,760
2031-2035	-	-	19,984	2,645	-	-	-	-	19,984	2,645
Totals	\$ 1,661,385	589,136	241,732	136,720	2,041	1,048	398,602	256,187	2,303,760	983,091

5. FCRHA Bonds, Notes, and Loans Payable

In June 1989, the FCRHA issued \$6,120,000 of 8.95 percent Elderly Bonds, Series 1989A to finance Little River Glen, an elderly housing facility. On August 29, 1996, the FCRHA issued advance refunding bonds, on behalf of the Little River Glen project, which consisted of FHA insured mortgage revenue bonds to refinance the Elderly Bonds, Series 1989A with an original maturity date of June 1, 1999. The refunding bonds had 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.

In November 1992, the FCRHA issued \$3,910,000 of special limited obligation bonds to finance the purchase of the FCRHA's Pender Drive office building. The refunding bonds carried a coupon interest rate of 7.5 percent, are payable semi-annually and had a maturity date of June 15, 2018. In June 1998, the FCRHA issued Series 1998 Lease Revenue Bonds to advance refund the outstanding special limited obligation bonds. The refunding bonds had an original principal amount of \$3,630,000 and an interest rate of 4.71 percent with final payment due June 15, 2018. The refunding 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 refunding 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. The refunding bonds are not obligations of the County.

In July 1995, FCRHA obtained a \$10,131,000 HUD Section 241(f) mortgage to finance the acquisition of Cedar Ridge, a rental facility. The mortgage carries an interest rate of 7.05 percent with final payment due July 1, 2035. The Cedar Ridge Apartments are pledged as security for the mortgage loan.

In August 1997, FCRHA issued \$2,875,000 of tax-exempt mortgage revenue bonds to provide permanent financing for the construction cost of Herndon Harbor House, an elderly housing facility. The bonds were issued with an interest rate of 6.1 percent and final payment 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 used to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility at Herndon Harbor House.

In April 1998, FCRHA issued \$1,700,000 of tax-exempt mortgage revenue bonds to provide permanent financing for the construction cost of Castellani Meadows, a Partnership rental housing facility. The bonds were issued with an interest rate of 5.25 percent with an escalation clause of up to 6.15 percent beginning April 2001 and final payment due March 1, 2028. In 2001, a principal payment of \$825,000 was paid off, 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 bonds. Proceeds from the bonds were used to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility at Castellani Meadows.

In May 1999, the FCRHA issued \$225,000 and \$1,775,000 of multifamily housing revenue bonds to provide permanent financing for the construction of Herndon Harbor House II, an elderly housing facility. The bonds were issued with interest at the rates of 4.875 percent and 5.5 percent, respectively, with final payment dates of May 1, 2009 and May 1, 2029, respectively. The land, building, and equipment of the Herndon Harbor House II Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were used to finance a portion of the costs for the acquisition, construction, and equipping of the rental facility at Herndon Harbor House II.

To permanently finance certain public housing projects, the FCRHA issued public housing notes to the Federal Financing Bank in the original principal amount of \$2,347,930. These notes are payable in annual installments each November 1, until maturity in 2015, with annual 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, 2005, 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	5,530
Lease revenue bonds	FCRHA revenues	4.71	06-15-98	06-15-18	125	3,630	2,725
Tax-exempt revenue bonds	Herndon Harbor I - rental property	6.10	08-01-97	07-01-27	16-30	2,875	908
Multi-family revenue bonds	Castellani Meadows	6.15	04-01-98	03-01-28	14-20	1,700	814
Multi-family revenue bonds	Herndon Harbor II - rental property	4.875-5.50	05-01-99	05-01-29	30-40	2,000	1,893
Total bonds payable - FCRHA						16,545	11,870
Mortgage Notes Payable:							
United Bank	One University Plaza office building	5.00	02-01-04	02-01-14	13-18	363	238
Sun Trust Bank	United Community Ministries	4.71	08-25-98	04-01-13	20-35	400	248
	Creighton Square	7.10	06-25-99	07-01-12	30-40	550	359
	Leland Road Group Home property	5.55	10-06-99	04-01-17	21-31	615	476
	Hopkins Glen rental property	4.33	12-02-02	10-01-16	8	475	455
	Various properties - interim financing	83% of 30 day LIBOR	varies	varies	Int. only	893	1,134
Bank of America	McLean Hills and Springfield Green rental properties	4.54	04-01-95	04-01-15	53-68	1,072	694
U.S. Dept. of Housing and Urban Development	Hopkins Glen rental property	3.00	07-12-98	04-01-10	35-49	1,112	220
	Various FCRHA rental properties	6.45-9.15	02-01-92	varies	285	5,690	1,985
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	50	500	50
	Stonegate Village rental property	8.00-9.25	02-01-91	varies	55-205	1,700	205
	Various FCRHA rental properties	3.73-7.90	02-01-93	varies	110-115	3,100	1,020
	Various FCRHA rental properties	4.75-7.18	08-01-94	varies	195-205	3,775	2,045
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	5	80	35
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	25	500	275
	Various FCRHA rental properties	1.21-5.29	08-07-03	varies	35	500	465
	Cedar Ridge rental property	1.00	05-24-95	varies	-	1,510	1,318
Virginia Housing Development Authority	Minerva Fisher-Hall Group Home property	8.07	07-01-79	06-01-19	2-16	437	307
	Penderbrook rental property	10.25	09-01-88	10-01-18	16-25	770	601
	Rolling Road Group Home property	8.00	09-21-00	09-01-20	5-20	234	207
	Patrick Street Group Home property	8.00	06-01-02	05-01-22	3-22	239	222
	Mount Vernon Group Home property	8.00	01-01-93	04-01-22	5-15	246	200
	West Ox Group Home property	8.00	01-01-92	10-01-22	15-20	842	694
	First Stop Group Home property	8.00	01-30-95	12-01-05	6-8	453	395
Various note holders within the Home Improvement Loan Program	Various properties owned by note holders	9.00-12.50	varies	varies	5-6	65	44
Midland Loan Services	Cedar Ridge rental property	7.05	07-01-95	07-01-35	77-100	10,131	9,470
WMF Huntoon Paige	Cedar Ridge rental property	3.00	11-01-70	09-01-10	90-100	2,850	594
Federal Financing Bank	Property, plant, and equipment	6.60	07-09-82	11-01-12	40-55	1,143	508
Total mortgage notes payable - FCRHA						40,245	24,464
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	1,146
Public housing bonds	Declaration of Trust	5.00	04-01-68	04-01-09	50-60	1,260	255
Total public housing loans payable - FCRHA						3,608	1,401
Total public housing bonds, notes, and loans payable - FCRHA primary government						\$ 60,398	37,735

The FCRHA’s annual required principal and interest payments to maturity on the bonds, notes, and loans payable, excluding its component units, at June 30, 2005, are as follows:

Fiscal Year	Component Unit - FCRHA (Primary Government)							
	Housing Bonds Payable		Mortgage Notes Payable		Public Housing Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 358,577	675,716	3,038,017	1,372,091	149,695	88,630	3,546,289	2,136,437
2007	368,213	656,784	1,333,976	1,278,256	160,616	79,710	1,862,805	2,014,750
2008	393,143	637,236	1,323,513	1,206,551	166,926	70,149	1,883,582	1,913,936
2009	418,383	615,444	1,365,430	1,130,080	173,497	60,327	1,957,310	1,805,851
2010	438,954	592,321	2,713,175	1,049,257	115,814	49,511	3,267,943	1,691,089
2011-2015	2,596,433	2,566,357	5,117,716	4,110,690	576,318	126,464	8,290,467	6,803,511
2016-2020	2,828,961	1,774,209	2,299,818	2,979,204	58,039	3,832	5,186,818	4,757,245
2021-2025	2,778,960	990,507	1,830,570	2,243,048	-	-	4,609,530	3,233,555
2026-2030	1,688,730	146,005	2,247,628	1,551,898	-	-	3,936,358	1,697,903
2031-2035	-	-	3,194,327	605,303	-	-	3,194,327	605,303
Totals	\$ 11,870,354	8,654,579	24,464,170	17,526,378	1,400,905	478,623	37,735,429	26,659,580

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. In September 2001, the Park Authority issued \$13,015,000 of Park Facilities Revenue Refunding Bonds, Series 2001 to advance refund \$11,670,000 of the outstanding Series 1995 bonds.

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 to maturity for the outstanding bonds and the loan payable to the County are as follows:

Fiscal Year	Component Unit - Park Authority							
	Revenue Bonds			Loan from Primary Government			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2006	3.10 %	\$ 570,000	498,788	2.0 %	\$ -	687,362	570,000	1,186,150
2007	3.20	585,000	480,592	2.0	75,000	687,363	660,000	1,167,955
2008	3.40	605,000	460,948	2.25	80,000	685,863	685,000	1,146,811
2009	3.60	625,000	439,413	2.50	100,000	684,062	725,000	1,123,475
2010	3.75	650,000	415,976	3.00	125,000	681,562	775,000	1,097,538
2011-2015	4.00-4.40	3,625,000	1,668,628	3.00-5.00	1,070,000	3,316,213	4,695,000	4,984,841
2016-2020	4.40-4.75	4,465,000	786,599	5.00	2,135,000	2,957,063	6,600,000	3,743,662
2021-2025	4.75	1,020,000	24,225	5.00-4.25	3,610,000	2,290,738	4,630,000	2,314,963
2026-2030	n/a	-	-	4.25	4,880,000	1,373,813	4,880,000	1,373,813
2031-2033	n/a	-	-	4.25	3,455,000	297,711	3,455,000	297,711
Totals		\$ 12,145,000	4,775,169		\$ 15,530,000	13,661,750	27,675,000	18,436,919

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, 2005, approximately \$119.1 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, 2005, the principal amounts outstanding on these IRBs total approximately \$694.0 million.

In October 2003 and in August 2004, the EDA issued \$33,375,000 and \$57,410,000, respectively, of transportation contract revenue bonds on behalf of the State Route 28 Transportation Improvement District for the purpose of financing a portion of the costs of the construction of certain improvements to State Route 28 in the County. The bonds are payable from the collection of special improvements assessments levied by the County and by Loudoun County, Virginia, on property owners in the District. As the County and EDA are not responsible to make payments to pay principal and interest on the bonds, the related transactions, including the liability for the bonds, are not recorded in the County's or EDA's financial statements. As of June 30, 2005, the principal amount of transportation contract revenue bonds outstanding was approximately \$87.7 million.

8. Defeasance of Debt

During fiscal year 2005 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, 2005, the amount of general obligation bonds and Sewer System revenue bonds that are outstanding but considered defeased is \$131.76 million and \$91.43 million, respectively.

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. The ash disposal units continue to be operated, with approximately 39 percent of the capacity used to date. Closure expenditures have been incurred for approximately 55 percent of the total area involved. The County holds permits that allow it to continue using the landfill until approximately 2020.

The \$65.7 million reported as the landfill closure and postclosure obligation at June 30, 2005, represents the total estimated cost remaining to be incurred based on landfill capacity used to date. The actual cost may vary due to inflation, changes in technology, or changes in regulations. The \$7.0 million reported as the current portion represents the anticipated costs to be incurred during fiscal year 2006. It is expected that the landfill closure and postclosure care costs will be funded from existing resources in the I-95 Refuse Disposal Fund.

10. Obligations Under Capital Leases and Installment Purchases

The reporting entity has financed the acquisition of certain capital assets, including a satellite government center, buses, computer equipment, copier machines, and trailers, by entering into capital lease and installment purchase agreements. The balance of capital assets, net, and the minimum obligations under these capital lease and installment purchase agreements as of June 30, 2005, are as follows:

Asset Class	Primary Government - Governmental Activities	Component Unit - Public Schools
Land	\$ 3,261,336	6,000,000
Buildings	25,868,327	39,868,099
Improvements	3,956,364	14,821,901
Equipment	42,339,436	50,475,469
Total assets, at cost	75,425,463	111,165,469
Accumulated depreciation	(30,385,226)	(13,617,594)
Total assets, net	\$ 45,040,237	97,547,875
Fiscal Year	Minimum Obligations	Minimum Obligations
2006	\$ 10,391,172	21,679,767
2007	7,653,053	18,952,471
2008	6,126,472	14,605,859
2009	4,518,174	9,715,576
2010	3,472,068	5,674,351
2011-2015	12,702,884	27,396,076
2016-2020	10,758,284	19,291,508
2021-2025	10,633,969	18,880,788
2026-2030	10,352,023	18,873,965
2031-2035	4,142,526	18,877,125
Total minimum obligations	80,750,625	173,947,486
Portion representing interest	(30,668,587)	(58,903,523)
Present value of minimum obligations	\$ 50,082,038	115,043,963

The County is the lessor in a direct financing lease with Public Schools for an administrative office building and related land. The lease is structured so that Public Schools will make annual lease payments over 30 years equal to the County’s required debt service payments on the Series 2005 Facilities Revenue Bonds (see Note I-2). The County will transfer ownership of the building to Public Schools once all the lease obligations are satisfied. The total future minimum lease payments receivable is \$60.69 million and deferred revenue in the amount of \$60.69 million is reported. Minimum lease payments for each of the five succeeding fiscal years are \$620,000, \$1,115,000, \$1,150,000, \$1,185,000, and \$1,220,000, respectively.

11. Obligation to Component Unit

The County has a liability of approximately \$1.62 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 2005, the County paid the ninth 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 the construction of rail lines and for the acquisition, replacement, and renovation of transit equipment and facilities and to provide operating subsidies for its 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 with WMATA to provide local funds to match federal government appropriations to fund the construction of the 103-mile Metrorail Adopted Regional System. As of June 30, 2003, the County had satisfied its total obligation under these Agreements through a combination of state aid funded through the Northern Virginia Transportation Commission (NVTC) and County general obligation bond proceeds. However, the County may make new commitments in the future in the event the rail system is expanded.

Capital Contributions – Transit Equipment and Facilities

Each fiscal year, the County and other local jurisdictions make contributions for WMATA's acquisition, replacement, and rehabilitation of transit equipment and facilities and for the debt service on federally guaranteed transit revenue bonds issued by WMATA. The County's obligation of approximately \$16.6 million for fiscal year 2005 was funded with \$11.9 million of County general obligation bond proceeds and \$4.7 million of state aid provided through the NVTC. It is anticipated that the County's obligation for fiscal year 2006 will amount to \$21.9 million and be funded with \$19.4 million of state aid provided through the NVTC and \$2.5 million of County general obligation bond proceeds.

Operating Subsidies

The County and other local jurisdictions contribute annually toward WMATA's deficits resulting from the operation of its rail, bus, and paratransit systems. For fiscal year 2005, the County's obligation of approximately \$53.0 million for operating subsidies was funded with \$16.2 million from the County's Metro Operations and Construction Fund, \$36.8 million from state aid and regional gasoline tax receipts provided through the NVTC. It is anticipated that the County's obligation for fiscal year 2006 will amount to \$56.9 million and be funded with \$39.5 million of state aid and regional gasoline tax receipts provided through the NVTC and \$17.4 million of County funds.

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 2005 contribution to VRE’s commuter rail operating, capital, and debt service cost was \$3.3 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, 2005, approximately \$3.9 million of this amount has been expended.

3. Operating Lease Commitments

The County, Public Schools, and the EDA have entered into various long-term lease agreements for real estate and equipment. Certain real estate 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 2005, the County’s, Public Schools’, and EDA’s total expenditures for these operating leases were \$13,272,733, \$3,700,000, and \$845,449, respectively. At June 30, 2005, the minimum long-term lease commitments accounted for as operating leases were as follows:

Fiscal Year	Primary Government	Component Units	
	Governmental Activities	Public Schools	EDA
2006	\$ 12,709,659	6,446,081	920,834
2007	11,799,689	3,688,737	929,845
2008	9,820,990	1,986,860	834,528
2009	7,672,274	1,205,987	834,922
2010	6,938,501	313,717	-
2011-2015	11,252,593	60,147	-
2016-2020	3,189,193	-	-
2021-2025	1,156,747	-	-
2026-2030	1,152,390	-	-
2031-2035	917,606	-	-
Total	\$ 66,609,642	13,701,529	3,520,129

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 \$17,405,417 in fiscal year 2005 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be \$49,169,000, of which \$10,201,000 is expected to be incurred in fiscal year 2006 and the balance over fiscal years 2007 to 2010. In addition, the Sewer System made payments of \$12,359,112 to the ASA during fiscal year 2005 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 Blue Plains Wastewater Treatment Plant, which is operated by the District of Columbia Water and Sewer Authority (WASA). 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. WASA has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from the County. The County has no significant control over plant operations and construction and no ownership interest in the assets of WASA.

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 WASA \$10,881,856 during fiscal year 2005 to fund its share of construction costs, and it estimates its share of the remaining construction costs to be \$34,971,000, of which \$15,525,000 is expected to be incurred in fiscal year 2006 and the balance over fiscal years 2007 to 2010. In addition, the Sewer System made payments of \$8,753,826 to WASA during fiscal year 2005 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. The Sewer System's allocated share of the UOSA plant's total capacity of 54.0 MGD is 27.6 MGD, or approximately 51 percent.

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 2005 of \$9,414,103 to pay its share of UOSA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2004, and 2003 (the most recent audited financial information available), is shown below.

	2004	2003
Total assets	\$ 500,704,056	486,014,732
Total liabilities	(392,310,266)	(387,752,196)
Total net assets	\$ 108,393,790	98,262,536
Operating revenues	\$ 18,354,818	17,460,575
Operating expenses	(30,368,330)	(29,307,593)
Nonoperating revenues, net	15,266,107	13,881,598
Capital contributions	6,878,659	6,496,405
Increase in net assets	\$ 10,131,254	8,530,985

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 \$2,083,658 in fiscal year 2005 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be \$27,000,000, of which \$6,561,000 is expected to be incurred in fiscal year 2006 and the balance over fiscal years 2007 to 2010. In addition, the Sewer System made payments of \$959,477 to Arlington County during fiscal year 2005 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 Series 1998A Resource Recovery Revenue Refunding Bonds, the proceeds of which, together with certain other available funds, were used to refund all remaining outstanding Series 1988 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, 2005, \$122,850,000 of the Series 1998A refunding bonds are outstanding. Unspent bond proceeds in the amount of \$31,211,553, 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, 2005, the primary government had contractual commitments of \$122,723,390 in the capital projects funds and \$49,100,000 in the Sewer System for construction of various sewer projects. At June 30, 2005, the component units had contractual commitments of \$84,085,889 and 15,913,456 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. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from \$15 per month to \$175 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at \$100 per month unless their years of service entitle them to receive a higher monthly subsidy. The subsidy is funded on a pay-as-you-go basis. There

are 2,046 participants currently receiving benefits in the program. For fiscal year 2005, the cost of this program to the County was \$3,431,022, which is reported in the Retiree Health Benefits Fund, an internal service fund.

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 2,685 participating retirees, and the cost of this program to the County for fiscal year 2005 was approximately \$206,000, which is reported in the General Fund.

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 ITEMS

In January 2005, the County sold 34.0 acres of land located in central Fairfax to a private developer for the development of housing and retail. The sale proceeds of \$15.5 million were used by the Park Authority to satisfy the debt it issued to purchase certain park land.

In February 2005, Public Schools sold 35.5 acres of land to a private developer for the development of housing. The sale proceeds of \$11.7 million will be used to expedite new construction and renovations of schools throughout the County.



Required Supplementary Information

The Required Supplementary Information subsection includes the budgetary comparison schedule for the County of Fairfax's major fund, the General Fund. It also includes trend data, including the schedule of funding progress and the schedule of employer contributions, related to the pension trust funds of the County of Fairfax and the Fairfax County Public Schools component unit. The notes to required supplementary information are also included in this subsection.

COUNTY OF FAIRFAX, VIRGINIA
Budgetary Comparison Schedule - General Fund (Budget Basis)
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,288,744,051	2,359,854,259	2,380,973,970	21,119,711
Permits, privilege fees, and regulatory licenses	26,943,956	27,578,867	27,961,574	382,707
Intergovernmental	325,175,736	316,280,580	323,959,314	7,678,734
Charges for services	42,533,320	44,730,140	47,537,672	2,807,532
Fines and forfeitures	12,380,594	12,891,542	15,523,328	2,631,786
Revenue from the use of money and property	21,510,961	29,602,684	30,875,720	1,273,036
Recovered costs	6,226,214	6,591,348	7,247,018	655,670
Total revenues	2,723,514,832	2,797,529,420	2,834,078,596	36,549,176
EXPENDITURES				
General government administration	88,880,120	92,865,108	87,627,412	5,237,696
Judicial administration	27,073,149	27,792,486	27,541,805	250,681
Public safety	326,185,903	341,503,796	327,662,009	13,841,787
Public works	53,169,483	55,861,679	53,208,852	2,652,827
Health and welfare	229,753,413	243,626,364	232,326,063	11,300,301
Community development	40,055,817	43,741,467	39,858,464	3,883,003
Parks, recreation, and cultural	63,429,776	65,649,362	63,577,334	2,072,028
Nondepartmental	175,276,960	182,939,193	173,615,018	9,324,175
Total expenditures	1,003,824,621	1,053,979,455	1,005,416,957	48,562,498
Excess of revenues over expenditures	1,719,690,211	1,743,549,965	1,828,661,639	85,111,674
OTHER FINANCING SOURCES (USES)				
Transfers in from other primary government funds	1,666,444	1,666,444	1,666,444	-
Transfers out to other primary government funds	(405,634,817)	(463,619,933)	(463,619,933)	-
Transfers out to component units	(1,323,762,031)	(1,329,227,031)	(1,329,227,031)	-
Total other financing sources (uses)	(1,727,730,404)	(1,791,180,520)	(1,791,180,520)	-
Net change in fund balance	\$ (8,040,193)	(47,630,555)	37,481,119	85,111,674

See accompanying notes to required supplementary information.

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Funding Progress
For the fiscal year ended June 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (000) (a)	Actuarial Liability (AAL) - Entry Age (000) (b)	Unfunded AAL (UAAL) (Funding Excess) (000) (b-a)	Funded Ratio (a/b)	Covered Payroll (000) (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a) / c)
Primary Government						
Employees' Retirement System:						
7/1/1999	\$ 1,523,311	\$ 1,467,044	\$ (56,267)	103.84 %	\$ 399,732	(14.08) %
7/1/2000	1,694,416	1,690,538	(3,878)	100.23	449,232	(0.86)
7/1/2001	1,807,813	1,857,802	49,989	97.31	476,327	10.49
7/1/2002	1,854,089	2,051,677	197,588	90.37	507,905	38.90
7/1/2003	1,903,970	2,251,187	347,217	84.58	530,216	65.49
7/1/2004	2,030,539	2,411,135	380,596	84.22	552,738	68.86
Police Officers Retirement System:						
7/1/1999	503,649	487,951	(15,698)	103.22	55,081	(28.50)
7/1/2000	568,942	586,939	17,997	96.93	64,946	27.71
7/1/2001	611,514	617,510	5,996	99.03	66,755	8.98
7/1/2002	628,383	656,615	28,232	95.70	69,197	40.80
7/1/2003	644,405	703,977	59,572	91.54	71,401	83.43
7/1/2004	685,495	749,344	63,849	91.48	78,080	81.77
Uniformed Retirement System:						
7/1/1999	560,044	531,789	(28,255)	105.31	78,622	(35.94)
7/1/2000	624,298	614,243	(10,055)	101.64	87,943	(11.43)
7/1/2001	666,599	651,840	(14,759)	102.26	93,577	(15.77)
7/1/2002	687,093	720,996	33,903	95.30	99,200	34.18
7/1/2003	715,797	795,342	79,545	90.00	100,749	78.95
7/1/2004	767,357	881,015	113,658	87.10	102,960	110.39
Component Unit - Public Schools						
Educational Employees' Supplementary Retirement System:						
6/30/1999	1,365,417	1,345,659	(19,758)	101.47	626,015	(3.16)
6/30/2000	1,505,231	1,367,371	(137,860)	110.08	678,937	(20.31)
6/30/2001	1,599,219	1,552,558	(46,661)	103.01	759,906	(6.14)
6/30/2002	1,619,889	1,693,956	74,067	95.63	781,756	9.47
6/30/2003	1,597,459	1,772,418	174,959	90.13	866,502	20.19
12/31/2004	1,643,020	1,935,582	292,562	84.89	977,817	29.92

See accompanying notes to required supplementary information.

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Employer Contributions
For the fiscal year ended June 30, 2005

Primary Government									
Fiscal Year Ended June 30	Employees' Retirement			Police Officers Retirement			Uniformed Retirement		
	Annual Required Contribution	Percentage Contributed		Annual Required Contribution	Percentage Contributed		Annual Required Contribution	Percentage Contributed	
2000	\$27,133,595	*	100 %	\$ 11,950,073	*	100 %	\$ 16,489,406	*	100 %
2001	29,960,984	*	100	17,149,427	*	100	18,818,351	*	100
2002	31,083,805	*	100	15,077,920	*	100	16,834,252	*	112
2003	36,408,121		88	14,918,405	*	87	21,548,814		107
2004	51,992,031		66	17,356,995		85	25,186,003		99
2005	67,996,277		69	20,744,793		72	32,320,929		84

Component Unit - Public Schools				
Educational Employees' Supplementary Retirement				
Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed		
2000	\$ 35,655,898	*	100 %	
2001	29,145,883	*	100	
2002	30,849,067	*	100	
2003	34,506,630	*	100	
2004	37,331,203	*	100	
2005	32,198,596	*	100	

* The annual required contribution is equal to the annual pension cost.
 See accompanying notes to required supplementary information.



COUNTY OF FAIRFAX, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2005

A. BUDGETARY DATA

The Board of Supervisors adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a. By March 1, the County Executive submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During April, public hearings are conducted to obtain taxpayer comments. By May 1, the budget is legally enacted through passage of an appropriation resolution.
- b. The operating budget includes all County appropriated funds and certain non-appropriated funds. The non-appropriated funds include certain funds of the Park Authority and the FCRHA that are not financed by the County.
- c. Budget reviews are held during the fiscal year. Public hearings are held if the recommended increase in the appropriated budget is greater than \$500,000 or one percent of revenues.
- d. The budget is controlled at certain legal and administrative levels. The Code of Virginia requires that the County annually adopt a balanced budget. The adopted Fiscal Planning Resolution places legal restrictions on expenditures at the agency (e.g., County organizations in the General Fund) or fund level and identifies administrative controls at the character (i.e., personnel services, operating expenses, recovered costs, and capital equipment) or project level. The County's Department of Management and Budget is authorized to transfer budgeted amounts between characters or projects within any agency or fund as a management function. Any revisions that alter the total expenditures of any agency or fund must be approved by the Board of Supervisors.
- e. Annual operating budgets are adopted for all appropriated governmental funds, except for the capital projects funds in which budgetary control is achieved on a project-by-project basis. The budgets are on a basis consistent with GAAP for the General Fund, except that:
 - Revenue from investments is recognized in the governmental funds for budget purposes only if collected within 45 days of year end, instead of as earned.
 - Offsetting revenues and expenditures related to donated food are not budgeted.
 - Capital lease transactions when initiated are not budgeted as offsetting expenditures and other financing sources.
 - Certain capital outlays are budgeted as functional expenditures.
 - Local matching grants are reported as expenditures for budget purposes, but are included as transfers for reporting purposes.
 - Payments from or to component units are budgeted as transfers rather than functional revenues and expenditures.

- Inventories of supplies are not included in the fund balance for budget purposes.
- Nondepartmental expenditures are reported for budgeting purposes, but are included in functional expenditures for reporting purposes.
- The Gift Fund, which is included in the County’s General Fund for reporting purposes, is treated as an agency fund for budgeting purposes.
- The Consolidated Community Funding Pool Fund and the Contributory Fund, which are included in the County’s General Fund for reporting purposes, are treated as special revenue funds for budgeting purposes.

The following schedule reconciles the amounts on the Budgetary Comparison Schedule – General Fund (Budget Basis) to the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit A-3):

	Primary Government General Fund
Net change in fund balance (Budget basis)	\$ 37,481,119
Basis difference - Revenue from investments	5,397,891
Perspective differences:	
The Gift Fund is treated as an agency fund for budget purposes	379,495
The Consolidated Community Funding Pool Fund is treated as a special revenue fund for budget purposes	128,506
The Contributory Fund is treated as a special revenue fund for budget purposes	10,275
Net change in fund balance (GAAP basis)	<u>\$ 43,397,286</u>

- f. Original and final budgeted amounts are shown on the Budgetary Comparison Schedule; amendments were not significant in relation to the original budget.
- g. Appropriations lapse at June 30 unless the Board of Supervisors approves carrying them forward to the next fiscal year.

B. PENSION TREND DATA

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

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

Information pertaining to the retirement systems administered by the reporting entity can be found in Note G to the financial statements.



Other Supplementary Information

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

- **Governmental Funds**
- **Internal Service Funds**
- **Fiduciary Funds**
- **Capital Assets**
- **Component Units:**
 - **Fairfax County Public Schools**
 - **Fairfax County Redevelopment and Housing Authority**
 - **Fairfax County Park Authority**
 - **Fairfax County Economic Development Authority**

The **General Fund** is used to account for all revenues and expenditures of the County, which are not required to be accounted for in other funds.

Revenues are derived primarily from real estate and personal property taxes, local sales taxes, utility taxes, business, professional and occupational license taxes, the use of money and property, license and permit fees, and state shared taxes.

Expenditures and transfers out include the costs of the general County government and transfers to component units and other funds, principally made to fund the operations of the Public Schools and County and Public Schools debt service requirements.

COUNTY OF FAIRFAX, VIRGINIA
Budgetary Comparison Schedule Detail - General Fund (Budget Basis)
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Real property	\$ 1,623,843,927	1,634,408,508	1,637,904,221	3,495,713
Personal property	262,893,350	275,648,456	279,896,350	4,247,894
Business licenses	99,593,631	107,540,012	113,956,688	6,416,676
Local sales and use	143,803,000	153,909,699	151,104,610	(2,805,089)
Consumers utility	85,892,727	96,422,983	96,189,365	(233,618)
Motor vehicle decals	19,853,245	19,853,245	19,802,772	(50,473)
Recordation	18,274,531	41,953,168	48,743,007	6,789,839
Occupancy, tobacco, and other	34,589,640	30,118,188	33,376,957	3,258,769
Total taxes	2,288,744,051	2,359,854,259	2,380,973,970	21,119,711
Permits, privilege fees, and regulatory licenses	26,943,956	27,578,867	27,961,574	382,707
Intergovernmental	325,175,736	316,280,580	323,959,314	7,678,734
Charges for services	42,533,320	44,730,140	47,537,672	2,807,532
Fines and forfeitures	12,380,594	12,891,542	15,523,328	2,631,786
Revenue from the use of money and property	21,510,961	29,602,684	30,875,720	1,273,036
Recovered costs	6,226,214	6,591,348	7,247,018	655,670
Total revenues	2,723,514,832	2,797,529,420	2,834,078,596	36,549,176
EXPENDITURES				
General government administration:				
Board of Supervisors	4,291,548	4,291,548	3,825,377	466,171
Financial and Program Auditor	201,893	204,293	165,092	39,201
County Executive	6,797,901	7,248,976	6,835,899	413,077
Tax Administration	21,243,796	21,953,890	20,959,423	994,467
Finance	7,667,813	7,730,947	7,678,263	52,684
Cable Communications and Consumer Protection	2,049,437	1,253,259	1,090,473	162,786
Human Resources	6,011,310	6,544,856	5,984,291	560,565
Purchasing and Supply Management	4,194,643	4,215,828	4,006,634	209,194
Public Affairs	1,089,138	1,244,441	1,176,580	67,861
Electoral Board and General Registrar	3,020,872	3,880,628	3,812,713	67,915
County Attorney	5,526,887	5,672,519	5,270,069	402,450
Information Technology	23,635,853	25,331,770	24,057,630	1,274,140
Management and Budget	2,941,827	3,080,429	2,597,805	482,624
Civil Service Commission	207,202	211,724	167,163	44,561
Total general government administration	88,880,120	92,865,108	87,627,412	5,237,696
Judicial administration:				
Circuit Court and Records	9,441,655	9,649,699	9,073,973	575,726
Commonwealth Attorney	2,006,605	2,009,824	1,847,417	162,407
General District Court	1,540,603	1,783,953	1,729,551	54,402
Sheriff	14,084,286	14,349,010	14,890,864	(541,854)
Total judicial administration	27,073,149	27,792,486	27,541,805	250,681
Public safety:				
Cable Communications and Consumer Protection	966,872	904,315	820,834	83,481
Land Development Services	10,003,727	10,232,755	9,649,529	583,226
Juvenile and Domestic Relations Court	17,969,386	18,331,603	17,936,852	394,751
Police Department	138,130,233	142,212,460	135,369,398	6,843,062
Sheriff	34,555,767	36,030,609	34,696,859	1,333,750
Fire and Rescue	124,151,574	133,196,710	128,617,277	4,579,433
Office of Emergency Management	408,344	595,344	571,260	24,084
Total public safety	\$ 326,185,903	341,503,796	327,662,009	13,841,787

continued

EXHIBIT B

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Public works:				
Facilities Management	\$ 35,462,317	37,284,138	36,120,038	1,164,100
Business Planning and Support	394,211	396,641	318,787	77,854
Capital Facilities	8,767,080	9,073,847	8,634,192	439,655
Stormwater Management	8,321,528	8,867,076	7,895,858	971,218
Unclassified Administrative Expenses	224,347	239,977	239,977	-
Total public works	53,169,483	55,861,679	53,208,852	2,652,827
Health and welfare:				
Family Services	173,693,978	184,494,160	178,102,469	6,391,691
Health Department	40,658,259	43,318,715	39,277,700	4,041,015
Human Services Administration	9,959,497	10,246,115	9,993,012	253,103
Human Services Systems Management	5,441,679	5,567,374	4,952,882	614,492
Total health and welfare	229,753,413	243,626,364	232,326,063	11,300,301
Community development:				
Economic Development Authority	6,169,214	6,194,214	6,194,210	4
Land Development Services	11,782,251	12,354,920	11,636,999	717,921
Planning and Zoning	9,048,497	9,288,213	8,517,934	770,279
Planning Commission	685,050	685,050	624,482	60,568
Housing and Community Development	5,145,893	5,289,662	5,159,648	130,014
Office of Human Rights	1,290,410	1,298,787	1,195,230	103,557
Transportation	5,934,502	8,630,621	6,529,961	2,100,660
Total community development	40,055,817	43,741,467	39,858,464	3,883,003
Parks, recreation, and cultural:				
Community and Recreation Services	12,366,215	12,934,681	11,920,230	1,014,451
Park Authority	23,141,114	23,154,114	23,063,012	91,102
Public Library	27,922,447	29,560,567	28,594,092	966,475
Total parks, recreation, and cultural	63,429,776	65,649,362	63,577,334	2,072,028
Nondepartmental:				
Unclassified Administrative Expenses	6,655,698	12,511,413	7,642,693	4,868,720
Employee Benefits	168,621,262	170,427,780	165,972,325	4,455,455
Total nondepartmental	175,276,960	182,939,193	173,615,018	9,324,175
Total expenditures	1,003,824,621	1,053,979,455	1,005,416,957	48,562,498
Excess of revenues over expenditures	\$ 1,719,690,211	1,743,549,965	1,828,661,639	85,111,674

continued

COUNTY OF FAIRFAX, VIRGINIA
Budgetary Comparison Schedule Detail - General Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT B
concluded

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From other primary government funds:				
Special Revenue Fund:				
Cable Communications	\$ 1,666,444	1,666,444	1,666,444	-
Total transfers in from other primary government funds	1,666,444	1,666,444	1,666,444	-
Transfers out:				
To other primary government funds:				
Special Revenue Funds:				
Fairfax-Falls Church Community Services Board	(81,803,507)	(82,067,279)	(82,067,279)	-
County Transit Systems	(21,210,147)	(21,360,147)	(21,360,147)	-
Aging Grants and Programs	(2,049,425)	(2,049,425)	(2,049,425)	-
Information Technology	(10,224,823)	(11,424,823)	(11,424,823)	-
Energy Resource Recovery	-	(2,014,489)	(2,014,489)	-
Refuse Disposal	(2,500,000)	(2,500,000)	(2,500,000)	-
Refuse Collection and Recycling Operations	-	(210,000)	(210,000)	-
Consolidated Community Funding Pool	(6,781,644)	(6,781,644)	(6,781,644)	-
Contributory Fund	(9,862,624)	(9,872,624)	(9,872,624)	-
E-911	(9,755,869)	(9,755,869)	(9,755,869)	-
Housing Trust Fund	-	(4,020,000)	(4,020,000)	-
Debt Service Funds:				
County Debt Service	(98,715,157)	(98,715,157)	(98,715,157)	-
School Debt Service	(126,528,053)	(126,528,053)	(126,528,053)	-
Capital Projects Funds:				
County Construction	(8,550,187)	(20,579,332)	(20,579,332)	-
Public Works Construction	(250,000)	(1,711,500)	(1,711,500)	-
Public Safety Construction	(260,000)	(33,089,210)	(33,089,210)	-
Metro Operations and Construction	(18,144,820)	(18,144,820)	(18,144,820)	-
Housing Assistance Program	(935,000)	(2,935,000)	(2,935,000)	-
Library Construction	-	(885,000)	(885,000)	-
Primary and Secondary Road Bond Construction	(1,000,000)	(1,000,000)	(1,000,000)	-
Sidewalk Construction	-	(375,000)	(375,000)	-
Internal Service Funds:				
Retiree Health Benefits	(3,699,721)	(3,699,721)	(3,699,721)	-
Technology Infrastructure Services	(463,840)	(463,840)	(463,840)	-
Document Services	(2,900,000)	(3,437,000)	(3,437,000)	-
Total transfers out to other primary government funds	(405,634,817)	(463,619,933)	(463,619,933)	-
To component units:				
Public Schools:				
General Fund	(1,322,374,187)	(1,322,374,187)	(1,322,374,187)	-
Grants and Self-Supporting Programs	-	(5,000,000)	(5,000,000)	-
FCRHA - Elderly Housing Program	(1,387,844)	(1,387,844)	(1,387,844)	-
Park Authority - Parks Capital Improvements	-	(465,000)	(465,000)	-
Total transfers out to component units	(1,323,762,031)	(1,329,227,031)	(1,329,227,031)	-
Total transfers out	(1,729,396,848)	(1,792,846,964)	(1,792,846,964)	-
Total other financing sources (uses)	(1,727,730,404)	(1,791,180,520)	(1,791,180,520)	-
Net change in fund balance	\$ (8,040,193)	(47,630,555)	37,481,119	85,111,674

The **Nonmajor Governmental Funds** include all special revenue funds, debt service funds, and capital projects funds.

COUNTY OF FAIRFAX, VIRGINIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

EXHIBIT C

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and temporary investments	\$ 226,547,734	11,945,698	229,554,192	468,047,624
Receivables (net of allowances):				
Accounts	9,691,745	-	-	9,691,745
Accrued interest	623,099	-	86,318	709,417
Loans	4,806,954	-	-	4,806,954
Due from intergovernmental units	34,417,111	-	981,146	35,398,257
Due from component units	-	-	1,745,706	1,745,706
Loan to component unit	-	15,530,000	-	15,530,000
Lease to component unit	-	60,690,000	-	60,690,000
Other assets	18,547	-	-	18,547
Restricted assets:				
Equity in pooled cash and temporary investments	-	-	56,001,572	56,001,572
Cash with fiscal agents	-	8,916	229,905	238,821
Investments	-	2,434,445	6,505,988	8,940,433
Total assets	\$ 276,105,190	90,609,059	295,104,827	661,819,076
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 18,351,908	4,751	6,973,214	25,329,873
Accrued salaries and benefits	6,108,749	-	-	6,108,749
Contract retainages	269,523	-	5,141,026	5,410,549
Accrued interest payable	-	-	1,028,167	1,028,167
Due to component units	-	-	185,038	185,038
Interfund payables	9,932,730	-	2,500,000	12,432,730
Matured bond principal and interest payable	-	81,638	-	81,638
Deferred revenue	8,757,329	60,690,000	25,730,121	95,177,450
Performance and other deposits	-	-	11,781,302	11,781,302
Total liabilities	43,420,239	60,776,389	53,338,868	157,535,496
Fund balances:				
Reserved for:				
Encumbrances	47,307,767	-	122,723,390	170,031,157
Long-term loans	4,806,954	15,530,000	-	20,336,954
Certain capital projects	-	-	5,898,699	5,898,699
Unreserved	180,570,230	14,302,670	113,143,870	308,016,770
Total fund balances	232,684,951	29,832,670	241,765,959	504,283,580
Total liabilities and fund balances	\$ 276,105,190	90,609,059	295,104,827	661,819,076

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2005

EXHIBIT C-1

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 17,303,265	-	-	17,303,265
Permits, privilege fees, and regulatory licenses	12,621,665	-	-	12,621,665
Intergovernmental	100,655,002	85,346	10,733,134	111,473,482
Charges for services	134,696,339	-	-	134,696,339
Fines and forfeitures	12,200	-	-	12,200
Developers' contributions	2,264,924	-	2,759,400	5,024,324
Revenue from the use of money and property	6,533,215	764,587	1,350,800	8,648,602
Recovered costs	1,049,385	-	3,002,930	4,052,315
Gifts, donations, and contributions	911,673	-	-	911,673
Total revenues	276,047,668	849,933	17,846,264	294,743,865
EXPENDITURES				
Current:				
General government administration	14,723,190	-	168,345	14,891,535
Judicial administration	977,531	-	-	977,531
Public safety	48,494,914	-	1,984,468	50,479,382
Public works	112,793,371	-	6,503,534	119,296,905
Health and welfare	151,503,602	-	499,832	152,003,434
Community development	49,357,485	-	17,852,786	67,210,271
Parks, recreation, and cultural	9,453,033	-	417,669	9,870,702
Intergovernmental:				
Community development	2,963,819	-	31,603,061	34,566,880
Parks, recreation, and cultural	-	-	35,530,627	35,530,627
Education - for Public Schools	1,784,140	-	186,751,831	188,535,971
Capital outlay:				
General government administration	1,135,817	-	1,420,785	2,556,602
Judicial administration	127,789	-	38,502	166,291
Public safety	3,346,760	-	32,466,865	35,813,625
Public works	3,232,949	-	788,360	4,021,309
Health and welfare	27,824	-	935,854	963,678
Community development	4,906,014	-	22,417,241	27,323,255
Parks, recreation, and cultural	461,357	-	2,132,241	2,593,598
Education - for Public Schools	-	-	30,560,818	30,560,818
Debt service:				
Principal retirement	3,517,684	143,597,822	405,342	147,520,848
Interest and other charges	648,771	89,067,865	685,827	90,402,463
Total expenditures	409,456,050	232,665,687	373,163,988	1,015,285,725
Deficiency of revenues under expenditures	(133,408,382)	(231,815,754)	(355,317,724)	(720,541,860)
OTHER FINANCING SOURCES (USES)				
Transfers in	145,013,570	226,592,533	81,341,123	452,947,226
Transfers out	(2,091,213)	-	(5,180,835)	(7,272,048)
General obligation bonds issued, including premium	-	-	199,575,128	199,575,128
Revenue bonds issued, including premium	-	-	81,040,856	81,040,856
General obligation refunding bonds issued, including premium	-	141,081,070	-	141,081,070
Payments to refunded bonds escrow agent	-	(140,525,562)	-	(140,525,562)
Total other financing sources (uses)	142,922,357	227,148,041	356,776,272	726,846,670
SPECIAL ITEM				
Proceeds from the sale of land	-	-	15,500,000	15,500,000
Net change in fund balances	9,513,975	(4,667,713)	16,958,548	21,804,810
Fund balances, July 1, 2004	223,170,976	34,500,383	224,807,411	482,478,770
Fund balances, June 30, 2005	\$ 232,684,951	29,832,670	241,765,959	504,283,580



The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than bond proceeds for major capital projects) that are legally restricted to expenditures for specified purposes.

County Transit Systems Fund is used to account for the operation of a bus service, known as the Fairfax Connector, to transport citizens in certain parts of the County to and from WMATA's rail stations and for the County's contributions to the Virginia Railway Express commuter rail service.

Dulles Rail Phase I Transportation Improvement District Fund is used to account for the charges to property owners within the District to support the debt service payments for bonds to be issued to fund the County's share of certain transportation improvements in the District.

Federal/State Grant Fund is used to account for the utilization of federal and state funds to assist County citizens.

Aging Grants and Programs Fund is used to account for programs for senior citizens that specifically relate to the State Plan of Aging Services and that are administered by the Fairfax Area Agency on Aging. Included are programs for the provision of meals, transportation and medical care.

Information Technology Fund is used to account for the acquisition of computer hardware and software for information technology projects which are designed to improve the County's management information system, its operational efficiency, and customer service.

Cable Communications Fund is used to account for costs associated with monitoring the County's Cable Communications Ordinance and Franchise Agreement as well as providing programming for the County's Governmental Access Channel. Its primary source of revenue is franchise fees.

Fairfax-Falls Church Community Services Board Fund is used to account for mental health, mental retardation, alcoholism, and drug abuse services to families and individuals in Fairfax County, the City of Fairfax, and the City of Falls Church.

Reston Community Center Fund is used to account for the operation of a community center serving the residents of Small District Five, which is located within the Dranesville and Hunter Mill Magisterial Districts, and which is supported by the payment of a special assessment by these residents.

McLean Community Center Fund is used to account for the operation of a community center serving the residents of Small District One, which is located within the Dranesville Magisterial District and which is supported by payment of a special assessment by these residents.

Burgundy Village Community Center Fund is used to account for the operation of a community center serving the residents of Service District 1A, which is located within the Lee Magisterial District and which is supported by payment of a special assessment by these residents.

Integrated Pest Management Program Fund is used to account for detection, abatement, and public information programs to suppress gypsy moth and cankerworm insect populations in the County.

Consolidated Community Funding Pool Fund is reported as a special revenue fund for budget purposes only. For GAAP reporting, the activity and fund balance for this fund are accounted for in the General Fund. This fund accounts for money awarded to community-based nonprofit organizations on a competitive basis to provide certain services to County citizens.

Contributory Fund is reported as a special revenue fund for budget purposes only. For GAAP reporting, the activity and fund balance for this fund are accounted for in the General Fund. This fund accounts for money awarded to certain contributory organizations to provide human services to County citizens.

E-911 Fund is used to account for the operation of a 911 emergency response service for the citizens of the County, including related information technology projects.

Leaf Collection Fund is used to account for the collection and disposal of leaves from residences and businesses located within designated districts. This fund is supported by the payment of a special assessment by these residents and businesses.

Refuse Collection and Recycling Operations Fund is used to account for the collection of refuse in designated districts and from all County departments and the operation of the County's solid waste reduction and recycling centers.

Refuse Disposal Fund is used to account for the operations of two transfer stations to receive refuse collected throughout the County and channel it to either an incinerator or a landfill.

Energy Resource Recovery Facility Fund is used to account for the operation of an incinerator, by a private contractor, used to burn refuse collected throughout the County and received from certain other local jurisdictions. The sale of electricity generated by the facility is a source of revenue for this fund.

I-95 Refuse Disposal Fund is used to account for the operation of a landfill which is currently filled to solid waste capacity and now only used for disposal of ash generated by certain local incinerators.

Alcohol Safety Action Program Fund is used to account for programs to reduce the incidence of driving under the influence (DUI) of alcohol through rehabilitative alcohol/drug education, case management of DUI defendants, referral to alcohol/drug treatment programs and public information. This fund is solely fee supported and is not an appropriated fund within the operating budget. Thus, there is no budgetary comparison schedule for this fund.

Community Development Block Grant Fund is used to account for programs to upgrade low and moderate income neighborhoods through the provision of public facilities, home improvements, and public services.

Housing Trust Fund is used to account for the promotion of housing for low and moderate income individuals in the County by providing low cost debt and equity capital in the form of loans, grants, and equity contributions.

HOME Investment Partnership Grant Fund is used to account for affordable housing programs involving acquisition, rehabilitation, new construction, and tenant-based rental assistance.

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	County Transit Systems	Dulles Rail Phase I Transportation Improvement District	Federal/ State Grant	Aging Grants and Programs	Information Technology	Cable Communications
ASSETS						
Equity in pooled cash and temporary investments	\$ 9,018,850	7,525,356	109,427	1,206,274	22,899,922	22,219,450
Receivables (net of allowances):						
Accounts	2,055,000	-	179,639	-	-	3,147,046
Accrued interest	-	15,118	-	-	51,201	-
Loans	-	-	-	-	-	-
Due from intergovernmental units	7,564,861	-	25,643,573	-	-	-
Other assets	-	-	15,527	-	-	885
Total assets	\$ 18,638,711	7,540,474	25,948,166	1,206,274	22,951,123	25,367,381
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 5,060,862	2,285	2,789,535	210,995	691,375	35,045
Accrued salaries and benefits	-	-	902,877	105,682	-	135,547
Contract retainages	-	-	7,344	-	-	-
Interfund payables	-	-	8,246,034	26,099	-	36,277
Deferred revenue	-	7,448,119	236,730	-	-	-
Total liabilities	5,060,862	7,450,404	12,182,520	342,776	691,375	206,869
Fund balances:						
Reserved for:						
Encumbrances	3,229,585	-	17,666,879	386,726	7,941,219	583,757
Long-term loans	-	-	-	-	-	-
Unreserved	10,348,264	90,070	(3,901,233)	476,772	14,318,529	24,576,755
Total fund balances	13,577,849	90,070	13,765,646	863,498	22,259,748	25,160,512
Total liabilities and fund balances	\$ 18,638,711	7,540,474	25,948,166	1,206,274	22,951,123	25,367,381

EXHIBIT D

Fairfax- Falls Church Community Service Board	Reston Community Center	McLean Community Center	Burgundy Village Community Center	Integrated Pest Management Program	E-911	
						ASSETS
10,591,667	4,071,413	4,306,774	128,141	2,525,341	8,706,858	Equity in pooled cash and temporary investments
-	-	-	-	-	1,110,000	Receivables (net of allowances):
-	9,384	9,668	278	5,508	19,492	Accounts
-	-	-	-	-	-	Accrued interest
437,527	-	-	-	-	-	Loans
137	-	-	-	-	-	Due from intergovernmental units
11,029,331	4,080,797	4,316,442	128,419	2,530,849	9,837,672	Other assets
						Total assets
						LIABILITIES AND FUND BALANCES
						Liabilities:
3,175,303	149,796	52,205	46	267,786	1,624,629	Accounts payable and accrued liabilities
3,152,905	134,438	79,668	982	28,986	606,297	Accrued salaries and benefits
-	-	-	-	-	-	Contract retainages
782,832	28,341	21,641	68	5,100	142,109	Interfund payables
1,020,413	-	52,067	-	-	-	Deferred revenue
8,131,453	312,575	205,581	1,096	301,872	2,373,035	Total liabilities
						Fund balances:
						Reserved for:
939,808	804,414	76,104	-	120,834	1,404,899	Encumbrances
-	-	-	-	-	-	Long-term loans
1,958,070	2,963,808	4,034,757	127,323	2,108,143	6,059,738	Unreserved
2,897,878	3,768,222	4,110,861	127,323	2,228,977	7,464,637	Total fund balances
11,029,331	4,080,797	4,316,442	128,419	2,530,849	9,837,672	Total liabilities and fund balances

continued

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	Leaf Collection	Refuse Collection and Recycling Operations	Refuse Disposal	Energy Resource Recovery Facility	I-95 Refuse Disposal
ASSETS					
Equity in pooled cash and temporary investments	\$ 1,715,764	6,398,877	7,677,272	21,131,417	71,188,853
Receivables (net of allowances):					
Accounts	-	65,640	2,812,246	-	322,174
Accrued interest	3,900	14,707	24,103	38,902	151,688
Loans	-	-	-	-	-
Due from intergovernmental units	-	55,433	113,180	5,332	-
Other assets	-	-	-	-	-
Total assets	\$ 1,719,664	6,534,657	10,626,801	21,175,651	71,662,715
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 637	1,021,081	879,078	1,217,840	1,122,359
Accrued salaries and benefits	-	310,878	367,428	22,373	108,869
Contract retainages	-	-	-	-	233,690
Interfund payables	-	95,071	104,634	6,516	29,306
Deferred revenue	-	-	-	-	-
Total liabilities	637	1,427,030	1,351,140	1,246,729	1,494,224
Fund balances:					
Reserved for:					
Encumbrances	15,352	324,458	842,869	100,036	1,968,934
Long-term loans	-	-	-	-	-
Unreserved	1,703,675	4,783,169	8,432,792	19,828,886	68,199,557
Total fund balances	1,719,027	5,107,627	9,275,661	19,928,922	70,168,491
Total liabilities and fund balances	\$ 1,719,664	6,534,657	10,626,801	21,175,651	71,662,715

EXHIBIT D
concluded

Alcohol Safety Action Program	Community Development Block Grant	Housing Trust	HOME Investment Partnership Grant	Total Special Revenue Funds	
					ASSETS
221,513	887,438	23,974,542	42,585	226,547,734	Equity in pooled cash and temporary investments
-	-	-	-	9,691,745	Receivables (net of allowances):
333	3,046	275,771	-	623,099	Accounts
-	2,980,247	1,720,041	106,666	4,806,954	Accrued interest
-	153,503	63,473	380,229	34,417,111	Loans
-	676	-	-	18,547	Due from intergovernmental units
221,846	4,024,910	26,033,827	529,480	276,105,190	Other assets
					Total assets
					LIABILITIES AND FUND BALANCES
					Liabilities:
3,196	38,871	8,494	490	18,351,908	Accounts payable and accrued liabilities
72,007	71,845	-	7,967	6,108,749	Accrued salaries and benefits
-	28,489	-	-	269,523	Contract retainages
12,233	15,179	-	381,290	9,932,730	Interfund payables
-	-	-	-	8,757,329	Deferred revenue
87,436	154,384	8,494	389,747	43,420,239	Total liabilities
					Fund balances:
					Reserved for:
9,707	995,529	9,412,852	483,805	47,307,767	Encumbrances
-	2,980,247	1,720,041	106,666	4,806,954	Long-term loans
124,703	(105,250)	14,892,440	(450,738)	180,570,230	Unreserved
134,410	3,870,526	26,025,333	139,733	232,684,951	Total fund balances
221,846	4,024,910	26,033,827	529,480	276,105,190	Total liabilities and fund balances

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2005

	County Transit Systems	Dulles Rail Phase I Transportation Improvement District	Federal/ State Grant	Aging Grants and Programs	Information Technology	Cable Communications
REVENUES						
Local sales and use taxes	\$ -	-	-	-	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	-	-	12,585,615
Intergovernmental	10,140,139	-	51,144,811	2,150,340	885,233	-
Charges for services	5,124,135	-	68,362	111,076	-	1,312
Fines and forfeitures	-	-	-	-	-	12,200
Developers' contributions	275,000	-	-	-	-	-
Revenue from the use of money and property	322,480	90,070	213,385	-	511,818	4,275
Recovered costs	1,966	-	548,072	75,394	-	-
Gifts, donations, and contributions	-	-	476,869	434,804	-	-
Total revenues	15,863,720	90,070	52,451,499	2,771,614	1,397,051	12,603,402
EXPENDITURES						
Current:						
General government administration	-	-	2,308,352	-	12,414,838	-
Judicial administration	-	-	977,531	-	-	-
Public safety	-	-	25,310,090	-	-	-
Public works	-	-	1,345,544	-	-	-
Health and welfare	-	-	25,115,565	3,150,469	-	-
Community development	30,514,653	-	1,543,311	759,812	-	4,387,857
Parks, recreation, and cultural	-	-	454,730	836,009	-	-
Intergovernmental:						
Community development	2,963,819	-	-	-	-	-
Education - for Public Schools	-	-	-	-	-	1,784,140
Capital outlay:						
General government administration	-	-	844,225	-	291,592	-
Judicial administration	-	-	127,789	-	-	-
Public safety	-	-	1,298,702	-	-	-
Public works	-	-	512,204	-	-	-
Health and welfare	-	-	27,824	-	-	-
Community development	2,750,543	-	1,259,107	-	-	359,713
Parks, recreation, and cultural	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	414,226	-	676,550	-
Interest and other charges	-	-	42,194	-	188,294	-
Total expenditures	36,229,015	-	61,581,394	4,746,290	13,571,274	6,531,710
Excess (deficiency) of revenues over (under) expenditures	(20,365,295)	90,070	(9,129,895)	(1,974,676)	(12,174,223)	6,071,692
OTHER FINANCING SOURCES (USES)						
Transfers in	22,995,167	-	7,976,518	2,049,425	11,424,823	-
Transfers out	-	-	-	-	-	(1,666,444)
Total other financing sources (uses)	22,995,167	-	7,976,518	2,049,425	11,424,823	(1,666,444)
Net change in fund balances	2,629,872	90,070	(1,153,377)	74,749	(749,400)	4,405,248
Fund balances, July 1, 2004	10,947,977	-	14,919,023	788,749	23,009,148	20,755,264
Fund balances, June 30, 2005	\$ 13,577,849	90,070	13,765,646	863,498	22,259,748	25,160,512

EXHIBIT D-1

Fairfax- Falls Church Community Service Board	Reston Community Center	McLean Community Center	Burgundy Village Community Center	Integrated Pest Management Program	E-911	
REVENUES						
-	-	-	-	-	17,303,265	Local sales and use taxes
-	-	-	-	-	-	Permits, privilege fees, and regulatory licenses
23,517,437	-	8,800	-	35,000	2,962,945	Intergovernmental
13,489,554	5,868,810	4,094,044	16,953	1,442,846	-	Charges for services
-	-	-	-	-	-	Fines and forfeitures
-	-	-	-	-	-	Developers' contributions
-	208,758	158,805	19,725	46,642	205,884	Revenue from the use of money and property
96,450	-	-	-	-	-	Recovered costs
-	-	-	-	-	-	Gifts, donations, and contributions
37,103,441	6,077,568	4,261,649	36,678	1,524,488	20,472,094	Total revenues
EXPENDITURES						
Current:						
-	-	-	-	-	-	General government administration
-	-	-	-	-	-	Judicial administration
-	-	-	-	-	23,184,824	Public safety
-	-	-	-	-	-	Public works
120,556,210	-	-	-	875,109	-	Health and welfare
-	-	-	-	532,921	-	Community development
-	5,066,618	3,059,929	35,747	-	-	Parks, recreation, and cultural
Intergovernmental:						
-	-	-	-	-	-	Community development
-	-	-	-	-	-	Education - for Public Schools
Capital outlay:						
-	-	-	-	-	-	General government administration
-	-	-	-	-	-	Judicial administration
-	-	-	-	-	2,048,058	Public safety
-	-	-	-	-	-	Public works
-	-	-	-	-	-	Health and welfare
-	-	-	-	17,317	-	Community development
-	270,776	190,581	-	-	-	Parks, recreation, and cultural
Debt service:						
-	16,599	-	-	-	2,295,309	Principal retirement
-	48,873	-	-	-	249,540	Interest and other charges
120,556,210	5,402,866	3,250,510	35,747	1,425,347	27,777,731	Total expenditures
Excess (deficiency) of revenues over (under) expenditures						
(83,452,769)	674,702	1,011,139	931	99,141	(7,305,637)	
OTHER FINANCING SOURCES (USES)						
82,067,279	-	-	-	-	9,755,869	Transfers in
-	-	(424,769)	-	-	-	Transfers out
82,067,279	-	(424,769)	-	-	9,755,869	Total other financing sources (uses)
(1,385,490)	674,702	586,370	931	99,141	2,450,232	Net change in fund balances
4,283,368	3,093,520	3,524,491	126,392	2,129,836	5,014,405	Fund balances, July 1, 2004
2,897,878	3,768,222	4,110,861	127,323	2,228,977	7,464,637	Fund balances, June 30, 2005

continued

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2005

	Leaf Collection	Refuse Collection and Recycling Operations	Refuse Disposal	Energy Resource Recovery Facility	I-95 Refuse Disposal
REVENUES					
Local sales and use taxes	\$ -	-	-	-	-
Permits, privilege fees, and regulatory licenses	-	-	30,580	-	5,470
Intergovernmental	-	81,124	-	-	-
Charges for services	1,565,625	13,155,176	50,189,530	32,994,489	4,852,833
Fines and forfeitures	-	-	-	-	-
Developers' contributions	-	-	-	-	-
Revenue from the use of money and property	69,220	850,576	1,131,808	367,068	1,670,684
Recovered costs	-	179,095	129,497	-	18,911
Gifts, donations, and contributions	-	-	-	-	-
Total revenues	1,634,845	14,265,971	51,481,415	33,361,557	6,547,898
EXPENDITURES					
Current:					
General government administration	-	-	-	-	-
Judicial administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,351,786	14,629,999	52,894,288	31,886,285	10,685,469
Health and welfare	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Intergovernmental:					
Community development	-	-	-	-	-
Education - for Public Schools	-	-	-	-	-
Capital outlay:					
General government administration	-	-	-	-	-
Judicial administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	53,836	1,573,747	645,143	13,650	434,369
Health and welfare	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	1,405,622	16,203,746	53,539,431	31,899,935	11,119,838
Excess (deficiency) of revenues over (under) expenditures	229,223	(1,937,775)	(2,058,016)	1,461,622	(4,571,940)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	210,000	2,500,000	2,014,489	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	210,000	2,500,000	2,014,489	-
Net change in fund balances	229,223	(1,727,775)	441,984	3,476,111	(4,571,940)
Fund balances, July 1, 2004	1,489,804	6,835,402	8,833,677	16,452,811	74,740,431
Fund balances, June 30, 2005	\$ 1,719,027	5,107,627	9,275,661	19,928,922	70,168,491

EXHIBIT D-1

concluded

Alcohol Safety Action Program	Community Development Block Grant	Housing Trust	HOME Investment Partnership Grant	Total Special Revenue Funds	
REVENUES					
-	-	-	-	17,303,265	Local sales and use taxes
-	-	-	-	12,621,665	Permits, privilege fees, and regulatory licenses
-	9,042,661	-	686,512	100,655,002	Intergovernmental
1,721,594	-	-	-	134,696,339	Charges for services
-	-	-	-	12,200	Fines and forfeitures
-	-	1,989,924	-	2,264,924	Developers' contributions
3,791	134,902	491,423	31,901	6,533,215	Revenue from the use of money and property
-	-	-	-	1,049,385	Recovered costs
-	-	-	-	911,673	Gifts, donations, and contributions
1,725,385	9,177,563	2,481,347	718,413	276,047,668	Total revenues
EXPENDITURES					
Current:					
-	-	-	-	14,723,190	General government administration
-	-	-	-	977,531	Judicial administration
-	-	-	-	48,494,914	Public safety
-	-	-	-	112,793,371	Public works
1,806,249	-	-	-	151,503,602	Health and welfare
-	9,552,901	1,393,410	672,620	49,357,485	Community development
-	-	-	-	9,453,033	Parks, recreation, and cultural
Intergovernmental:					
-	-	-	-	2,963,819	Community development
-	-	-	-	1,784,140	Education - for Public Schools
Capital outlay:					
-	-	-	-	1,135,817	General government administration
-	-	-	-	127,789	Judicial administration
-	-	-	-	3,346,760	Public safety
-	-	-	-	3,232,949	Public works
-	-	-	-	27,824	Health and welfare
-	24,738	494,596	-	4,906,014	Community development
-	-	-	-	461,357	Parks, recreation, and cultural
Debt service:					
-	115,000	-	-	3,517,684	Principal retirement
-	119,870	-	-	648,771	Interest and other charges
1,806,249	9,812,509	1,888,006	672,620	409,456,050	Total expenditures
Excess (deficiency) of revenues over (under) expenditures					
(80,864)	(634,946)	593,341	45,793	(133,408,382)	
OTHER FINANCING SOURCES (USES)					
-	-	4,020,000	-	145,013,570	Transfers in
-	-	-	-	(2,091,213)	Transfers out
-	-	4,020,000	-	142,922,357	Total other financing sources (uses)
(80,864)	(634,946)	4,613,341	45,793	9,513,975	Net change in fund balances
215,274	4,505,472	21,411,992	93,940	223,170,976	Fund balances, July 1, 2004
134,410	3,870,526	26,025,333	139,733	232,684,951	Fund balances, June 30, 2005

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - County Transit Systems Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2A

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 7,420,534	10,269,588	10,417,105	147,517
Charges for services	650,000	650,000	891,686	241,686
Total revenues	8,070,534	10,919,588	11,308,791	389,203
EXPENDITURES				
Community development	31,395,928	43,704,034	31,674,086	12,029,948
Total expenditures	31,395,928	43,704,034	31,674,086	12,029,948
Excess (deficiency) of revenues over (under) expenditures	(23,325,394)	(32,784,446)	(20,365,295)	12,419,151
OTHER FINANCING SOURCES				
Transfers in	22,845,167	22,995,167	22,995,167	-
Total other financing sources	22,845,167	22,995,167	22,995,167	-
Net change in fund balance	\$ (480,227)	(9,789,279)	2,629,872	12,419,151

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2B

Special Revenue Fund

Budgetary Comparison Schedule - Dulles Rail Phase I Transportation Improvement

District Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	7,513,673	7,448,119	(65,554)
Revenue from the use of money and property	-	-	64,452	64,452
Total revenues	-	7,513,673	7,512,571	(1,102)
EXPENDITURES				
Net change in fund balance	\$ -	7,513,673	7,512,571	(1,102)

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2C

Special Revenue Fund

Budgetary Comparison Schedule - Federal/State Grant Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 46,577,460	113,053,297	51,144,811	(61,908,486)
Charges for services	-	-	68,362	68,362
Revenue from the use of money and property	-	-	213,385	213,385
Recovered costs	-	74,671	548,072	473,401
Local matching grants	9,140,706	20,053,084	7,976,518	(12,076,566)
Gifts, donations, and contributions	-	661,011	476,869	(184,142)
Total revenues	55,718,166	133,842,063	60,428,017	(73,414,046)
EXPENDITURES				
General government administration	-	1,141,570	3,152,577	(2,011,007)
Judicial administration	-	3,705,621	1,105,320	2,600,301
Public safety	7,568,654	82,647,470	27,065,212	55,582,258
Public works	-	6,474,153	1,857,748	4,616,405
Health and welfare	-	42,397,805	25,143,389	17,254,416
Community development	-	5,964,070	2,802,418	3,161,652
Parks, recreation, and cultural	-	696,065	454,730	241,335
Nondepartmental	48,149,512	5,490,704	-	5,490,704
Total expenditures	55,718,166	148,517,458	61,581,394	86,936,064
Net change in fund balance	\$ -	(14,675,395)	(1,153,377)	13,522,018

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2d

Special Revenue Fund

Budgetary Comparison Schedule - Aging Grants and Programs Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,000,878	2,577,315	2,150,340	(426,975)
Charges for services	111,076	111,076	111,076	-
Recovered costs	78,773	80,003	75,394	(4,609)
Gifts and donations	362,065	480,464	434,804	(45,660)
Total revenues	2,552,792	3,248,858	2,771,614	(477,244)
EXPENDITURES				
Health and welfare	4,602,217	6,087,032	3,150,469	2,936,563
Community development	-	-	759,812	(759,812)
Parks, recreation, and cultural	-	-	836,009	(836,009)
Total expenditures	4,602,217	6,087,032	4,746,290	1,340,742
Excess (deficiency) of revenues over (under) expenditures	(2,049,425)	(2,838,174)	(1,974,676)	863,498
OTHER FINANCING SOURCES				
Transfers in	2,049,425	2,049,425	2,049,425	-
Total other financing sources	2,049,425	2,049,425	2,049,425	-
Net change in fund balance	\$ -	(788,749)	74,749	863,498

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Information Technology Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2E

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	885,233	885,233	-
Revenue from the use of money and property	180,000	279,895	436,001	156,106
Total revenues	180,000	1,165,128	1,321,234	156,106
EXPENDITURES				
General government administration	10,404,823	35,578,542	13,571,274	22,007,268
Total expenditures	10,404,823	35,578,542	13,571,274	22,007,268
Excess (deficiency) of revenues over (under) expenditures	(10,224,823)	(34,413,414)	(12,250,040)	22,163,374
OTHER FINANCING SOURCES				
Transfers in	10,224,823	11,424,823	11,424,823	-
Total other financing sources	10,224,823	11,424,823	11,424,823	-
Net change in fund balance	\$ -	(22,988,591)	(825,217)	22,163,374

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2F

Special Revenue Fund

Budgetary Comparison Schedule - Cable Communications Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Permits, privilege fees, and regulatory licenses \$	11,381,194	11,381,194	12,585,615	1,204,421
Charges for services	2,800	2,800	1,312	(1,488)
Fines and forfeitures	-	-	12,200	12,200
Revenue from the use of money and property	-	-	4,275	4,275
Total revenues	11,383,994	11,383,994	12,603,402	1,219,408
EXPENDITURES				
Community development	12,960,806	23,177,730	4,747,570	18,430,160
Total expenditures	12,960,806	23,177,730	4,747,570	18,430,160
Excess (deficiency) of revenues over (under) expenditures	(1,576,812)	(11,793,736)	7,855,832	19,649,568
OTHER FINANCING USES				
Transfers out	(1,666,444)	(1,666,444)	(1,666,444)	-
Transfers out to component units	(1,784,140)	(1,784,140)	(1,784,140)	-
Total other financing uses	(3,450,584)	(3,450,584)	(3,450,584)	-
Net change in fund balance	\$ (5,027,396)	(15,244,320)	4,405,248	19,649,568

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund

EXHIBIT D-2G

Budgetary Comparison Schedule - Fairfax-Falls Church Community Services Fund (Budget Basis)
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 20,274,930	25,228,224	23,517,437	(1,710,787)
Charges for services	13,041,671	12,358,698	13,586,004	1,227,306
Total revenues	33,316,601	37,586,922	37,103,441	(483,481)
EXPENDITURES				
Health and welfare	118,007,557	123,816,811	120,556,210	3,260,601
Total expenditures	118,007,557	123,816,811	120,556,210	3,260,601
Excess (deficiency) of revenues over (under) expenditures	(84,690,956)	(86,229,889)	(83,452,769)	2,777,120
OTHER FINANCING SOURCES				
Transfers in	81,803,507	82,067,279	82,067,279	-
Total other financing sources	81,803,507	82,067,279	82,067,279	-
Net change in fund balance	\$ (2,887,449)	(4,162,610)	(1,385,490)	2,777,120

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2H

Special Revenue Fund

Budgetary Comparison Schedule - Reston Community Center Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 5,592,633	5,577,633	5,868,810	291,177
Revenue from the use of money and property	112,669	127,669	194,206	66,537
Total revenues	5,705,302	5,705,302	6,063,016	357,714
EXPENDITURES				
Parks, recreation, and cultural	6,898,967	7,195,224	5,402,866	1,792,358
Total expenditures	6,898,967	7,195,224	5,402,866	1,792,358
Net change in fund balance	\$ (1,193,665)	(1,489,922)	660,150	2,150,072

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - McLean Community Center Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2I

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	-	8,800	8,800
Charges for services	3,806,760	3,842,055	4,094,044	251,989
Revenue from the use of money and property	131,784	133,684	144,431	10,747
Total revenues	3,938,544	3,975,739	4,247,275	271,536
EXPENDITURES				
Parks, recreation, and cultural	3,440,178	4,170,710	3,250,510	920,200
Total expenditures	3,440,178	4,170,710	3,250,510	920,200
Excess (deficiency) of revenues over (under) expenditures	498,366	(194,971)	996,765	1,191,736
OTHER FINANCING USES				
Transfers out	(99,769)	(424,769)	(424,769)	-
Total other financing uses	(99,769)	(424,769)	(424,769)	-
Net change in fund balance	\$ 398,597	(619,740)	571,996	1,191,736

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2J

Special Revenue Fund

Budgetary Comparison Schedule - Burgundy Village Community Center Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 11,966	11,966	16,953	4,987
Revenue from the use of money and property	27,606	27,606	19,330	(8,276)
Total revenues	39,572	39,572	36,283	(3,289)
EXPENDITURES				
Parks, recreation, and cultural	36,870	36,870	35,747	1,123
Total expenditures	36,870	36,870	35,747	1,123
Net change in fund balance	\$ 2,702	2,702	536	(2,166)

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund

EXHIBIT D-2K

Budgetary Comparison Schedule - Integrated Pest Management Program Fund (Budget Basis)
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	-	35,000	35,000
Charges for services	1,335,611	1,335,611	1,442,846	107,235
Revenue from the use of money and property	23,070	23,070	38,485	15,415
Total revenues	1,358,681	1,358,681	1,516,331	157,650
EXPENDITURES				
Health and welfare	1,503,143	1,509,138	875,109	634,029
Community development	999,089	1,016,406	550,238	466,168
Total expenditures	2,502,232	2,525,544	1,425,347	1,100,197
Net change in fund balance	\$ (1,143,551)	(1,166,863)	90,984	1,257,847

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund

EXHIBIT D-2L

Budgetary Comparison Schedule - Consolidated Community Funding Pool Fund (Budget Basis)
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES	\$ -	-	-	-
EXPENDITURES				
Community development	6,781,644	6,916,663	6,653,138	263,525
Total expenditures	6,781,644	6,916,663	6,653,138	263,525
Excess (deficiency) of revenues over (under) expenditures	(6,781,644)	(6,916,663)	(6,653,138)	263,525
OTHER FINANCING SOURCES				
Transfers in	6,781,644	6,781,644	6,781,644	-
Total other financing sources	6,781,644	6,781,644	6,781,644	-
Net change in fund balance	\$ -	(135,019)	128,506	263,525

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Contributory Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2M

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	-	-	-
EXPENDITURES				
General government administration	1,759,157	1,776,657	1,769,266	7,391
Public safety	406,000	406,000	406,000	-
Health and welfare	1,397,056	1,397,056	1,322,496	74,560
Community development	3,186,400	3,196,400	3,196,309	91
Parks, recreation, and cultural	3,110,621	3,110,621	3,110,621	-
Nondepartmental	57,657	57,657	57,657	-
Total expenditures	9,916,891	9,944,391	9,862,349	82,042
Excess (deficiency) of revenues over (under) expenditures	(9,916,891)	(9,944,391)	(9,862,349)	82,042
OTHER FINANCING SOURCES				
Transfers in	9,862,624	9,872,624	9,872,624	-
Total other financing sources	9,862,624	9,872,624	9,872,624	-
Net change in fund balance	\$ (54,267)	(71,767)	10,275	82,042

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - E-911 Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2N

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sales and use taxes	\$ 16,863,579	\$ 16,863,579	17,303,265	439,686
Intergovernmental	3,067,630	3,067,630	2,962,945	(104,685)
Revenue from the use of money and property	88,175	88,175	171,303	83,128
Total revenues	20,019,384	20,019,384	20,437,513	418,129
EXPENDITURES				
Public safety	29,775,253	34,785,939	27,777,731	7,008,208
Total expenditures	29,775,253	34,785,939	27,777,731	7,008,208
Excess (deficiency) of revenues over (under) expenditures	(9,755,869)	(14,766,555)	(7,340,218)	7,426,337
OTHER FINANCING SOURCES				
Transfers in	9,755,869	9,755,869	9,755,869	-
Total other financing sources	9,755,869	9,755,869	9,755,869	-
Net change in fund balance	\$ -	(5,010,686)	2,415,651	7,426,337

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Leaf Collection Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2o

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,390,794	1,595,678	1,565,625	(30,053)
Revenue from the use of money and property	72,237	60,908	63,434	2,526
Total revenues	1,463,031	1,656,586	1,629,059	(27,527)
EXPENDITURES				
Public works	1,510,902	1,510,902	1,405,622	105,280
Total expenditures	1,510,902	1,510,902	1,405,622	105,280
Net change in fund balance	\$ (47,871)	145,684	223,437	77,753

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2P

Special Revenue Fund

Budgetary Comparison Schedule - Refuse Collection and Recycling Operations Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	81,124	81,124	-
Charges for services	13,275,642	13,151,394	13,155,176	3,782
Revenue from the use of money and property	381,237	707,394	828,152	120,758
Recovered costs	38,623	163,911	179,095	15,184
Total revenues	13,695,502	14,103,823	14,243,547	139,724
EXPENDITURES				
Public works	16,668,901	17,766,568	16,203,746	1,562,822
Total expenditures	16,668,901	17,766,568	16,203,746	1,562,822
Excess (deficiency) of revenues over (under) expenditures	(2,973,399)	(3,662,745)	(1,960,199)	1,702,546
OTHER FINANCING SOURCES				
Transfers in	-	210,000	210,000	-
Total other financing sources	-	210,000	210,000	-
Net change in fund balance	\$ (2,973,399)	(3,452,745)	(1,750,199)	1,702,546

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Refuse Disposal Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2Q

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Permits, privilege fees, and regulatory licenses \$	35,760	35,760	30,580	(5,180)
Charges for services	49,216,213	50,322,194	50,189,530	(132,664)
Revenue from the use of money and property	668,607	1,122,590	1,092,501	(30,089)
Recovered costs	80,448	106,348	129,497	23,149
Total revenues	50,001,028	51,586,892	51,442,108	(144,784)
EXPENDITURES				
Public works	53,796,721	57,410,270	53,539,431	3,870,839
Total expenditures	53,796,721	57,410,270	53,539,431	3,870,839
Excess (deficiency) of revenues over (under) expenditures	(3,795,693)	(5,823,378)	(2,097,323)	3,726,055
OTHER FINANCING SOURCES				
Transfers in	2,500,000	2,500,000	2,500,000	-
Total other financing sources	2,500,000	2,500,000	2,500,000	-
Net change in fund balance	\$ (1,295,693)	(3,323,378)	402,677	3,726,055

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2R

Special Revenue Fund

Budgetary Comparison Schedule - Energy Resource Recovery Facility Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 35,371,186	34,446,678	32,994,489	(1,452,189)
Revenue from the use of money and property	149,667	269,143	313,890	44,747
Total revenues	35,520,853	34,715,821	33,308,379	(1,407,442)
EXPENDITURES				
Public works	32,776,334	34,349,005	31,899,935	2,449,070
Total expenditures	32,776,334	34,349,005	31,899,935	2,449,070
Excess (deficiency) of revenues over (under) expenditures	2,744,519	366,816	1,408,444	1,041,628
OTHER FINANCING SOURCES				
Transfers in	-	2,014,489	2,014,489	-
Total other financing sources	-	2,014,489	2,014,489	-
Net change in fund balance	\$ 2,744,519	366,816	1,408,444	1,041,628

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund

EXHIBIT D-2s

Budgetary Comparison Schedule - I-95 Refuse Disposal Fund (Budget Basis)
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Permits, privilege fees, and regulatory licenses \$	7,200	7,200	5,470	(1,730)
Charges for services	4,669,252	4,669,252	4,852,833	183,581
Revenue from the use of money and property	621,771	1,302,657	1,460,935	158,278
Recovered costs	20,226	20,226	18,911	(1,315)
Total revenues	5,318,449	5,999,335	6,338,149	338,814
EXPENDITURES				
Public works	6,294,081	42,981,379	11,119,838	31,861,541
Total expenditures	6,294,081	42,981,379	11,119,838	31,861,541
Net change in fund balance	\$ (975,632)	(36,982,044)	(4,781,689)	32,200,355

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2T

Special Revenue Fund

Budgetary Comparison Schedule - Community Development Block Grant Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,457,000	18,157,960	9,042,661	(9,115,299)
Revenue from the use of money and property	-	-	874,960	874,960
Total revenues	7,457,000	18,157,960	9,917,621	(8,240,339)
EXPENDITURES				
Community development	7,457,000	19,037,441	9,919,718	9,117,723
Total expenditures	7,457,000	19,037,441	9,919,718	9,117,723
Net change in fund balance	\$ -	(879,481)	(2,097)	877,384

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Housing Trust Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT D-2U

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Developers' contributions	\$ 1,365,000	1,365,000	1,989,924	624,924
Revenue from the use of money and property	142,838	142,838	444,271	301,433
Total revenues	1,507,838	1,507,838	2,434,195	926,357
EXPENDITURES				
Community development	1,507,838	24,360,231	1,938,006	22,422,225
Total expenditures	1,507,838	24,360,231	1,938,006	22,422,225
Excess (deficiency) of revenues over (under) expenditures	-	(22,852,393)	496,189	23,348,582
OTHER FINANCING SOURCES				
Transfers in	-	4,020,000	4,020,000	-
Total other financing sources	-	4,020,000	4,020,000	-
Net change in fund balance	\$ -	(18,832,393)	4,516,189	23,348,582

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2v

Special Revenue Fund

Budgetary Comparison Schedule - HOME Investment Partnership Grant Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,704,791	9,195,865	686,512	(8,509,353)
Revenue from the use of money and property	-	-	31,901	31,901
Total revenues	2,704,791	9,195,865	718,413	(8,477,452)
EXPENDITURES				
Community development	2,704,791	9,193,546	682,620	8,510,926
Total expenditures	2,704,791	9,193,546	682,620	8,510,926
Net change in fund balance	\$ -	2,319	35,793	33,474



The **Debt Service Funds** are used to account for the accumulation of resources for and the payments of bond principal, interest, and related expenses.

County Debt Service Fund is used to account for the funds accumulated and expended for the payment of principal, interest, and other costs applicable to the non-Public Schools portion of the general obligation bond issues, certain lease revenue bonds, and the special assessment bond issue for the McLean Community Center.

School Debt Service Fund is used to account for the funds accumulated and expended for the payment of principal, interest, and other costs applicable to the Public Schools portion of the general obligation bond issues and loans received from the Literary Fund of Virginia.

COUNTY OF FAIRFAX, VIRGINIA
Debt Service Funds
Combining Balance Sheet
June 30, 2005

EXHIBIT E

	County	School	Total Debt Service Funds
ASSETS			
Equity in pooled cash and temporary investments	\$ 1,506,397	10,439,301	11,945,698
Loan to component unit	15,530,000	-	15,530,000
Lease to component unit	-	60,690,000	60,690,000
Restricted assets:			
Cash with fiscal agents	8,916	-	8,916
Investments	-	2,434,445	2,434,445
Total assets	\$ 17,045,313	73,563,746	90,609,059
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,042	2,709	4,751
Matured bond principal and interest payable	81,638	-	81,638
Deferred revenue	-	60,690,000	60,690,000
Total liabilities	83,680	60,692,709	60,776,389
Fund balances:			
Reserved for long-term loan	15,530,000	-	15,530,000
Unreserved	1,431,633	12,871,037	14,302,670
Total fund balances	16,961,633	12,871,037	29,832,670
Total liabilities and fund balances	\$ 17,045,313	73,563,746	90,609,059

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT E-1

Debt Service Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2005

	County	School	Total Debt Service Funds
REVENUES			
Intergovernmental	\$ 85,346	-	85,346
Revenue from the use of money and property	691,906	72,681	764,587
Total revenues	777,252	72,681	849,933
EXPENDITURES			
Principal retirement	65,566,710	78,031,112	143,597,822
Interest and other charges:			
Interest	36,619,656	47,812,211	84,431,867
Refunding escrow	679,200	2,150,800	2,830,000
Bond issuance costs and other	534,679	967,821	1,502,500
Arbitrage rebate payments	130,504	172,994	303,498
Total interest and other	37,964,039	51,103,826	89,067,865
Total expenditures	103,530,749	129,134,938	232,665,687
Deficiency of revenues under expenditures	(102,753,497)	(129,062,257)	(231,815,754)
OTHER FINANCING SOURCES (USES)			
Transfers in from:			
General Fund	98,715,157	126,528,053	225,243,210
Special revenue funds	424,769	-	424,769
Capital projects funds	374,307	550,247	924,554
General obligation refunding bonds issued, including premium	33,859,457	107,221,613	141,081,070
Payments to refunded bonds escrow agent	(33,726,135)	(106,799,427)	(140,525,562)
Total other financing sources (uses)	99,647,555	127,500,486	227,148,041
Net change in fund balances	(3,105,942)	(1,561,771)	(4,667,713)
Fund balances, July 1, 2004	20,067,575	14,432,808	34,500,383
Fund balances, June 30, 2005	\$ 16,961,633	12,871,037	29,832,670

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT E-2A

Debt Service Fund

Budgetary Comparison Schedule - County Debt Service Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 320,000	320,000	85,346	(234,654)
Total revenues	320,000	320,000	85,346	(234,654)
EXPENDITURES				
Principal retirement	64,884,209	62,087,808	65,566,710	(3,478,902)
Interest and other:				
Interest	36,720,846	41,689,629	35,932,293	5,757,336
Bond issuance costs and other	310,000	310,000	241,649	68,351
Total interest and other	37,030,846	41,999,629	36,173,942	5,825,687
Total expenditures	101,915,055	104,087,437	101,740,652	2,346,785
Excess (deficiency) of revenues over (under) expenditures	(101,595,055)	(103,767,437)	(101,655,306)	2,112,131
OTHER FINANCING SOURCES				
Transfers in from:				
General Fund	98,815,157	98,815,157	98,815,157	-
Special revenue funds	99,769	424,769	424,769	-
Total other financing sources	98,914,926	99,239,926	99,239,926	-
Net change in fund balance	\$ (2,680,129)	(4,527,511)	(2,415,380)	2,112,131

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT E-2B

Debt Service Fund

Budgetary Comparison Schedule - School Debt Service Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 400,000	400,000	-	(400,000)
Total revenues	400,000	400,000	-	(400,000)
EXPENDITURES				
Principal retirement	78,607,511	78,031,112	78,031,112	-
Interest and other:				
Interest	54,166,072	58,132,151	45,381,423	12,750,728
Bond issuance costs and other	405,000	405,000	359,002	45,998
Total interest and other	54,571,072	58,537,151	45,740,425	12,796,726
Total expenditures	133,178,583	136,568,263	123,771,537	12,796,726
Excess (deficiency) of revenues over (under) expenditures	(132,778,583)	(136,168,263)	(123,771,537)	12,396,726
OTHER FINANCING SOURCES				
Transfers in from:				
General Fund	126,528,053	126,528,053	126,528,053	-
Total other financing sources	126,528,053	126,528,053	126,528,053	-
Net change in fund balance	\$ (6,250,530)	(9,640,210)	2,756,516	12,396,726



The **Capital Projects Funds** are used to account for financial resources used for all general County construction projects other than enterprise fund construction.

Countywide Roadway Improvement Fund is used to account for funds held in reserve for necessary road construction and improvements for which funding from other sources is not available. Funds are transferred from this fund to other County road construction funds, as approved by the Board of Supervisors.

Contributed Roadway Improvement Fund is used to account for contributions received from developers to fund specific projects in various growth areas of the County.

Library Construction Fund is used to account for design and construction of new County libraries, renovation of existing facilities, and capital equipment expenditures authorized by voter referendum. Projects are funded from the sale of bonds.

County Construction Fund is used to account for renovations essential to the safe and efficient operation of County government buildings, facilities, and equipment. Projects are usually funded by transfers from the General Fund and aid from the State.

Primary and Secondary Road Bond Construction Fund is used to account for road construction and repair authorized by voter referendum. Projects are funded primarily from the sale of bonds. Other sources of funding are developers' contributions and transfers from other funds.

Sidewalk Construction Fund is used to account for the design and construction of sidewalks to provide safe walking conditions for public school students. The Sidewalk Program is undertaken in cooperation with the Public School system and generally involves projects which link residential areas and public schools. Projects are funded by the General Fund.

Public Works Construction Fund is used to account for the construction of various projects including the County's streetlight program, storm drainage projects, and storm water monitoring programs. Projects are funded by transfers from the General Fund, aid from the State, and contributions from developers.

Metro Operations and Construction Fund is used to account for subsidies to the Washington Metropolitan Area Transit Authority for Metrobus/Metrorail operations and Metrorail construction. The cost of the operations and construction is shared by all local jurisdictions in the Washington, D.C. metropolitan area.

Storm Drainage Bond Construction Fund is used to account for the improvement and construction of storm drainage systems. Projects are funded by the sale of bonds.

County Bond Construction Fund is used to account for the design and construction of commuter parking facilities and other transportation improvements, human service facilities, and adult and juvenile detention facilities. These projects are funded by the sale of bonds and Federal Transit Authority grants. In addition, County general obligation bond proceeds that are allocated to the capital projects funds of the discretely presented component units are reported as other financing sources and functional expenditures in this fund.

Public Safety Construction Fund is used to account for the funding of public safety projects, including the design and construction of fire stations, police stations, and the Public Safety Academy. Projects are funded by the sale of bonds.

Trail Construction Fund is used to account for the construction of new trails for pedestrians and bicyclists, upgrades to existing trails, and rebuilding existing trails to current design standards in order to alleviate safety problems. Projects are funded by transfers from the General Fund.

Neighborhood Improvement Fund is used to account for public facilities improvements such as curbs, gutters, sidewalks, storm drainage, and the widening of streets. Projects are funded by the sale of bonds.

Commercial Revitalization Program Fund is used to account for the development and revitalizations of commercial centers. The improvements financed through the program include moving utilities underground, sidewalk construction, street lighting, tree planting, and other pedestrian amenities. Projects are funded by the sale of bonds.

Pro Rata Drainage Construction Fund is used to account for storm drainage projects in accordance with the Pro Rata Share Program approved by the Board of Supervisors on December 16, 1991. Under this program, funding is obtained from land developers who pay a pro rata share of the total estimated cost of necessary storm drainage improvements.

Housing Assistance Program Fund is used to account for the development of low and moderate income housing and the support of public improvement projects in low and moderate income neighborhoods.

Housing General Obligation Bond Construction Fund is used to account for projects that are supported wholly or in part by general obligation bond proceeds. This program involves providing assistance to maintain and improve the infrastructure and housing stock in older neighborhoods where residents have limited financial means to support the improvements.

Northern Virginia Regional Park Authority Fund is used to account for the subsidies to a system of regional parks in the Northern Virginia area which is operated by this Authority. These community resources are supported primarily from the contributions of its member jurisdictions: the Counties of Fairfax, Loudoun, and Arlington, and the Cities of Fairfax, Alexandria, and Falls Church.

COUNTY OF FAIRFAX, VIRGINIA
Capital Projects Funds
Combining Balance Sheet
June 30, 2005

	Countywide Roadway Improvement	Contributed Roadway Improvement	Library Construction	County Construction
ASSETS				
Equity in pooled cash and temporary investments	\$ 2,234,907	39,917,021	998,516	32,321,088
Accrued interest receivable	-	86,318	-	-
Due from intergovernmental units	-	2,473	-	-
Due from component units	-	-	-	-
Restricted assets:				
Equity in pooled cash and temporary investments	-	-	-	33,403
Cash with fiscal agents	-	-	-	229,905
Investments	-	-	-	6,505,988
Total assets	\$ 2,234,907	40,005,812	998,516	39,090,384
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 329,911	517,177	41,145	777,454
Contract retainages	10,344	78,713	100	2,650,699
Accrued interest payable	-	-	-	-
Due to component units	-	-	-	185,038
Interfund payables	-	-	-	-
Deferred revenue	-	-	-	-
Performance and other deposits	-	8,610,792	-	33,403
Total liabilities	340,255	9,206,682	41,245	3,646,594
Fund balances:				
Reserved for:				
Encumbrances	925,036	1,029,401	11,132	8,888,189
Certain capital projects	-	-	-	-
Unreserved (deficits)	969,616	29,769,729	946,139	26,555,601
Total fund balances	1,894,652	30,799,130	957,271	35,443,790
Total liabilities and fund balances	\$ 2,234,907	40,005,812	998,516	39,090,384

EXHIBIT F

Primary and Secondary Road Bond Construction	Sidewalk Construction	Public Works Construction	Metro Operations and Construction	Storm Drainage Bond Construction	
					ASSETS
1,597,197	3,267,719	10,842,946	1,882,880	130,785	Equity in pooled cash and temporary investments
-	-	-	-	-	- Accrued interest receivable
158,782	618,671	-	-	-	- Due from intergovernmental units
-	-	-	-	-	- Due from component units
					Restricted assets:
3,833,008	-	-	-	2,548,226	Equity in pooled cash and temporary investments
-	-	-	-	-	- Cash with fiscal agents
-	-	-	-	-	- Investments
<u>5,588,987</u>	<u>3,886,390</u>	<u>10,842,946</u>	<u>1,882,880</u>	<u>2,679,011</u>	<u>Total assets</u>
					LIABILITIES AND FUND BALANCES
					Liabilities:
369,712	92,350	358,335	-	27,413	Accounts payable and accrued liabilities
52,678	21,004	29,022	-	36,869	Contract retainages
-	-	1,026,351	-	1,816	Accrued interest payable
-	-	-	-	-	- Due to component units
-	-	-	-	-	- Interfund payables
-	-	-	-	-	- Deferred revenue
12,420	145,824	2,650,399	-	-	- Performance and other deposits
<u>434,810</u>	<u>259,178</u>	<u>4,064,107</u>	<u>-</u>	<u>66,098</u>	<u>Total liabilities</u>
					Fund balances:
					Reserved for:
5,117,745	825,230	2,696,534	-	185,976	Encumbrances
-	-	-	-	2,362,250	Certain capital projects
36,432	2,801,982	4,082,305	1,882,880	64,687	Unreserved (deficits)
<u>5,154,177</u>	<u>3,627,212</u>	<u>6,778,839</u>	<u>1,882,880</u>	<u>2,612,913</u>	<u>Total fund balances</u>
<u>5,588,987</u>	<u>3,886,390</u>	<u>10,842,946</u>	<u>1,882,880</u>	<u>2,679,011</u>	<u>Total liabilities and fund balances</u>

continued

COUNTY OF FAIRFAX, VIRGINIA
Capital Projects Funds
Combining Balance Sheet
June 30, 2005

	County Bond Construction	Public Safety Construction	Trail Construction	Neighborhood Improvement	Commercial Revitalization Program
ASSETS					
Equity in pooled cash and temporary investments	\$ 1,528,134	104,433,190	41,826	199,393	1,773,487
Accrued interest receivable	-	-	-	-	-
Due from intergovernmental units	6,567	-	-	-	194,653
Due from component units	1,745,706	-	-	-	-
Restricted assets:					
Equity in pooled cash and temporary investments	4,459,257	44,545,395	-	225,893	328,464
Cash with fiscal agents	-	-	-	-	-
Investments	-	-	-	-	-
Total assets	\$ 7,739,664	148,978,585	41,826	425,286	2,296,604
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 139,958	3,643,072	-	-	473,537
Contract retainages	343,346	1,714,323	744	-	138,583
Accrued interest payable	-	-	-	-	-
Due to component units	-	-	-	-	-
Interfund payables	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Performance and other deposits	-	-	-	-	328,464
Total liabilities	483,304	5,357,395	744	-	940,584
Fund balances:					
Reserved for:					
Encumbrances	2,915,350	91,743,536	9,657	6,983	887,712
Certain capital projects	3,289,613	-	-	218,910	-
Unreserved (deficits)	1,051,397	51,877,654	31,425	199,393	468,308
Total fund balances	7,256,360	143,621,190	41,082	425,286	1,356,020
Total liabilities and fund balances	\$ 7,739,664	148,978,585	41,826	425,286	2,296,604

EXHIBIT F
concluded

Pro Rata Drainage Construction	Housing Assistance Program	Housing General Obligation Bond Construction	Northern Virginia Regional Park Authority	Total Capital Projects Funds	
					ASSETS
25,938,347	2,446,756	-	-	229,554,192	Equity in pooled cash and temporary investments
-	-	-	-	86,318	Accrued interest receivable
-	-	-	-	981,146	Due from intergovernmental units
-	-	-	-	1,745,706	Due from component units
					Restricted assets:
-	-	27,926	-	56,001,572	Equity in pooled cash and temporary investments
-	-	-	-	229,905	Cash with fiscal agents
-	-	-	-	6,505,988	Investments
<u>25,938,347</u>	<u>2,446,756</u>	<u>27,926</u>	<u>-</u>	<u>295,104,827</u>	Total assets
					LIABILITIES AND FUND BALANCES
					Liabilities:
203,150	-	-	-	6,973,214	Accounts payable and accrued liabilities
1,698	48,634	14,269	-	5,141,026	Contract retainages
-	-	-	-	1,028,167	Accrued interest payable
-	-	-	-	185,038	Due to component units
-	-	-	2,500,000	2,500,000	Interfund payables
25,730,121	-	-	-	25,730,121	Deferred revenue
-	-	-	-	11,781,302	Performance and other deposits
<u>25,934,969</u>	<u>48,634</u>	<u>14,269</u>	<u>2,500,000</u>	<u>53,338,868</u>	Total liabilities
					Fund balances:
					Reserved for:
6,110,051	1,370,858	-	-	122,723,390	Encumbrances
-	-	27,926	-	5,898,699	Certain capital projects
<u>(6,106,673)</u>	<u>1,027,264</u>	<u>(14,269)</u>	<u>(2,500,000)</u>	<u>113,143,870</u>	Unreserved (deficits)
<u>3,378</u>	<u>2,398,122</u>	<u>13,657</u>	<u>(2,500,000)</u>	<u>241,765,959</u>	Total fund balances
<u>25,938,347</u>	<u>2,446,756</u>	<u>27,926</u>	<u>-</u>	<u>295,104,827</u>	Total liabilities and fund balances

COUNTY OF FAIRFAX, VIRGINIA
Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2005

	Countywide Roadway Improvement	Contributed Roadway Improvement	Library Construction	County Construction
REVENUES				
Intergovernmental	\$ 992,500	2,473	-	5,097,776
Developers' contributions	-	2,759,400	-	-
Revenue from the use of money and property	-	835,673	-	413,749
Recovered costs	794	464	-	266,446
Total revenues	993,294	3,598,010	-	5,777,971
EXPENDITURES				
Current:				
General government administration	-	-	-	159,657
Public safety	-	-	-	369,936
Public works	-	-	-	53,952
Health and welfare	-	-	-	499,832
Community development	1,983,271	4,778,560	-	1,905,479
Parks, recreation, and cultural	-	-	13,279	404,390
Intergovernmental:				
Community development	-	-	-	-
Parks, recreation, and cultural	-	-	-	21,610,627
Education - for Public Schools	-	-	-	61,161,831
Capital outlay:				
General government administration	-	-	-	284,225
Judicial administration	-	-	-	38,502
Public safety	-	-	-	1,591,279
Public works	-	-	-	60,033
Health and welfare	-	-	-	802,068
Community development	14,409	29,380	-	461,197
Parks, recreation, and cultural	-	-	120,161	2,012,080
Education - for Public Schools	-	-	-	30,560,818
Debt service:				
Principal retirement	-	-	-	405,342
Interest and other charges	-	-	-	685,827
Total expenditures	1,997,680	4,807,940	133,440	123,067,075
Excess (deficiency) of revenues over (under) expenditures	(1,004,386)	(1,209,930)	(133,440)	(117,289,104)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,800,000	-	885,000	20,579,332
Transfers out	-	(360,000)	-	-
General obligation bonds issued, including premium	-	-	-	-
Revenue bonds issued, including premium	-	-	-	61,789,910
Total other financing sources (uses)	1,800,000	(360,000)	885,000	82,369,242
SPECIAL ITEM				
Proceeds from the sale of land	-	-	-	15,500,000
Net change in fund balances	795,614	(1,569,930)	751,560	(19,419,862)
Fund balances, July 1, 2004	1,099,038	32,369,060	205,711	54,863,652
Fund balances, June 30, 2005	\$ 1,894,652	30,799,130	957,271	35,443,790

EXHIBIT F-1

Primary and Secondary Road Bond Construction	Sidewalk Construction	Public Works Construction	Metro Operations and Construction	Storm Drainage Bond Construction	
					REVENUES
154,035	575,946	2,995,716	-	-	- Intergovernmental
-	-	-	-	-	- Developers' contributions
56,142	-	-	-	-	- Revenue from the use of money and property
-	113	687,416	-	-	- Recovered costs
210,177	576,059	3,683,132	-	-	Total revenues
					EXPENDITURES
					Current:
-	-	-	-	-	- General government administration
-	-	-	-	-	- Public safety
-	-	4,452,716	-	398,218	- Public works
-	-	-	-	-	- Health and welfare
6,855,573	637,657	-	-	-	- Community development
-	-	-	-	-	- Parks, recreation, and cultural
					Intergovernmental:
-	-	-	28,128,920	-	- Community development
-	-	-	-	-	- Parks, recreation, and cultural
-	-	-	-	-	- Education - for Public Schools
					Capital outlay:
-	-	-	-	-	- General government administration
-	-	-	-	-	- Judicial administration
-	-	-	-	-	- Public safety
-	-	382,202	-	209,680	- Public works
-	-	-	-	-	- Health and welfare
283,245	753,216	-	-	-	- Community development
-	-	-	-	-	- Parks, recreation, and cultural
-	-	-	-	-	- Education - for Public Schools
					Debt service:
-	-	-	-	-	- Principal retirement
-	-	-	-	-	- Interest and other charges
7,138,818	1,390,873	4,834,918	28,128,920	607,898	Total expenditures
(6,928,641)	(814,814)	(1,151,786)	(28,128,920)	(607,898)	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES)
1,250,000	375,000	1,711,500	18,254,820	-	- Transfers in
(1,800,000)	-	-	(1,635,020)	-	- Transfers out
-	-	-	-	-	- General obligation bonds issued, including premium
-	-	-	-	-	- Revenue bonds issued, including premium
(550,000)	375,000	1,711,500	16,619,800	-	Total other financing sources (uses)
					SPECIAL ITEM
-	-	-	-	-	- Proceeds from the sale of land
(7,478,641)	(439,814)	559,714	(11,509,120)	(607,898)	Net change in fund balances
12,632,818	4,067,026	6,219,125	13,392,000	3,220,811	Fund balances, July 1, 2004
5,154,177	3,627,212	6,778,839	1,882,880	2,612,913	Fund balances, June 30, 2005

continued

COUNTY OF FAIRFAX, VIRGINIA
Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2005

	County Bond Construction	Public Safety Construction	Trail Construction	Neighborhood Improvement	Commercial Revitalization Program
REVENUES					
Intergovernmental	\$ 393,459	-	1,659	-	194,653
Developers' contributions	-	-	-	-	-
Revenue from the use of money and property	122	4,547	-	17,693	9,706
Recovered costs	19,789	-	-	152,945	139,870
Total revenues	413,370	4,547	1,659	170,638	344,229
EXPENDITURES					
Current:					
General government administration	8,688	-	-	-	-
Public safety	-	1,614,532	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Community development	6,707	-	128,197	59,094	69,444
Parks, recreation, and cultural	-	-	-	-	-
Intergovernmental:					
Community development	974,141	-	-	-	-
Parks, recreation, and cultural	13,920,000	-	-	-	-
Education - for Public Schools	125,590,000	-	-	-	-
Capital outlay:					
General government administration	1,136,560	-	-	-	-
Judicial administration	-	-	-	-	-
Public safety	296,992	30,578,594	-	-	-
Public works	-	-	-	-	-
Health and welfare	133,786	-	-	-	-
Community development	17,645,635	-	188,916	-	3,031,013
Parks, recreation, and cultural	-	-	-	-	-
Education - for Public Schools	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	159,712,509	32,193,126	317,113	59,094	3,100,457
Excess (deficiency) of revenues over (under) expenditures	(159,299,139)	(32,188,579)	(315,454)	111,544	(2,756,228)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	33,550,471	-	-	-
Transfers out	(1,285,815)	-	-	(100,000)	-
General obligation bonds issued, including premium	140,325,128	54,750,000	-	-	4,500,000
Revenue bonds issued, including premium	19,250,946	-	-	-	-
Total other financing sources (uses)	158,290,259	88,300,471	-	(100,000)	4,500,000
SPECIAL ITEM					
Proceeds from the sale of land	-	-	-	-	-
Net change in fund balances	(1,008,880)	56,111,892	(315,454)	11,544	1,743,772
Fund balances, July 1, 2004	8,265,240	87,509,298	356,536	413,742	(387,752)
Fund balances, June 30, 2005	\$ 7,256,360	143,621,190	41,082	425,286	1,356,020

EXHIBIT F-1
concluded

Pro Rata Drainage Construction	Housing Assistance Program	Housing General Obligation Bond Construction	Northern Virginia Regional Park Authority	Total Capital Projects Funds	
					REVENUES
-	324,917	-	-	10,733,134	Intergovernmental
-	-	-	-	2,759,400	Developers' contributions
-	13,168	-	-	1,350,800	Revenue from the use of money and property
1,735,093	-	-	-	3,002,930	Recovered costs
1,735,093	338,085	-	-	17,846,264	Total revenues
					EXPENDITURES
					Current:
-	-	-	-	168,345	General government administration
-	-	-	-	1,984,468	Public safety
1,598,648	-	-	-	6,503,534	Public works
-	-	-	-	499,832	Health and welfare
-	1,399,909	28,895	-	17,852,786	Community development
-	-	-	-	417,669	Parks, recreation, and cultural
					Intergovernmental:
-	-	-	2,500,000	31,603,061	Community development
-	-	-	-	35,530,627	Parks, recreation, and cultural
-	-	-	-	186,751,831	Education - for Public Schools
					Capital outlay:
-	-	-	-	1,420,785	General government administration
-	-	-	-	38,502	Judicial administration
-	-	-	-	32,466,865	Public safety
136,445	-	-	-	788,360	Public works
-	-	-	-	935,854	Health and welfare
-	10,230	-	-	22,417,241	Community development
-	-	-	-	2,132,241	Parks, recreation, and cultural
-	-	-	-	30,560,818	Education - for Public Schools
					Debt service:
-	-	-	-	405,342	Principal retirement
-	-	-	-	685,827	Interest and other charges
1,735,093	1,410,139	28,895	2,500,000	373,163,988	Total expenditures
					Excess (deficiency) of revenues over (under) expenditures
-	(1,072,054)	(28,895)	(2,500,000)	(355,317,724)	
					OTHER FINANCING SOURCES (USES)
-	2,935,000	-	-	81,341,123	Transfers in
-	-	-	-	(5,180,835)	Transfers out
-	-	-	-	199,575,128	General obligation bonds issued, including premium
-	-	-	-	81,040,856	Revenue bonds issued, including premium
-	2,935,000	-	-	356,776,272	Total other financing sources (uses)
					SPECIAL ITEM
-	-	-	-	15,500,000	Proceeds from the sale of land
-	1,862,946	(28,895)	(2,500,000)	16,958,548	Net change in fund balances
3,378	535,176	42,552	-	224,807,411	Fund balances, July 1, 2004
3,378	2,398,122	13,657	(2,500,000)	241,765,959	Fund balances, June 30, 2005



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

Vehicle Services Fund is used to account for the acquisition of certain motor vehicles and the costs associated with the operation thereof by various departments of the reporting entity.

Self-Insurance Fund is used to account for the costs associated with providing coverage to the County for losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters; with managing claims pertaining thereto; and with operating various loss-prevention, safety, and rehabilitation programs.

Document Services Fund is used to account for the costs associated with providing printing, copying, and micrographic services to various departments of the reporting entity.

Technology Infrastructure Services Fund is used to account for the costs associated with providing data center and network services to County departments through the operation and maintenance of a mainframe computer, data communications equipment, and radio networks.

Health Benefits Fund is used to account for the provision of a comprehensive health insurance benefits program to County employees.

Retiree Health Benefits Fund is used to account for subsidy payments ranging from \$15 to \$175 per month to eligible retirees of the County and certain surviving spouses to help pay for health insurance coverage in a plan provided by the County.

COUNTY OF FAIRFAX, VIRGINIA
Internal Service Funds
Combining Statement of Net Assets
June 30, 2005

	Vehicle Services	Self- Insurance	Document Services
ASSETS			
Current assets:			
Equity in pooled cash and temporary investments	\$ 30,678,405	30,305,363	1,629,506
Accounts receivable	490	-	1,742
Accrued interest receivable	-	36,872	-
Interfund receivables	-	-	-
Inventories of supplies	1,678,180	-	13,074
Other assets	-	316	-
Total current assets	<u>32,357,075</u>	<u>30,342,551</u>	<u>1,644,322</u>
Long-term assets:			
Restricted assets - Cash with fiscal agents	-	187,000	-
Capital assets:			
Land	1,938,688	-	-
Equipment	60,851,980	-	8,641,836
Buildings and improvements	14,728,508	-	-
Accumulated depreciation	(44,331,923)	-	(1,050,464)
Total capital assets, net	<u>33,187,253</u>	<u>-</u>	<u>7,591,372</u>
Total long-term assets	<u>33,187,253</u>	<u>187,000</u>	<u>7,591,372</u>
Total assets	<u>65,544,328</u>	<u>30,529,551</u>	<u>9,235,694</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,177,523	6,176	1,016,492
Accrued salaries and benefits	659,370	46,562	43,251
Interfund payables	205,389	11,462	12,447
Deferred revenue	-	-	-
Compensated absences payable	1,113,522	46,095	48,811
Obligations under capital leases	-	-	2,009,611
Insurance and benefit claims payable	-	8,197,841	-
Total current liabilities	<u>4,155,804</u>	<u>8,308,136</u>	<u>3,130,612</u>
Long-term liabilities:			
Compensated absences payable	806,343	33,379	35,346
Obligations under capital leases	-	-	5,119,433
Insurance and benefit claims payable	-	14,672,966	-
Total long-term liabilities	<u>806,343</u>	<u>14,706,345</u>	<u>5,154,779</u>
Total liabilities	<u>4,962,147</u>	<u>23,014,481</u>	<u>8,285,391</u>
NET ASSETS			
Invested in capital assets, net of related debt	33,187,253	-	462,328
Unrestricted	<u>27,394,928</u>	<u>7,515,070</u>	<u>487,975</u>
Total net assets	<u>\$ 60,582,181</u>	<u>7,515,070</u>	<u>950,303</u>

EXHIBIT G

Technology Infrastructure Services	Health Benefits	Retiree Health Benefits	Total Internal Service Funds	
ASSETS				
Current assets:				
8,564,408	36,082,080	443,717	107,703,479	Equity in pooled cash and temporary investments
6,292	5,957	-	14,481	Accounts receivable
-	71,093	-	107,965	Accrued interest receivable
-	443,102	-	443,102	Interfund receivables
95,703	-	-	1,786,957	Inventories of supplies
759	-	-	1,075	Other assets
<u>8,667,162</u>	<u>36,602,232</u>	<u>443,717</u>	<u>110,057,059</u>	Total current assets
Long-term assets:				
-	-	-	187,000	Restricted assets - Cash with fiscal agents
Capital assets:				
-	-	-	1,938,688	Land
12,400,541	-	-	81,894,357	Equipment
873,642	-	-	15,602,150	Buildings and improvements
<u>(10,310,689)</u>	<u>-</u>	<u>-</u>	<u>(55,693,076)</u>	Accumulated depreciation
<u>2,963,494</u>	<u>-</u>	<u>-</u>	<u>43,742,119</u>	Total capital assets, net
<u>2,963,494</u>	<u>-</u>	<u>-</u>	<u>43,929,119</u>	Total long-term assets
<u>11,630,656</u>	<u>36,602,232</u>	<u>443,717</u>	<u>153,986,178</u>	Total assets
LIABILITIES				
Current liabilities:				
1,007,841	11,936	-	4,219,968	Accounts payable and accrued liabilities
260,788	-	3,650	1,013,621	Accrued salaries and benefits
59,737	-	1,367	290,402	Interfund payables
-	797,584	-	797,584	Deferred revenue
433,171	-	-	1,641,599	Compensated absences payable
-	-	-	2,009,611	Obligations under capital leases
-	7,803,954	-	16,001,795	Insurance and benefit claims payable
<u>1,761,537</u>	<u>8,613,474</u>	<u>5,017</u>	<u>25,974,580</u>	Total current liabilities
Long-term liabilities:				
313,675	-	-	1,188,743	Compensated absences payable
-	-	-	5,119,433	Obligations under capital leases
-	-	-	14,672,966	Insurance and benefit claims payable
<u>313,675</u>	<u>-</u>	<u>-</u>	<u>20,981,142</u>	Total long-term liabilities
<u>2,075,212</u>	<u>8,613,474</u>	<u>5,017</u>	<u>46,955,722</u>	Total liabilities
NET ASSETS				
2,963,494	-	-	36,613,075	Invested in capital assets, net of related debt
<u>6,591,950</u>	<u>27,988,758</u>	<u>438,700</u>	<u>70,417,381</u>	Unrestricted
<u>9,555,444</u>	<u>27,988,758</u>	<u>438,700</u>	<u>107,030,456</u>	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the fiscal year ended June 30, 2005

	Vehicle Services	Self- Insurance	Document Services
OPERATING REVENUES:			
Charges for services	\$ 52,924,048	17,041,615	3,840,174
Recovered costs	180,498	-	-
Total operating revenues	53,104,546	17,041,615	3,840,174
OPERATING EXPENSES:			
Personnel services	15,764,312	970,253	1,001,062
Materials and supplies	-	53,398	815,134
Equipment operation and maintenance	28,217,429	-	2,875,589
Risk financing and benefit payments	-	12,452,787	-
Depreciation and amortization	8,547,647	-	469,407
Professional consultant and contractual services	138,515	46,349	1,383,428
Other	184,358	44,956	5,478
Total operating expenses	52,852,261	13,567,743	6,550,098
Operating income (loss)	252,285	3,473,872	(2,709,924)
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	1,010,000	-	-
Interest revenue	-	346,762	-
Interest expense	-	-	(55,935)
Gain on disposal of capital assets	543,657	-	-
Total nonoperating revenues (expenses)	1,553,657	346,762	(55,935)
Income (loss) before operating transfers	1,805,942	3,820,634	(2,765,859)
Capital contributions	26,142	-	-
Transfers in	-	-	3,437,000
Change in net assets	1,832,084	3,820,634	671,141
Total net assets, July 1, 2004	58,750,097	3,694,436	279,162
Total net assets, June 30, 2005	60,582,181	7,515,070	950,303

EXHIBIT G-1

Technology Infrastructure Services	Health Benefits	Retiree Health Benefits	Total Internal Service Funds	
				OPERATING REVENUES:
20,577,973	70,691,862	3,699,721	168,775,393	Charges for services
-	-	-	180,498	Recovered costs
20,577,973	70,691,862	3,699,721	168,955,891	Total operating revenues
				OPERATING EXPENSES:
5,547,139	-	84,901	23,367,667	Personnel services
245,451	-	-	1,113,983	Materials and supplies
11,409,980	-	-	42,502,998	Equipment operation and maintenance
-	57,686,636	3,431,122	73,570,545	Risk financing and benefit payments
1,330,082	-	-	10,347,136	Depreciation and amortization
4,910,723	-	-	6,479,015	Professional consultant and contractual services
343,114	-	-	577,906	Other
23,786,489	57,686,636	3,516,023	157,959,250	Total operating expenses
(3,208,516)	13,005,226	183,698	10,996,641	Operating income (loss)
				NONOPERATING REVENUES (EXPENSES):
-	-	-	1,010,000	Intergovernmental revenue
-	574,043	-	920,805	Interest revenue
-	-	-	(55,935)	Interest expense
850	-	-	544,507	Gain on disposal of capital assets
850	574,043	-	2,419,377	Total nonoperating revenues (expenses)
(3,207,666)	13,579,269	183,698	13,416,018	Income (loss) before operating transfers
-	-	-	26,142	Capital contributions
463,840	-	-	3,900,840	Transfers in
(2,743,826)	13,579,269	183,698	17,343,000	Change in net assets
12,299,270	14,409,489	255,002	89,687,456	Total net assets, July 1, 2004
9,555,444	27,988,758	438,700	107,030,456	Total net assets, June 30, 2005

COUNTY OF FAIRFAX, VIRGINIA
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2005

	Vehicle Services	Self- Insurance	Document Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 53,084,008	17,041,616	3,838,672
Payments to suppliers	(21,013,116)	-	-
Payments to employees	(15,516,931)	(954,111)	(1,001,955)
Claims and benefits paid	-	(11,929,112)	-
Payments for interfund services used	(7,576,960)	(144,311)	(4,265,130)
Net cash provided (used) by operating activities	8,977,001	4,014,082	(1,428,413)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	3,437,000
Net cash provided by noncapital financing activities	-	-	3,437,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental revenue received	1,010,000	-	-
Proceeds from sale of capital assets	1,101,390	-	-
Purchase of capital assets	(11,017,509)	-	-
Principal payments on obligations under capital leases	-	-	(676,065)
Interest payments on obligations under capital leases	-	-	(55,935)
Net cash (used) by capital and related financing activities	(8,906,119)	-	(732,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	316,276	-
Net cash provided by investing activities	-	316,276	-
Net increase (decrease) in cash and cash equivalents	70,882	4,330,358	1,276,587
Cash and cash equivalents, July 1, 2004	30,607,523	26,162,005	352,919
Cash and cash equivalents, June 30, 2005	\$ 30,678,405	30,492,363	1,629,506
Reconciliation of operating income (loss) to net cash provided (used)			
by operating activities:			
Operating income (loss)	\$ 252,285	3,473,872	(2,709,924)
Adjustments to reconcile operating income (loss) to net cash provided (used)			
by operating activities:			
Depreciation and amortization	8,547,647	-	469,407
Change in assets and liabilities:			
(Increase) in accounts receivable	(490)	-	(1,500)
(Increase) in interfund receivables	-	-	-
(Increase) decrease in inventories of supplies	(175,212)	-	1,335
(Increase) decrease in other assets	-	(316)	-
Increase in accounts payable and accrued liabilities	224,476	532,001	813,162
Increase (decrease) in accrued salaries and benefits	90,836	4,055	(1,782)
Increase in interfund payables	37,459	4,470	889
Total adjustments to operating income (loss)	8,724,716	540,210	1,281,511
Net cash provided (used) by operating activities	\$ 8,977,001	4,014,082	(1,428,413)
Noncash capital and financing activities:			
Initiation of an obligation under capital lease	\$ -	-	7,805,109
Capital contributions - equipment	26,142	-	-

EXHIBIT G-2

Technology Infrastructure Services	Health Benefits	Retiree Health Benefits	Total Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
20,576,920	70,725,515	3,699,721	168,966,452	Receipts from interfund services provided
-	-	-	(21,013,116)	Payments to suppliers
(5,462,303)	-	(84,243)	(23,019,543)	Payments to employees
-	(57,765,874)	(3,431,122)	(73,126,108)	Claims and benefits paid
(16,505,373)	-	-	(28,491,774)	Payments for interfund services used
(1,390,756)	12,959,641	184,356	23,315,911	Net cash provided (used) by operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
463,840	-	-	3,900,840	Transfers from other funds
463,840	-	-	3,900,840	Net cash provided by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
-	-	-	1,010,000	Intergovernmental revenue received
850	-	-	1,102,240	Proceeds from sale of capital assets
(1,173,213)	-	-	(12,190,722)	Purchase of capital assets
-	-	-	(676,065)	Principal payments on obligations under capital leases
-	-	-	(55,935)	Interest payments on obligations under capital leases
(1,172,363)	-	-	(10,810,482)	Net cash (used) by capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
-	509,433	-	825,709	Interest received
-	509,433	-	825,709	Net cash provided by investing activities
(2,099,279)	13,469,074	184,356	17,231,978	Net increase (decrease) in cash and cash equivalents
10,663,687	22,613,006	259,361	90,658,501	Cash and cash equivalents, July 1, 2004
8,564,408	36,082,080	443,717	107,890,479	Cash and cash equivalents, June 30, 2005
				Reconciliation of operating income (loss) to net cash provided (used) by operating activities:
(3,208,516)	13,005,226	183,698	10,996,641	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:
1,330,082	-	-	10,347,136	Depreciation and amortization
				Change in assets and liabilities:
(1,099)	(5,957)	-	(9,046)	(Increase) in accounts receivable
-	(47,792)	-	(47,792)	(Increase) in interfund receivables
(3,381)	-	-	(177,258)	(Increase) decrease in inventories of supplies
47	-	-	(269)	(Increase) decrease in other assets
407,277	8,164	-	1,985,080	Increase in accounts payable and accrued liabilities
72,552	-	400	166,061	Increase (decrease) in accrued salaries and benefits
12,282	-	258	55,358	Increase in interfund payables
1,817,760	(45,585)	658	12,319,270	Total adjustments to operating income (loss)
(1,390,756)	12,959,641	184,356	23,315,911	Net cash provided (used) by operating activities
				Noncash capital and financing activities:
-	-	-	7,805,109	Initiation of an obligation under capital lease
-	-	-	26,142	Capital contributions - equipment



The **Fiduciary Funds** are used to account for assets held by the County in a trustee or agency capacity and include the pension trust funds and agency funds. Pension trust funds account for assets held by the County under terms of a formal trust agreement. Agency funds are custodial in nature and are maintained to account for funds received and disbursed by the County on behalf of various organizations.

Pension Trust Funds are used to account for employee retirement systems that provide pension benefits for various classes of County employees. The County maintains three employee retirement funds: the Uniformed Retirement Fund, the Employees' Retirement Fund, and the Police Officers Retirement Fund.

Sanitary Reimbursement Fund is an agency fund used to account for the collection of contributions from beneficiary developers toward the construction of major sewer lines and the reimbursement of these funds to the primary developers.

Special Welfare Fund is an agency fund used to account for regular assistance payments to recipients in the Aid to Dependent Children Program. These funds include money from the State, individuals, organizations, and churches.

Resource Recovery Fund is an agency fund used to account for certain assets of the commercial entity that operates the mass burn facility located near Interstate 95. This is the fund of the Fairfax County Solid Waste Authority, a blended component unit.

Vienna/Huntington Metrorail Fund is an agency fund used to account for certain funds related to the construction and operation of parking facilities at WMATA's Vienna and Huntington Metrorail Stations.

State Taxes Fund is an agency fund used to account for the collection of sheriff's fees and the subsequent remittances to the Commonwealth of Virginia.

Route 28 Fund is an agency fund used to account for the collection of assessments on certain industrial and commercial properties for transportation improvements to Route 28 and the subsequent remittances of these funds to the Commonwealth of Virginia.

Lake Barcroft Fund is an agency fund used to account for the collection of special assessments from certain property owners for the maintenance of Lake Barcroft and the subsequent remittances of these funds to the Commonwealth of Virginia.

Northern Virginia Regional Identification System (NOVARIS) Fund is an agency fund used to account for assets held by the County for NOVARIS, a joint venture entered into by the County and certain other local jurisdictions to operate a regional fingerprint center. The County has no explicit interest or measurable financial interest in NOVARIS.

COUNTY OF FAIRFAX, VIRGINIA
Pension Trust Funds
Combining Statement of Plan Net Assets
June 30, 2005

EXHIBIT H

	Uniformed Retirement	Employees' Retirement	Police Officers Retirement	Total Pension Trust Funds
ASSETS				
Equity in pooled cash and temporary investments	\$ 1,256,061	6,132,581	3,439,614	10,828,256
Cash collateral for securities lending	65,805,620	215,474,689	110,627,454	391,907,763
Contributions receivable	1,607,922	1,901,936	839,480	4,349,338
Accrued interest and dividends receivable	2,286,631	8,999,608	3,008,641	14,294,880
Receivable from sale of pension investments	32,807,605	58,274,250	5,452,218	96,534,073
Investments, at fair value:				
U.S. Government securities	46,465,526	111,773,462	69,892,806	228,131,794
Asset-backed securities	139,342,717	170,135,555	112,398,001	421,876,273
Corporate and other bonds	41,488,946	201,286,828	54,236,234	297,012,008
Common and preferred stock	206,900,663	1,023,766,118	376,923,557	1,607,590,338
Pooled and mutual funds	377,211,710	463,502,312	92,168,681	932,882,703
Alternative investments	-	133,981,594	-	133,981,594
Short-term investments	59,832,877	191,661,856	27,932,438	279,427,171
Total assets	975,006,278	2,586,890,789	856,919,124	4,418,816,191
LIABILITIES				
Accounts payable and accrued liabilities	1,056,487	2,870,651	1,007,133	4,934,271
Accrued salaries and benefits	-	65,100	-	65,100
Payable for purchase of pension investments	71,459,326	61,141,231	10,192,504	142,793,061
Liabilities for collateral received under securities lending agreements	65,805,620	215,474,689	110,627,454	391,907,763
Interfund payable	-	17,515	-	17,515
Total liabilities	138,321,433	279,569,186	121,827,091	539,717,710
NET ASSETS				
Held in trust for pension benefits	\$ 836,684,845	2,307,321,603	735,092,033	3,879,098,481

COUNTY OF FAIRFAX, VIRGINIA
Pension Trust Funds
Combining Statement of Changes in Plan Net Assets
For the fiscal year ended June 30, 2005

EXHIBIT H-1

	Uniformed Retirement	Employees' Retirement	Police Officers Retirement	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 27,192,791	46,958,113	14,901,070	89,051,974
Plan members	7,953,800	27,563,754	9,930,883	45,448,437
Total contributions	35,146,591	74,521,867	24,831,953	134,500,411
Investment income:				
From investment activities:				
Net appreciation in fair value of investments	61,927,139	207,286,811	38,634,995	307,848,945
Interest	16,799,077	52,324,115	17,969,276	87,092,468
Dividends	3,907,042	22,088,783	8,254,178	34,250,003
Total income from investment activities	82,633,258	281,699,709	64,858,449	429,191,416
Less investment activities expenses:				
Management fees	3,701,581	10,104,958	3,403,827	17,210,366
Other	408,862	788,215	327,900	1,524,977
Total investment activities expenses	4,110,443	10,893,173	3,731,727	18,735,343
Net income from investment activities	78,522,815	270,806,536	61,126,722	410,456,073
From securities lending activities:				
Securities lending income	1,454,167	3,837,949	1,936,570	7,228,686
Less securities lending expenses:				
Borrower rebates	1,205,484	3,077,579	1,651,856	5,934,919
Management fees	75,449	226,279	88,324	390,052
Total securities lending activities expenses	1,280,933	3,303,858	1,740,180	6,324,971
Net income from securities lending activities	173,234	534,091	196,390	903,715
Net investment income	78,696,049	271,340,627	61,323,112	411,359,788
Total additions	113,842,640	345,862,494	86,155,065	545,860,199
DEDUCTIONS				
Benefits	31,678,214	98,494,430	29,242,384	159,415,028
Refunds of contributions	544,777	6,545,800	739,440	7,830,017
Administrative expenses	223,499	1,015,986	228,780	1,468,265
Total deductions	32,446,490	106,056,216	30,210,604	168,713,310
Net increase	81,396,150	239,806,278	55,944,461	377,146,889
Net assets, July 1, 2004	755,288,695	2,067,515,325	679,147,572	3,501,951,592
Net assets, June 30, 2005	\$ 836,684,845	2,307,321,603	735,092,033	3,879,098,481



COUNTY OF FAIRFAX, VIRGINIA
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2005

	Sanitary Reimbursement	Special Welfare	Resource Recovery	Vienna/ Huntington Metrorail
ASSETS				
Equity in pooled cash and temporary investments	\$ 1,556,819	584,726	-	-
Accounts receivable	-	500	-	-
Accrued interest and dividends receivable	3,434	722	-	-
Investments, at fair value:				
Asset-backed securities	-	-	29,090,469	-
Money market funds	-	-	2,121,084	2,404,168
Repurchase agreements	-	-	-	2,078,976
Equipment	-	-	-	-
Total assets	<u>1,560,253</u>	<u>585,948</u>	<u>31,211,553</u>	<u>4,483,144</u>
LIABILITIES				
Accounts payable and accrued liabilities	575	311	-	-
Liabilities under reimbursement agreements	1,559,678	585,637	31,211,553	4,483,144
Obligations under capital leases	-	-	-	-
Total liabilities	<u>\$ 1,560,253</u>	<u>585,948</u>	<u>31,211,553</u>	<u>4,483,144</u>

EXHIBIT H-2

State Taxes	Route 28	Lake Barcroft	NOVARIS	Total Agency Funds	
ASSETS					
26,684	744	3,980	20,402	2,193,355	Equity in pooled cash and temporary investments
-	110,772	5,094	-	116,366	Accounts receivable
-	51	-	174	4,381	Accrued interest and dividends receivable
Investments, at fair value:					
-	-	-	-	29,090,469	Asset-backed securities
-	-	-	-	4,525,252	Money market funds
-	-	-	-	2,078,976	Repurchase agreements
-	-	-	2,372,300	2,372,300	Equipment
<u>26,684</u>	<u>111,567</u>	<u>9,074</u>	<u>2,392,876</u>	<u>40,381,099</u>	Total assets
LIABILITIES					
-	14	-	7,546	8,446	Accounts payable and accrued liabilities
26,684	111,553	9,074	1,759,208	39,746,531	Liabilities under reimbursement agreements
-	-	-	626,122	626,122	Obligations under capital leases
<u>26,684</u>	<u>111,567</u>	<u>9,074</u>	<u>2,392,876</u>	<u>40,381,099</u>	Total liabilities

COUNTY OF FAIRFAX, VIRGINIA
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2005

	Balances			Balances
	July 1, 2004	Additions	Deductions	June 30, 2005
Sanitary Reimbursement:				
Assets:				
Equity in pooled cash and temporary investments	\$ 1,690,457	626,877	760,515	1,556,819
Accrued interest receivable	525	3,434	525	3,434
Total assets	1,690,982	630,311	761,040	1,560,253
Liabilities:				
Accounts payable and accrued liabilities	795	575	795	575
Liabilities under reimbursement agreements	1,690,187	602,462	732,971	1,559,678
Total liabilities	1,690,982	603,037	733,766	1,560,253
Special Welfare:				
Assets:				
Equity in pooled cash and temporary investments	536,881	1,570,287	1,522,442	584,726
Accounts receivable	5,000	5,600	10,100	500
Accrued interest receivable	153	722	153	722
Due from intergovernmental units	-	312,570	312,570	-
Total assets	542,034	1,889,179	1,845,265	585,948
Liabilities:				
Accounts payable and accrued liabilities	481	157,843	158,013	311
Liabilities under reimbursement agreements	541,553	1,208,320	1,164,236	585,637
Total liabilities	542,034	1,366,163	1,322,249	585,948
Resource Recovery:				
Assets:				
Cash with fiscal agents	-	144,765,466	144,765,466	-
Investments	31,144,956	122,605,947	122,539,350	31,211,553
Total assets	31,144,956	267,371,413	267,304,816	31,211,553
Liabilities:				
Liabilities under reimbursement agreements	31,144,956	22,531,744	22,465,147	31,211,553
Total liabilities	31,144,956	22,531,744	22,465,147	31,211,553
Vienna/Huntington Metrorail:				
Assets:				
Investments	4,727,833	4,590,628	4,835,317	4,483,144
Total assets	4,727,833	4,590,628	4,835,317	4,483,144
Liabilities:				
Liabilities under reimbursement agreements	4,727,833	3,141,328	3,386,017	4,483,144
Total liabilities	4,727,833	3,141,328	3,386,017	4,483,144
State Taxes:				
Assets:				
Equity in pooled cash and temporary investments	27,041	892,183	892,540	26,684
Total assets	27,041	892,183	892,540	26,684
Liabilities:				
Liabilities under reimbursement agreements	27,041	892,183	892,540	26,684
Total liabilities	\$ 27,041	892,183	892,540	26,684

EXHIBIT H-3

	Balances		Balances	
	July 1, 2004	Additions	Deductions	June 30, 2005
Route 28				
Assets:				
Equity in pooled cash and temporary investments	\$ 104	6,913,749	6,913,109	744
Accounts receivable	118,990	59,802	68,020	110,772
Accrued interest receivable	8	51	8	51
Total assets	119,102	6,973,602	6,981,137	111,567
Liabilities:				
Accounts payable and accrued liabilities	12	14	12	14
Liabilities under reimbursement agreements	119,090	6,972,023	6,979,560	111,553
Total liabilities	119,102	6,972,037	6,979,572	111,567
Lake Barcroft				
Assets:				
Equity in pooled cash and temporary investments	-	606,562	602,582	3,980
Accounts receivable	9,568	37,488	41,962	5,094
Total assets	9,568	644,050	644,544	9,074
Liabilities:				
Liabilities under reimbursement agreements	7,216	646,402	644,544	9,074
Interfund payable	2,352	-	2,352	-
Total liabilities	9,568	646,402	646,896	9,074
NOVARIS				
Assets:				
Equity in pooled cash and temporary investments	54,064	598,788	632,450	20,402
Accrued interest receivable	9	174	9	174
Equipment	2,372,300	-	-	2,372,300
Total assets	2,426,373	598,962	632,459	2,392,876
Liabilities:				
Accounts payable and accrued liabilities	14	7,546	14	7,546
Liabilities under reimbursement agreements	1,544,190	850,648	635,630	1,759,208
Obligations under capital leases	882,169	-	256,047	626,122
Total liabilities	2,426,373	858,194	891,691	2,392,876
Total Agency Funds:				
Assets:				
Equity in pooled cash and temporary investments	2,308,547	11,208,446	11,323,638	2,193,355
Cash with fiscal agent	-	144,765,466	144,765,466	-
Accounts receivable	133,558	102,890	120,082	116,366
Accrued interest receivable	695	4,381	695	4,381
Due from intergovernmental units	-	312,570	312,570	-
Investments	35,872,789	127,196,575	127,374,667	35,694,697
Equipment	2,372,300	-	-	2,372,300
Total assets	40,687,889	283,590,328	283,897,118	40,381,099
Liabilities:				
Accounts payable and accrued liabilities	1,302	165,978	158,834	8,446
Liabilities under reimbursement agreements	39,802,066	36,845,110	36,900,645	39,746,531
Interfund payable	2,352	-	2,352	-
Obligations under capital leases	882,169	-	256,047	626,122
Total liabilities	\$ 40,687,889	37,011,088	37,317,878	40,381,099



The **Capital Assets** schedules report assets that have been acquired for the activities of the governmental funds. The costs of such assets are recorded as expenditures in the General Fund, special revenue funds, and capital projects funds upon acquisition.



COUNTY OF FAIRFAX, VIRGINIA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source (1)
June 30, 2005

EXHIBIT I

	Governmental Funds
Governmental funds capital assets:	
Land	\$ 329,608,433
Construction in progress	56,019,368
Equipment	172,568,688
Library collections	48,868,464
Buildings	751,183,362
Improvements	62,026,214
Infrastructure	492,121,466
Total governmental funds capital assets	\$ 1,912,395,995
Investments in governmental funds capital assets by source:	
General fund	\$ 1,033,703,263
Special revenue funds	157,994,631
Capital projects funds	608,522,530
Gifts and donations	112,175,571
Total governmental funds capital assets	\$ 1,912,395,995

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

COUNTY OF FAIRFAX, VIRGINIA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity (1)
June 30, 2005

Function and Activity	Land	Equipment	Library Collections	Buildings
General government administration:				
Legislative	\$ 106,689,680	-	-	76,334,105
General and financial administration	19,610,306	32,138,909	-	126,780,771
Board of Elections	-	130,854	-	-
Total general government administration	126,299,986	32,269,763	-	203,114,876
Judicial administration:				
Courts	-	1,662,970	-	890,612
Commonwealth's Attorney	61,298	663,507	-	39,247,023
Total judicial administration	61,298	2,326,477	-	40,137,635
Public safety:				
Law enforcement	1,425,806	24,221,171	-	45,041,292
Fire and rescue services	8,731,652	24,030,765	-	46,152,598
Correction and detention	-	81,869	-	96,443,969
Inspections	-	1,124,033	-	5,377
Other protection	-	2,491,135	-	390,055
Total public safety	10,157,458	51,948,973	-	188,033,291
Public works:				
Maintenance of streets, roads, and bridges	54,089	3,077,073	-	119,704,969
Sanitation and waste removal	103,877,170	27,080,006	-	3,536,895
Maintenance of buildings and grounds	958,660	2,519,509	-	42,493
Total public works	104,889,919	32,676,588	-	123,284,357
Health and welfare:				
Health	4,545,842	1,970,605	-	57,724,365
Mental health and mental retardation	1,075,495	777,901	-	15,688,533
Welfare/social services	-	4,899,996	-	2,494,973
Total health and welfare	5,621,337	7,648,502	-	75,907,871
Community development:				
Planning and community development	71,958,731	43,108,326	-	69,599,247
Environmental management	-	260,733	-	-
Cooperative extension program	-	-	-	-
Total community development	71,958,731	43,369,059	-	69,599,247
Parks, recreation, and cultural:				
Parks and recreation	3,600,371	1,578,457	-	7,055,977
Library	7,019,333	750,869	48,868,464	44,050,108
Total parks, recreation, and cultural	10,619,704	2,329,326	48,868,464	51,106,085
Construction in progress				
Total governmental funds capital assets	\$ 329,608,433	172,568,688	48,868,464	751,183,362

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

EXHIBIT I-1

Improvements	Infrastructure	Total	Function and Activity
General government administration:			
5,199,698	-	188,223,483	Legislative
2,016,974	350,030	180,896,990	General and financial administration
-	-	130,854	Board of Elections
7,216,672	350,030	369,251,327	Total general government administration
Judicial administration:			
-	-	2,553,582	Courts
131,052	-	40,102,880	Commonwealth's Attorney
131,052	-	42,656,462	Total judicial administration
Public safety:			
566,184	-	71,254,453	Law enforcement
3,141,148	-	82,056,163	Fire and rescue services
2,170,235	20,708,000	119,404,073	Correction and detention
-	-	1,129,410	Inspections
1,650,026	-	4,531,216	Other protection
7,527,593	20,708,000	278,375,315	Total public safety
Public works:			
7,208,977	354,523,372	484,568,480	Maintenance of streets, roads, and bridges
2,743,453	-	137,237,524	Sanitation and waste removal
1,244,404	-	4,765,066	Maintenance of buildings and grounds
11,196,834	354,523,372	626,571,070	Total public works
Health and welfare:			
236,083	-	64,476,895	Health
428,468	-	17,970,397	Mental health and mental retardation
353,114	-	7,748,083	Welfare/social services
1,017,665	-	90,195,375	Total health and welfare
Community development:			
17,613,099	116,420,298	318,699,701	Planning and community development
-	-	260,733	Environmental management
1,299,107	-	1,299,107	Cooperative extension program
18,912,206	116,420,298	320,259,541	Total community development
Parks, recreation, and cultural:			
13,283,988	-	25,518,793	Parks and recreation
2,740,204	119,766	103,548,744	Library
16,024,192	119,766	129,067,537	Total parks, recreation, and cultural
			56,019,368 Construction in progress
62,026,214	492,121,466	1,912,395,995	Total governmental funds capital assets

COUNTY OF FAIRFAX, VIRGINIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity (1)
For the fiscal year ended June 30, 2005

EXHIBIT I-2

Function and Activity	Capital Assets			Capital Assets
	July 1, 2004	Additions	Deletions	June 30, 2005
General government administration:				
Legislative	\$ 188,955,859	-	732,376	188,223,483
General and financial administration	177,968,612	5,899,786	2,971,408	180,896,990
Board of Elections	130,854	-	-	130,854
Total general government administration	367,055,325	5,899,786	3,703,784	369,251,327
Judicial administration:				
Courts	1,577,222	1,051,644	75,284	2,553,582
Commonwealth's Attorney	40,174,517	-	71,637	40,102,880
Total judicial administration	41,751,739	1,051,644	146,921	42,656,462
Public safety:				
Law enforcement	66,991,328	4,704,658	441,533	71,254,453
Fire and rescue services	76,642,158	6,017,516	603,511	82,056,163
Correction and detention	118,164,044	1,240,029	-	119,404,073
Inspections	1,138,539	5,291	14,420	1,129,410
Other protection	4,287,729	382,687	139,200	4,531,216
Total public safety	267,223,798	12,350,181	1,198,664	278,375,315
Public works:				
Maintenance of streets, roads, and bridges	443,848,186	40,943,560	223,266	484,568,480
Sanitation and waste removal	136,776,706	2,641,615	2,180,797	137,237,524
Maintenance of buildings and grounds	4,239,721	68,548,106	68,022,761	4,765,066
Total public works	584,864,613	112,133,281	70,426,824	626,571,070
Health and welfare:				
Health	63,946,829	609,631	79,565	64,476,895
Mental health and mental retardation	17,912,232	80,865	22,700	17,970,397
Welfare/social services	8,471,809	188,113	911,839	7,748,083
Total health and welfare	90,330,870	878,609	1,014,104	90,195,375
Community development:				
Planning and community development	293,741,791	33,927,361	8,969,451	318,699,701
Environmental management	243,416	17,317	-	260,733
Cooperative extension program	1,299,107	-	-	1,299,107
Total community development	295,284,314	33,944,678	8,969,451	320,259,541
Parks, recreation, and cultural:				
Parks and recreation	25,680,395	42,239	203,841	25,518,793
Library	98,252,606	5,302,663	6,525	103,548,744
Total parks, recreation, and cultural	123,933,001	5,344,902	210,366	129,067,537
Total general fixed assets allocated to functions	1,770,443,660	171,603,081	85,670,114	1,856,376,627
Construction in progress	65,905,438	72,433,510	82,319,580	56,019,368
Total governmental funds capital assets	\$ 1,836,349,098	244,036,591	167,989,694	1,912,395,995

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

Fairfax County 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 in that its operations are funded primarily by payments from the County's General Fund, and the County issues general obligation debt to fund its capital projects.

General Fund is used to account for expenditures to operate, maintain, and support Public Schools' programs. Its primary sources of revenues are Federal and State Aid and payments from the County's General Fund.

Food and Nutrition Services Fund is a special revenue fund used to account for the provision of student breakfasts, snacks, and lunches. Primary sources of revenues are Federal and State Aid and receipts from food sales.

Grants and Self-Supporting Programs Fund is a special revenue fund used to account for federal, state, non-profit, and private industry grants that support the Instructional Services, Student Services, Special Education, and Information Technology programs.

Adult and Community Education Fund is a special revenue fund used to account for programs pertaining to basic skills education, high school completion, English as a second language, apprenticeship and occupation skills instruction, family literacy, driver education, SAT preparation, and business contracts.

Capital Projects Fund is used to account for the renovation, expansion, and new construction of school facilities as authorized by voter referendum and for other capital expenditures. Projects are funded primarily by proceeds from the sale of County general obligation bonds.

Central Procurement Fund is an internal service fund used to account for the centrally procured orders of textbooks, supplies, and equipment and their issuance to individual schools and offices.

Health Benefits Trust Fund is an internal service fund used to account for the provision of a comprehensive health insurance benefits program to Public Schools' employees.

Insurance Fund is an internal service fund that is used to account for the Public Schools' casualty liability obligations, including the provision of worker's compensation benefits in the form of medical and disability payments to Public Schools' employees who sustain occupational injuries.

Pension Trust Fund is used to account for the Educational Employees' Supplementary Retirement System, which provides pension benefits for Public Schools' employees.

Student Activity Fund is an agency fund that is used to account for the funds derived from various extracurricular school activities.



COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Balance Sheet - Governmental Funds
June 30, 2005

	General Fund	Major Fund- Capital Projects Fund	Nonmajor Governmental	
			Food and Nutrition Services	Special Revenue Grants and Self-Supporting Programs
ASSETS				
Equity in pooled cash and temporary investments	\$ 226,105,802	22,727,426	8,712,902	14,616
Receivables:				
Accounts	95,242	-	132,927	13,567
Accrued interest	-	-	27,897	-
Due from intergovernmental units	24,201,137	-	1,065,503	15,882,659
Due from primary government	1,621,364	-	202,700	-
Interfund receivables	5,100,000	-	-	-
Inventories of supplies	-	-	1,700,122	-
Other assets	-	-	-	-
Restricted assets - investments	-	15,139,807	-	-
Total assets	\$ 257,123,545	37,867,233	11,842,051	15,910,842
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 54,527,468	3,406,414	192,597	291,405
Accrued salaries and benefits	85,921,626	17,230	1,165,002	128,810
Contract retainages	-	7,694,727	-	-
Interfund payables	-	-	-	3,500,000
Deferred revenue	1,651,024	-	-	3,300,071
Performance and other deposits	-	657,269	-	-
Total liabilities	142,100,118	11,775,640	1,357,599	7,220,286
Fund balances:				
Reserved for:				
Encumbrances	36,071,506	84,085,889	1,110,422	4,742,658
Inventories of supplies	-	-	1,700,122	-
Certain capital projects	-	13,324,561	-	-
Debt service	-	1,815,246	-	-
Unreserved	78,951,921	(73,134,103)	7,673,908	3,947,898
Total fund balances	115,023,427	26,091,593	10,484,452	8,690,556
Total liabilities and fund balances	\$ 257,123,545	37,867,233	11,842,051	15,910,842

Reconciliation of the Balance Sheet to the Statement of Net Assets

Fund balances - Total governmental funds	\$ 161,287,891
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,471,451,958 and accumulated depreciation is \$754,145,002.	1,717,306,956
Some of the Public Schools' 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.	1,621,364
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.	38,120,924
Compensated absences related to governmental fund activities are not due and payable in the current period, and therefore, are not reported in the funds.	(25,333,349)
Capital lease and installment purchase agreements are not due and payable in the current period and, therefore, are not reported in the funds.	(115,043,963)
Net assets of governmental activities	<u>\$ 1,777,959,823</u>

EXHIBIT J

Funds		
Adult and Community Education	Total Governmental Funds	
ASSETS		
1,251,511	258,812,257	Equity in pooled cash and temporary investments
Receivables:		
-	241,736	Accounts
5,602	33,499	Accrued interest
60,431	41,209,730	Due from intergovernmental units
-	1,824,064	Due from primary government
-	5,100,000	Interfund receivables
-	1,700,122	Inventories of supplies
45,543	45,543	Other assets
-	15,139,807	Restricted assets - investments
<u>1,363,087</u>	<u>324,106,758</u>	Total assets
LIABILITIES AND FUND BALANCES		
Liabilities:		
144,575	58,562,459	Accounts payable and accrued liabilities
33,867	87,266,535	Accrued salaries and benefits
-	7,694,727	Contract retainages
-	3,500,000	Interfund payables
115,903	5,066,998	Deferred revenue
70,879	728,148	Performance and other deposits
<u>365,224</u>	<u>162,818,867</u>	Total liabilities
Fund balances:		
Reserved for:		
372,735	126,383,210	Encumbrances
-	1,700,122	Inventories of supplies
-	13,324,561	Certain capital projects
-	1,815,246	Debt service
625,128	18,064,752	Unreserved
<u>997,863</u>	<u>161,287,891</u>	Total fund balances
<u>1,363,087</u>	<u>324,106,758</u>	Total liabilities and fund balances

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the fiscal year ended June 30, 2005

	General Fund	Major Fund - Capital Projects Fund	Nonmajor Governmental	
			Food and Nutrition Services	Special Revenue Grants and Self-Supporting Programs
REVENUES				
Intergovernmental	\$ 1,729,445,865	126,994,831	20,118,295	38,969,824
Charges for services	7,830,103	-	36,865,502	2,992,700
Revenue from the use of money and property	524	43,404	155,512	-
Recovered costs	28,544,499	514,345	-	-
Other	4,854,211	1,229,803	13,168	1,509,199
Total revenues	1,770,675,202	128,782,383	57,152,477	43,471,723
EXPENDITURES				
Current:				
Education	1,726,956,934	28,683,434	57,236,917	56,676,256
Capital outlay	42,580,444	161,806,377	97,155	668,714
Total expenditures	1,769,537,378	190,489,811	57,334,072	57,344,970
Excess (deficiency) of revenues over (under) expenditures	1,137,824	(61,707,428)	(181,595)	(13,873,247)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	13,412,549	-	15,798,823
Transfers out	(30,777,747)	-	-	-
Capital leases and installment purchases	34,496,041	60,715,190	-	-
Total other financing sources (uses)	3,718,294	74,127,739	-	15,798,823
SPECIAL ITEM				
Proceeds from the sale of land	-	11,699,825	-	-
Net change in fund balances	4,856,118	24,120,136	(181,595)	1,925,576
Fund balances, July 1, 2004	110,167,309	1,971,457	10,614,164	6,764,980
Increase in reserve for inventories of supplies	-	-	51,883	-
Fund balances, June 30, 2005	\$ 115,023,427	26,091,593	10,484,452	8,690,556

EXHIBIT J-1

Funds		
Adult and Community Education	Total Governmental Funds	
REVENUES		
1,980,581	1,917,509,396	Intergovernmental
6,822,451	54,510,756	Charges for services
32,318	231,758	Revenue from the use of money and property
-	29,058,844	Recovered costs
18,119	7,624,500	Other
8,853,469	2,008,935,254	Total revenues
EXPENDITURES		
Current:		
10,623,040	1,880,176,581	Education
92,844	205,245,534	Capital outlay
10,715,884	2,085,422,115	Total expenditures
(1,862,415)	(76,486,861)	Excess (deficiency) of revenues over (under) expenditures
OTHER FINANCING SOURCES (USES)		
1,200,130	30,411,502	Transfers in
-	(30,777,747)	Transfers out
-	95,211,231	Capital leases and installment purchases
1,200,130	94,844,986	Total other financing sources (uses)
SPECIAL ITEM		
-	11,699,825	Proceeds from the sale of land
(662,285)	30,057,950	Net change in fund balances
1,660,148	131,178,058	Fund balances, July 1, 2004
-	51,883	Decrease in reserve for inventories of supplies
997,863	161,287,891	Fund balances, June 30, 2005

continued

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Statement of Activities
For the fiscal year ended June 30, 2005

EXHIBIT J-1
concluded

Net change in fund balances - Total governmental funds \$ 30,057,950

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:

Capital outlay	\$ 198,438,787	
Less depreciation expense	<u>(81,715,909)</u>	116,722,878

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. 69,954,546

Loss on the disposition of capital assets is reported in the statement of activities. 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. (2,608,526)

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 decreased by this amount this year. (1,569,481)

Some capital additions were financed through capital leases and installment purchases. In governmental funds, these arrangements are considered a source of financing, but in the statement of net assets, the obligations are reported as a liability. (95,211,231)

Principal payments on capital leases and installment purchases are reported as expenditures in governmental funds. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. 15,369,122

Under the modified accrual basis of accounting used in the governmental funds, expenditures for compensated absences are not recognized until they mature. In the statement of activities, however, they are reported as expenses and liabilities as they accrue. (768,069)

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. 13,974,602

Change in net assets of governmental activities \$ 145,921,791

COUNTY OF FAIRFAX, VIRGINIA
 Fairfax County Public Schools
 Budgetary Comparison Schedule - General Fund (Budget Basis)
 For the fiscal year ended June 30, 2005

EXHIBIT J-2

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,729,328,855	1,732,916,609	1,729,445,865	(3,470,744)
Charges for services	4,146,676	4,146,676	5,513,537	1,366,861
Revenue from the use of money and property	1,336,300	1,336,300	2,670,110	1,333,810
Recovered costs	29,138,289	28,544,499	28,544,499	-
Other	3,582,900	3,582,900	4,501,191	918,291
Total revenues	1,767,533,020	1,770,526,984	1,770,675,202	148,218
EXPENDITURES				
Education	1,755,370,521	1,853,131,919	1,736,662,701	116,469,218
Total expenditures	1,755,370,521	1,853,131,919	1,736,662,701	116,469,218
Excess (deficiency) of revenues over (under) expenditures	12,162,499	(82,604,935)	34,012,501	116,617,436
OTHER FINANCING USES				
Transfers out	(30,777,747)	(30,777,747)	(30,777,747)	-
Total other financing uses	(30,777,747)	(30,777,747)	(30,777,747)	-
Net change in fund balance	\$ (18,615,248)	(113,382,682)	3,234,754	116,617,436

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Budgetary Comparison Schedule - Food and Nutrition Services Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT J-3A

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 18,304,404	19,424,148	20,118,295	694,147
Charges for services	33,089,250	36,809,414	36,865,502	56,088
Revenue from the use of money and property	117,593	72,610	168,680	96,070
Total revenues	51,511,247	56,306,172	57,152,477	846,305
EXPENDITURES				
Education	51,563,629	66,920,336	57,334,072	9,586,264
Total expenditures	51,563,629	66,920,336	57,334,072	9,586,264
Net change in fund balance	\$ (52,382)	(10,614,164)	(181,595)	10,432,569

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT J-3B

Fairfax County Public Schools

Budgetary Comparison Schedule - Grants and Self-Supporting Programs Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 34,768,416	51,899,162	38,969,824	(12,929,338)
Charges for services	3,298,577	3,298,577	2,992,700	(305,877)
Other	180,600	1,611,294	1,509,199	(102,095)
Total revenues	38,247,593	56,809,033	43,471,723	(13,337,310)
EXPENDITURES				
Education	57,089,191	79,372,836	57,344,970	22,027,866
Total expenditures	57,089,191	79,372,836	57,344,970	22,027,866
Excess (deficiency) of revenues over (under) expenditures	(18,841,598)	(22,563,803)	(13,873,247)	8,690,556
OTHER FINANCING SOURCES				
Transfers in	15,741,598	15,798,823	15,798,823	-
Total other financing sources	15,741,598	15,798,823	15,798,823	-
Net change in fund balance	\$ (3,100,000)	(6,764,980)	1,925,576	8,690,556

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT J-3C

Fairfax County Public Schools

Budgetary Comparison Schedule - Adult and Community Education Fund (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,712,976	2,050,048	1,980,581	(69,467)
Charges for services	7,131,772	7,131,772	6,817,419	(314,353)
Revenue from the use of money and property	-	-	37,350	37,350
Other	19,224	98,729	18,119	(80,610)
Total revenues	8,863,972	9,280,549	8,853,469	(427,080)
EXPENDITURES				
Education	10,486,047	12,140,827	10,715,884	1,424,943
Total expenditures	10,486,047	12,140,827	10,715,884	1,424,943
Excess (deficiency) of revenues over (under) expenditures	(1,622,075)	(2,860,278)	(1,862,415)	997,863
OTHER FINANCING SOURCES				
Transfers in	1,200,130	1,200,130	1,200,130	-
Total other financing sources	1,200,130	1,200,130	1,200,130	-
Net change in fund balance	\$ (421,945)	(1,660,148)	(662,285)	997,863

COUNTY OF FAIRFAX, VIRGINIA
 Fairfax County Public Schools
 Combining Statement of Net Assets - Internal Service Funds
 June 30, 2005

EXHIBIT J-4

	Central Procurement	Health Benefits Trust	Insurance	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in pooled cash and temporary investments	\$ 57,488	54,205,608	18,133,847	72,396,943
Accounts receivable	-	146,327	-	146,327
Accrued interest receivable	-	228,075	-	228,075
Inventories of supplies	2,339,605	-	-	2,339,605
Total current assets	2,397,093	54,580,010	18,133,847	75,110,950
Long-term assets - Capital assets:				
Equipment	100,053	-	40,029	140,082
Accumulated depreciation	(39,756)	-	(5,235)	(44,991)
Total long-term assets	60,297	-	34,794	95,091
Total assets	2,457,390	54,580,010	18,168,641	75,206,041
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	450,378	3,047,212	430,092	3,927,682
Accrued salaries and benefits	-	-	1,844	1,844
Insurance and benefit claims payable	-	10,416,000	4,110,587	14,526,587
Interfund payables	1,600,000	-	-	1,600,000
Deferred revenue	-	5,120,654	-	5,120,654
Long-term liabilities - Insurance and benefit claims payable	-	-	11,908,350	11,908,350
Total liabilities	2,050,378	18,583,866	16,450,873	37,085,117
NET ASSETS				
Invested in capital assets	60,297	-	34,794	95,091
Unrestricted	346,715	35,996,144	1,682,974	38,025,833
Total net assets	\$ 407,012	35,996,144	1,717,768	38,120,924

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT J-5

Fairfax County Public Schools

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds

For the fiscal year ended June 30, 2005

	Central Procurement	Health Benefits Trust	Insurance	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 11,303,276	183,398,223	11,399,980	206,101,479
Total operating revenues	11,303,276	183,398,223	11,399,980	206,101,479
OPERATING EXPENSES:				
Cost of goods sold	11,235,582	-	-	11,235,582
Personnel services	89,426	880,269	762,155	1,731,850
Depreciation expense	9,380	-	2,813	12,193
Claims and benefit payments	-	164,131,941	7,863,437	171,995,378
Professional consultant and contractual services	-	7,107,390	971,571	8,078,961
Other	39,829	338,252	101,615	479,696
Total operating expenses	11,374,217	172,457,852	9,701,591	193,533,660
Operating income (loss)	(70,941)	10,940,371	1,698,389	12,567,819
NONOPERATING REVENUES:				
Interest revenue	-	1,040,538	-	1,040,538
Total nonoperating revenues	-	1,040,538	-	1,040,538
Income (loss) before operating transfers	(70,941)	11,980,909	1,698,389	13,608,357
Transfers in	-	366,245	-	366,245
Change in net assets	(70,941)	12,347,154	1,698,389	13,974,602
Total net assets, July 1, 2004	477,953	23,648,990	19,379	24,146,322
Total net assets, June 30, 2005	\$ 407,012	35,996,144	1,717,768	38,120,924

COUNTY OF FAIRFAX, VIRGINIA
 Fairfax County Public Schools
 Combining Statement of Cash Flows - Internal Service Funds
 For the fiscal year ended June 30, 2005

EXHIBIT J-6

	Central Procurement	Health Benefits Trust	Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 11,303,276	183,892,121	11,399,980	206,595,377
Payments to suppliers	(11,132,634)	-	-	(11,132,634)
Payments to employees	(89,426)	(880,269)	(764,494)	(1,734,189)
Claims and benefits paid	-	(168,109,941)	(6,562,154)	(174,672,095)
Payments for professional services	-	(6,323,411)	(1,589,048)	(7,912,459)
Payments for other operating expenses	(39,829)	(338,252)	(101,615)	(479,696)
Net cash provided by operating activities	41,387	8,240,248	2,382,669	10,664,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	366,245	-	366,245
Net cash provided by noncapital financing activities	-	366,245	-	366,245
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	-	(27,111)	(27,111)
Net cash (used) by capital and related financing activities	-	-	(27,111)	(27,111)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	863,234	-	863,234
Net cash provided by investing activities	-	863,234	-	863,234
Net increase in cash and cash equivalents	41,387	9,469,727	2,355,558	11,866,672
Cash and cash equivalents, July 1, 2004	16,101	44,735,881	15,778,289	60,530,271
Cash and cash equivalents, June 30, 2005	\$ 57,488	54,205,608	18,133,847	72,396,943
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (70,941)	10,940,371	1,698,389	12,567,819
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	9,380	-	2,813	12,193
Change in assets and liabilities:				
(Increase) in accounts receivable	-	(146,327)	-	(146,327)
Decrease in inventories of supplies	143,292	-	-	143,292
Increase (decrease) in accounts payable and accrued liabilities	359,656	783,979	(617,477)	526,158
(Decrease) in accrued salaries and benefits	-	-	(2,339)	(2,339)
(Decrease) in interfund payables	(400,000)	-	-	(400,000)
Increase in deferred revenue	-	640,225	-	640,225
Increase (decrease) in insurance and benefits claims payable	-	(3,978,000)	1,301,283	(2,676,717)
Total adjustments to operating income (loss)	112,328	(2,700,123)	684,280	(1,903,515)
Net cash provided by operating activities	\$ 41,387	8,240,248	2,382,669	10,664,304
Noncash capital activities:				
Capital contributions - capital assets	\$ -	-	13,782	13,782

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Statement of Fiduciary Net Assets
June 30, 2005

EXHIBIT J-7

	Pension Trust Fund - Educational Employees' Supplementary Retirement System	Agency Fund - Student Activity Fund
ASSETS		
Equity in pooled cash and temporary investments	\$ 746,836	-
Cash with fiscal agents	271,792	15,683,857
Cash collateral for securities lending	136,929,359	-
Accounts receivable	73,511	272,257
Contributions receivable	120,795	-
Accrued interest and dividends receivable	3,190,020	-
Receivable from sale of pension investments	17,514,980	-
Investments, at fair value:		
U.S. Government securities	34,585,345	-
Asset-backed securities	6,542,518	-
Corporate bonds	46,868,819	-
Common and preferred stock	925,784,931	-
Pooled and mutual funds	503,964,182	-
Real estate	40,731,685	-
Other bonds	28,009,541	-
Short-term investments	56,163,769	-
Inventories of supplies	-	269,364
Prepaid items and other assets	26,204	-
Total assets	<u>1,801,524,287</u>	<u>\$ 16,225,478</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,161,192	1,187,497
Payable for purchase of pension investments	15,720,580	-
Liabilities for collateral received under securities lending agreements	136,929,359	-
Due to student groups	-	15,037,981
Total liabilities	<u>153,811,131</u>	<u>\$ 16,225,478</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 1,647,713,156</u>	

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Statement of Changes in Plan Net Assets - Pension Trust Fund
For the fiscal year ended June 30, 2005

EXHIBIT J-8

	Pension Trust Fund - Educational Employees' Supplementary Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 32,198,596
Plan members	39,818,585
Total contributions	<u>72,017,181</u>
Investment income:	
From investment activities:	
Net appreciation in fair value of investments	140,553,375
Interest and dividends	33,764,917
Real estate income	174,332
Other	294,698
Total income from investment activities	<u>174,787,322</u>
Less investment activities expenses:	
Management fees	6,075,158
Other	592,033
Total investment activities expenses	<u>6,667,191</u>
Net income from investment activities	<u>168,120,131</u>
From securities lending activities:	
Securities lending income	<u>2,638,844</u>
Less securities lending expenses:	
Borrower rebates	2,159,140
Management fees	119,915
Total securities lending activities expenses	<u>2,279,055</u>
Net income from securities lending activities	<u>359,789</u>
Net investment income	<u>168,479,920</u>
Total additions	<u>240,497,101</u>
DEDUCTIONS	
Benefits	114,999,379
Refunds of contributions	2,794,118
Administrative expenses	3,110,563
Total deductions	<u>120,904,060</u>
Net decrease	119,593,041
Net assets, July 1, 2004	<u>1,528,120,115</u>
Net assets, June 30, 2005	<u>\$ 1,647,713,156</u>

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Statement of Changes in Assets and Liabilities - Agency Fund
For the fiscal year ended June 30, 2005

EXHIBIT J-9

	Balances July 1, 2004	Additions	Deductions	Balances June 30, 2005
Student Activity Fund:				
Assets:				
Cash with fiscal agents	\$ 14,703,164	40,799,342	39,818,649	15,683,857
Accounts receivable	443,930	125,456	297,129	272,257
Inventories of supplies	176,763	118,529	25,928	269,364
Total assets	<u>15,323,857</u>	<u>41,043,327</u>	<u>40,141,706</u>	<u>16,225,478</u>
Liabilities:				
Accounts payable and accrued liabilities	1,093,715	357,071	263,289	1,187,497
Due to student groups	14,230,142	1,585,269	777,430	15,037,981
Total liabilities	<u>\$ 15,323,857</u>	<u>1,942,340</u>	<u>1,040,719</u>	<u>16,225,478</u>

The **Fairfax County Redevelopment and Housing Authority** (FCRHA) is responsible for low income housing and community development programs within the County. FCRHA was approved by a voter referendum in November 1965 and was activated by the County Board of Supervisors in February 1966. FCRHA is a political subdivision of and reports to the Commonwealth of Virginia. The County Board of Supervisors appoints the FCRHA Board of Commissioners and the County provides certain managerial and other related assistance to FCRHA.

Primary Government represents FCRHA's use of an enterprise fund to report its activities. FCRHA activities are funded by federal grants from the U.S. Department of Housing and Urban Development (HUD), rents, and other user charges resulting from operations of subsidized housing, development and financing fees, investment income, and loan proceeds. These funds provide rental housing, housing for the elderly/group homes, loans for home ownership and home improvement, tenant assistance, community development, and administration of these programs.

Component Units are real estate limited partnerships of FCRHA. FCRHA is the managing general partner and has certain rights which enable it to impose its will on the limited partnerships. FCRHA is legally obligated to fund operating deficits, making FCRHA financially accountable for the partnerships.

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Redevelopment and Housing Authority
Statement of Net Assets
June 30, 2005

EXHIBIT K

	Primary Government	Component Units	Total Reporting Entity
ASSETS			
Current assets:			
Equity in pooled cash and temporary investments	\$ 32,167,455	-	32,167,455
Cash in banks	1,972,256	5,967,548	7,939,804
Receivables (net of allowances):			
Accounts	1,485,925	175,676	1,661,601
Accrued interest	113,851	3,687	117,538
Notes	1,036,742	-	1,036,742
Land held for sale	692,948	-	692,948
Other assets	146,890	20,271	167,161
Total current assets	<u>37,616,067</u>	<u>6,167,182</u>	<u>43,783,249</u>
Long-term assets:			
Restricted assets:			
Cash with fiscal agents	5,129,605	3,103,070	8,232,675
Certificates of deposit - performance bonds	-	573,609	573,609
Investments	3,942,227	-	3,942,227
Total restricted assets	<u>9,071,832</u>	<u>3,676,679</u>	<u>12,748,511</u>
Capital assets:			
Non-depreciable:			
Land	25,762,502	6,966,628	32,729,130
Construction in progress	3,382,126	-	3,382,126
Depreciable:			
Equipment	2,329,243	606,112	2,935,355
Buildings and improvements	103,219,935	54,746,011	157,965,946
Accumulated depreciation	(63,296,158)	(15,274,279)	(78,570,437)
Total capital assets, net	<u>71,397,648</u>	<u>47,044,472</u>	<u>118,442,120</u>
Other long-term assets:			
Notes receivable	6,063,846	-	6,063,846
Other assets	1,550	312,130	313,680
Deferred financing fees (net of amortization)	24,087	-	24,087
Total other long-term assets	<u>6,089,483</u>	<u>312,130</u>	<u>6,401,613</u>
Total long-term assets	<u>86,558,963</u>	<u>51,033,281</u>	<u>137,592,244</u>
Total assets	<u>124,175,030</u>	<u>57,200,463</u>	<u>181,375,493</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,561,128	5,948,280	8,509,408
Accrued salaries and benefits	364,569	-	364,569
Accrued interest payable	-	2,387,851	2,387,851
Due to primary government	1,846,227	-	1,846,227
Deferred revenue	805,754	54,050	859,804
Performance and other deposits	2,511,941	323,784	2,835,725
Mortgage revenue bonds payable	358,577	-	358,577
Notes payable	3,038,017	844,902	3,882,919
Compensated absences payable	401,250	-	401,250
Other - Public housing loans payable	149,695	-	149,695
Total current liabilities	<u>12,037,158</u>	<u>9,558,867</u>	<u>21,596,025</u>
Long-term liabilities:			
Mortgage revenue bonds payable	11,511,777	-	11,511,777
Notes payable	21,426,153	31,214,650	52,640,803
Compensated absences payable	549,910	-	549,910
Other - Public housing loans payable	1,251,210	-	1,251,210
Total long-term liabilities	<u>34,739,050</u>	<u>31,214,650</u>	<u>65,953,700</u>
Total liabilities	<u>46,776,208</u>	<u>40,773,517</u>	<u>87,549,725</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,043,768	14,984,920	60,028,688
Restricted	8,691,832	3,352,895	12,044,727
Unrestricted	23,663,222	(1,910,869)	21,752,353
Total net assets	<u>\$ 77,398,822</u>	<u>16,426,946</u>	<u>93,825,768</u>

COUNTY OF FAIRFAX, VIRGINIA
 Fairfax County Redevelopment and Housing Authority
 Statement of Revenues, Expenses, and Changes in Net Assets
 For the fiscal year ended June 30, 2005

EXHIBIT K-1

	Primary Government	Component Units	Total Reporting Entity
OPERATING REVENUES:			
Dwelling rentals	\$ 11,445,221	5,393,379	16,838,600
Other	4,556,548	832,721	5,389,269
Total operating revenues	16,001,769	6,226,100	22,227,869
OPERATING EXPENSES:			
Personnel services	9,174,193	1,058,910	10,233,103
Materials and supplies	2,569,942	1,520,620	4,090,562
Repairs and maintenance	2,355,149	1,071,067	3,426,216
Housing assistance payments	37,393,241	-	37,393,241
Depreciation and amortization	3,690,250	1,893,471	5,583,721
Contractual services	1,386,317	88,190	1,474,507
Utilities	1,979,166	819,116	2,798,282
Total operating expenses	58,548,258	6,451,374	64,999,632
Operating loss	(42,546,489)	(225,274)	(42,771,763)
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	46,253,741	-	46,253,741
Interest revenue	655,102	41,594	696,696
Interest expense	(2,112,293)	(1,238,025)	(3,350,318)
Total nonoperating revenues (expenses)	44,796,550	(1,196,431)	43,600,119
Gain (loss) before contributions	2,250,061	(1,421,705)	828,356
CAPITAL CONTRIBUTIONS:			
Investor capital contributions	-	1,109,113	1,109,113
HUD debt service contributions	239,205	-	239,205
HUD capital contributions	1,812,256	-	1,812,256
Total capital contributions	2,051,461	1,109,113	3,160,574
Change in net assets	4,301,522	(312,592)	3,988,930
Total net assets, July 1, 2004	73,097,300	16,739,538	89,836,838
Total net assets, June 30, 2005	\$ 77,398,822	16,426,946	93,825,768

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Redevelopment and Housing Authority
Statement of Cash Flows
For the fiscal year ended June 30, 2005

EXHIBIT K-2

	Primary Government	Component Units	Total Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 12,323,277	5,416,276	17,739,553
Other operating cash receipts	3,820,310	843,139	4,663,449
Payments to employees for services	(9,101,072)	(1,058,910)	(10,159,982)
Payments made for housing assistance	(37,415,242)	-	(37,415,242)
Payments to suppliers for goods and services	(8,006,683)	(4,647,678)	(12,654,361)
Purchase of property held for sale	205,498	-	205,498
Net cash provided (used) by operating activities	(38,173,912)	552,827	(37,621,085)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Retirement of loans, notes, and bonds payables	(15,700,000)	-	(15,700,000)
Proceeds from the issuance of debt	5,100,000	-	5,100,000
Receipt of loan and advance repayments	11,816,488	-	11,816,488
Intergovernmental revenue received	46,659,029	-	46,659,029
Net cash provided by noncapital financing activities	47,875,517	-	47,875,517
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(3,508,891)	(43,139)	(3,552,030)
Capital contributions	-	1,109,113	1,109,113
Proceeds from issuance of debt	1,432,500	208,873	1,641,373
Interest payments	(2,167,914)	(33,679)	(2,201,593)
Debt principal payments	(3,137,060)	(975,235)	(4,112,295)
HUD debt service and capital contributions	2,051,461	-	2,051,461
Net cash provided (used) by capital and related financing activities	(5,329,904)	265,933	(5,063,971)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of loan and advance repayments	1,519,675	-	1,519,675
Disbursement of loans and advances receivable	(76,277)	-	(76,277)
Acquisition of investments	(3,760,773)	-	(3,760,773)
Interest received	575,782	41,594	617,376
Net cash provided (used) by investing activities	(1,741,593)	41,594	(1,699,999)
Net increase in cash and cash equivalents	2,630,108	860,354	3,490,462
Cash and cash equivalents, July 1, 2004	36,639,208	8,783,873	45,423,081
Cash and cash equivalents, June 30, 2005	\$ 39,269,316	9,644,227	48,913,543
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (42,546,489)	(225,274)	(42,771,763)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	3,690,250	1,893,471	5,583,721
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(984,012)	24,756	(959,256)
(Increase) decrease in other assets	205,807	(3,182)	202,625
Increase (decrease) in accounts payable and accrued liabilities	223,753	(1,145,503)	(921,750)
Increase in accrued salaries and benefits	73,122	-	73,122
Increase in performance and other deposits	1,130,879	10,418	1,141,297
Increase (decrease) in deferred revenue	32,778	(1,859)	30,919
Total adjustments to operating loss	4,372,577	778,101	5,150,678
Net cash provided (used) by operating activities	\$ (38,173,912)	552,827	(37,621,085)
Noncash investing, capital, and financing activities:			
Increase in fair value of restricted investments	\$ 27,713	-	27,713

The **Fairfax County Park Authority** (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 Board members, and a substantial portion of the cost of the Park Authority's operations are funded by the County.

General Fund (Financed from County General Fund) is used to account for the operations of the park facilities that are funded by the County.

Park Revenue Fund is a special revenue fund used to account for the operations of the park facilities that are funded from park operating revenues.

Financed from County Construction Fund is a capital projects fund used to account for specific maintenance projects for park facilities that are funded by the County's Construction Fund.

Park Construction Bond Fund is a capital projects fund used to account for all construction projects and capital improvements of the Park Authority financed by County general obligation bonds.

Park Capital Improvement Fund is a capital projects fund used to account for all Park Authority construction projects and capital improvements financed through interest earned and transfers from the Park Revenue Fund.

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Park Authority
Balance Sheet
June 30, 2005

	Major Governmental		
	General Fund (Financed from County General Fund)	Special Revenue Fund - Park Revenue	Capital Financed from County Construction Fund
ASSETS			
Equity in pooled cash and temporary investments	\$ -	4,652,576	-
Receivables:			
Accounts	-	25,967	-
Accrued interest	-	9,236	-
Due from primary government	1,468,040	-	185,038
Restricted assets:			
Equity in pooled cash and temporary investments	-	-	-
Investments	-	1,910,463	-
Total assets	\$ 1,468,040	6,598,242	185,038
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 93,407	364,666	108,048
Accrued salaries and benefits	1,374,633	1,128,144	-
Due to primary government	-	178,895	-
Contract retainages	-	-	76,990
Deferred revenue	-	3,604,498	-
Performance and other deposits	-	112,577	-
Total liabilities	1,468,040	5,388,780	185,038
Fund balances:			
Reserved for:			
Encumbrances	19,400	-	198,859
Certain capital projects	-	-	-
Debt service	-	1,910,463	-
Repair and replacement	-	-	-
Unreserved (deficit)	(19,400)	(701,001)	(198,859)
Total fund balances	-	1,209,462	-
Total liabilities and fund balances	\$ 1,468,040	6,598,242	185,038

Reconciliation of the Balance Sheet to the Statement of Net Assets

Fund balances - Total governmental funds \$ 40,637,300

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$523,333,968 and the accumulated depreciation is \$113,371,452. 409,962,516

Deferred bond issuance costs reported in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. 422,028

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Revenue bonds payable, net	\$ (11,320,595)	
Compensated absences payable	(4,333,233)	
Loan from primary government	(15,530,000)	
Accrued interest payable	(232,660)	(31,416,488)

Net assets of governmental activities \$ 419,605,356

EXHIBIT L

Funds			
Projects Funds			
Construction Bond	Park Capital Improvement	Total Governmental Funds	
			ASSETS
-	14,031,171	18,683,747	Equity in pooled cash and temporary investments
			Receivables:
-	-	25,967	Accounts
-	44,577	53,813	Accrued interest
-	-	1,653,078	Due from primary government
			Restricted assets:
21,615,243	700,000	22,315,243	Equity in pooled cash and temporary investments
-	5,345,026	7,255,489	Investments
21,615,243	20,120,774	49,987,337	Total assets
			LIABILITIES AND FUND BALANCES
			Liabilities:
901,348	473,102	1,940,571	Accounts payable and accrued liabilities
-	-	2,502,777	Accrued salaries and benefits
-	-	178,895	Due to primary government
505,366	416,900	999,256	Contract retainages
-	-	3,604,498	Deferred revenue
-	11,463	124,040	Performance and other deposits
1,406,714	901,465	9,350,037	Total liabilities
			Fund balances:
			Reserved for:
9,640,099	684,510	10,542,868	Encumbrances
10,568,430	5,345,026	15,913,456	Certain capital projects
-	-	1,910,463	Debt service
-	700,000	700,000	Repair and replacement
-	12,489,773	11,570,513	Unreserved (deficit)
20,208,529	19,219,309	40,637,300	Total fund balances
21,615,243	20,120,774	49,987,337	Total liabilities and fund balances

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Park Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2005

	Major Governmental		
	General Fund (Financed from County General Fund)	Special Revenue Fund - Park Revenue	Capital Financed from County Construction Fund
REVENUES			
Intergovernmental	\$ 26,981,585	15,032,963	6,571,979
Charges for services	2,455,045	25,938,433	20,624
Revenue from the use of money and property	-	2,106,032	-
Gifts, donations, and contributions	-	240,740	-
Other	-	165,727	-
Total revenues	29,436,630	43,483,895	6,592,603
EXPENDITURES			
Current:			
Parks, recreation, and cultural	29,196,630	26,698,138	4,575,508
Capital outlay	240,000	283,112	2,017,095
Debt service:			
Principal retirement	-	15,493,364	-
Interest and other charges	-	609,908	-
Total expenditures	29,436,630	43,084,522	6,592,603
Excess (deficiency) of revenues over (under) expenditures	-	399,373	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(900,000)	-
Revenue note issued	-	14,938,364	-
Retirement of revenue note	-	(14,938,364)	-
Total other financing sources (uses)	-	(900,000)	-
Net change in fund balances	-	(500,627)	-
Fund balances, July 1, 2004	-	1,710,089	-
Fund balances, June 30, 2005	\$ -	1,209,462	-

EXHIBIT L-1

Funds			
Projects Funds			
Park Construction Bond	Park Capital Improvement	Total Governmental Funds	
			REVENUES
13,920,000	582,540	63,089,067	Intergovernmental
-	4,673	28,418,775	Charges for services
-	695,414	2,801,446	Revenue from the use of money and property
-	906,830	1,147,570	Gifts, donations and contributions
-	2,168	167,895	Other
13,920,000	2,191,625	95,624,753	Total revenues
			EXPENDITURES
			Current:
871,532	183,432	61,525,240	Parks, recreation, and cultural
13,087,057	9,202,377	24,829,641	Capital outlay
			Debt service:
-	-	15,493,364	Principal retirement
-	687,363	1,297,271	Interest and other charges
13,958,589	10,073,172	103,145,516	Total expenditures
(38,589)	(7,881,547)	(7,520,763)	Excess (deficiency) of revenues over (under) expenditures
			OTHER FINANCING SOURCES (USES)
-	900,000	900,000	Transfers in
-	-	(900,000)	Transfers out
-	-	14,938,364	Revenue note issued
-	-	(14,938,364)	Retirement of revenue note
-	900,000	-	Total other financing sources (uses)
(38,589)	(6,981,547)	(7,520,763)	Net change in fund balances
20,247,118	26,200,856	48,158,063	Fund balances, July 1, 2004
20,208,529	19,219,309	40,637,300	Fund balances, June 30, 2005

continued

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Park Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Statement of Activities
For the fiscal year ended June 30, 2005

EXHIBIT L-1
concluded

Net change in fund balances - Total governmental funds		\$	(7,520,763)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:			
Capital outlays	\$	24,829,641	
Less depreciation expense		<u>(6,418,517)</u>	18,411,124
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.			
			(2,216)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.			
			5,195,495
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 statements of net assets and does not affect the statement of activities. A revenue note was issued.			
			(14,938,364)
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 the 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	\$	555,000	
Principal repayments of revenue notes		14,938,364	
Retirement of revenue note		<u>14,938,364</u>	30,431,728
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:			
Compensated absences	\$	(154,347)	
Interest and other		<u>(92,184)</u>	<u>(246,531)</u>
Change in net assets of governmental activities		\$	<u>31,330,473</u>

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT L-2A

Fairfax County Park Authority

Budgetary Comparison Schedule - General Fund (Financed from County General Fund) (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 20,297,707	20,584,535	20,607,967	23,432
Charges for services	2,843,407	2,569,579	2,455,045	(114,534)
Total revenues	23,141,114	23,154,114	23,063,012	(91,102)
EXPENDITURES				
Parks, recreation, and cultural	23,141,114	23,154,114	23,063,012	91,102
Total expenditures	23,141,114	23,154,114	23,063,012	91,102
Net change in fund balance	\$ -	-	-	-

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Park Authority
Budgetary Comparison Schedule - Park Revenue Fund (Budget Basis)
For the fiscal year ended June 30, 2005

EXHIBIT L-2B

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 21,154,319	19,368,277	26,408,638	7,040,361
Revenue from the use of money and property	10,290,646	9,358,503	2,109,765	(7,248,738)
Gifts, donations, and contributions	160,000	160,000	240,740	80,740
Other	617,015	179,562	165,726	(13,836)
Total revenues	32,221,980	29,066,342	28,924,869	(141,473)
EXPENDITURES				
Parks, recreation, and cultural	31,435,761	43,906,820	43,082,673	824,147
Total expenditures	31,435,761	43,906,820	43,082,673	824,147
Excess of revenues over expenditures	786,219	(14,840,478)	(14,157,804)	682,674
OTHER FINANCING SOURCES (USES)				
Transfers in from primary government	-	15,029,231	15,029,231	-
Transfers out	-	(900,000)	(900,000)	-
Total other financing sources (uses)	-	14,129,231	14,129,231	-
Net change in fund balance	\$ 786,219	(711,247)	(28,573)	682,674

The **Fairfax County Economic Development Authority (EDA)** provides direct assistance to firms which intend to establish their operations within the County. 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 is an independent authority, legally authorized by an enactment of the Virginia General Assembly and formally created by resolution of the County Board of Supervisors. The County Board of Supervisors appoints the seven members of EDA's Commission. The Board also appropriates funds annually for operating expenditures incurred in carrying out EDA's mission.

General Fund (Financed from County General Fund) is used to account for the operations of the EDA, all of which are funded by the County.

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Economic Development Authority
Balance Sheet
June 30, 2005

EXHIBIT M

	General Fund (Financed from County General Fund)
ASSETS	
Due from primary government	\$ 414,774
<u>Total assets</u>	<u>\$ 414,774</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 279,634
Accrued salaries and benefits	135,140
<u>Total liabilities</u>	<u>414,774</u>
Fund balance:	
Unreserved	-
<u>Total liabilities and fund balance</u>	<u>\$ 414,774</u>
Reconciliation of the Balance Sheet to the Statement of Net Assets	
Fund balance - General Fund	\$ -
Amounts reported for governmental activities in the statement of net assets are different because :	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$62,122 and the accumulated depreciation is \$29,334.	32,788
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(211,399)
Net assets of governmental activities	<u>\$ (178,611)</u>

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Economic Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the fiscal year ended June 30, 2005

EXHIBIT M-1

	General Fund (Financed from County General Fund)
REVENUES	
Intergovernmental	\$ 7,359,221
Total revenues	<u>7,359,221</u>
EXPENDITURES	
Current:	
Community development	7,359,221
Total expenditures	<u>7,359,221</u>
Excess of revenues over expenditures	-
Fund balance, July 1, 2004	-
Fund balance, June 30, 2005	<u>\$ -</u>

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

Net change in fund balance - General Fund \$ -

Amounts reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:

Depreciation expense	\$ (11,024)	
Compensated absences	<u>(43,428)</u>	<u>(54,452)</u>
Change in net assets of governmental activities		<u>\$ (54,452)</u>

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT M-2

Fairfax County Economic Development Authority

Budgetary Comparison Schedule - General Fund (Financed from County General Fund) (Budget Basis)

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 6,169,214	6,194,214	6,194,210	(4)
Total revenues	6,169,214	6,194,214	6,194,210	(4)
EXPENDITURES				
Community development	6,169,214	6,194,214	6,194,210	4
Total expenditures	6,169,214	6,194,214	6,194,210	4
Net change in fund balance	\$ -	-	-	-

Statistical Section

The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.



COUNTY OF FAIRFAX, VIRGINIA
TABLE 1 - Expenditures by Function (1)
Last Ten Fiscal Years

	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Community Development (2) (3)
1996	\$ 72,338,728	17,498,901	189,685,237	140,348,137	246,922,478	102,644,316
1997	73,355,323	18,170,437	195,088,737	131,821,568	249,617,680	96,206,763
1998	77,592,551	18,652,509	211,191,952	122,113,299	253,316,305	113,045,023
1999	81,323,563	19,502,814	229,816,356	113,140,139	269,742,281	139,636,159
2000	87,400,231	21,408,526	256,155,919	125,478,465	300,328,090	98,045,302
2001	84,251,292	24,162,805	289,032,001	138,490,277	314,452,758	112,351,665
2002	99,226,761	30,852,713	379,379,556	144,649,708	365,542,786	128,799,857
2003	108,912,669	34,087,541	405,593,918	157,131,104	380,515,142	120,827,552
2004	112,177,459	34,127,757	422,501,453	171,616,126	395,790,648	118,205,582
2005	120,937,429	35,409,832	461,387,643	180,096,171	421,059,009	155,089,409

Source: Fairfax County Department of Finance.

- (1) Includes expenditures of all governmental fund types of the reporting entity.
- (2) Excludes, commencing in fiscal year 2000, amounts attributed to the Fairfax County Redevelopment and Housing Authority, which is reported as an enterprise fund.
- (3) Excludes, commencing in fiscal year 2002, amounts previously reported as transfers out to component units.
- (4) Commencing in fiscal year 2002, the reporting entity has allocated non-departmental expenditures to functions.

TABLE 2 - Revenues by Source (1) (3)
Last Ten Fiscal Years

	Taxes	Permits, Privilege Fees, and Regulatory Licenses	Inter- governmental (4)	Charges for Services	Fines and Forfeitures	Developers' Contributions
1996	\$ 1,381,702,595	30,544,252	403,295,975	169,369,957	6,751,974	2,772,366
1997	1,491,735,145	34,075,400	443,487,660	175,929,826	7,213,398	3,024,791
1998	1,548,908,361	37,128,657	447,284,672	169,239,295	7,413,004	2,126,357
1999	1,640,594,459	43,044,787	497,729,760	177,170,856	7,140,533	5,197,532
2000	1,690,371,422	43,835,560	594,883,235	183,353,397	7,579,871	5,501,616
2001	1,785,431,379	39,535,467	706,200,146	190,444,150	9,116,533	5,276,379
2002	1,898,192,584	36,939,184	841,101,954	205,364,155	10,318,703	6,187,626
2003	2,054,784,694	38,625,237	790,652,368	228,102,911	11,065,873	5,758,057
2004	2,200,570,345	40,310,942	855,563,774	244,692,349	13,307,318	5,298,103
2005	2,398,277,235	40,591,871	925,340,260	262,770,495	15,554,264	5,024,324

Source: Fairfax County Department of Finance.

- (1) Includes revenues of all governmental fund types of the reporting entity.
- (2) Includes local matching grants, gifts, donations, and contributions, and other items.
- (3) Excludes, commencing in fiscal year 2000, amounts attributed to the Fairfax County Redevelopment and Housing Authority, which is reported as an enterprise fund.
- (4) Excludes, commencing in fiscal year 2002, amounts previously reported as transfers in from the primary government.

Parks, Recreation, and Cultural (3)	Education (3)	Non- Departmental (4)	Capital Outlay	Debt Service	Total Reporting Entity
68,076,905	976,215,923	97,494,046	141,514,788	181,385,523	2,234,124,982
69,173,866	1,059,379,209	97,491,772	208,574,458	177,119,755	2,375,999,568
74,765,464	1,143,993,182	97,667,906	178,758,018	177,195,440	2,468,291,649
82,555,420	1,192,010,103	96,500,551	183,701,244	184,024,545	2,591,953,175
88,215,577	1,335,403,311	106,035,082	208,760,079	186,215,917	2,813,446,499
96,707,464	1,448,608,572	120,881,858	197,888,483	194,367,320	3,021,194,495
114,921,161	1,517,514,856	-	336,957,039	209,166,130	3,327,010,567
111,422,832	1,605,173,925	-	208,617,350	225,826,810	3,358,108,843
109,317,910	1,725,829,014	-	262,858,313	229,276,611	3,581,700,873
133,418,346	2,021,600,572	-	261,240,234	256,794,226	4,047,032,871

Revenue from the Use of Money and Property	Recovered Costs	Other Income (2)	Total Reporting Entity
65,678,810	24,920,359	12,081,793	2,097,118,081
70,955,474	25,108,402	15,466,933	2,266,997,029
77,574,033	25,787,015	15,558,990	2,331,020,384
73,166,683	29,704,720	17,269,898	2,491,019,228
67,771,505	30,608,575	20,311,314	2,644,216,495
76,040,506	34,337,279	26,576,035	2,872,957,874
39,178,410	36,038,398	27,597,649	3,100,918,663
30,278,342	39,711,971	16,692,845	3,215,672,298
31,254,759	40,380,022	12,667,615	3,444,045,227
48,009,134	40,194,086	10,836,122	3,746,597,791

COUNTY OF FAIRFAX, VIRGINIA
TABLE 3 - Real and Personal Property Tax Levies and Collections (1)
Last Ten Fiscal Years

	Total Tax Levy (000)	Current Tax Collections (000) (2)	Percent of Levy Collected	Delinquent Tax Collections (000)	Total Tax Collections (000) (4)	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes (000) (3)	Outstanding Delinquent Taxes as a Percent of Current Levy
1996	\$ 1,103,903	\$ 1,095,762	99.26 %	\$ 11,490	\$ 1,107,252	100.30 %	\$ 16,387	1.5 %
1997	1,203,645	1,195,312	99.31	6,479	1,201,791	99.85	14,417	1.2
1998	1,250,521	1,241,128	99.25	1,267	1,242,395	99.35	22,546	1.8
1999	1,308,122	1,299,201	99.32	12,088	1,311,289	100.24	22,185	1.7
2000	1,394,627	1,385,239	99.33	13,795	1,399,034	100.32	18,113	1.3
2001	1,524,861	1,512,551	99.13	10,761	1,523,312	99.90	18,665	1.2
2002	1,705,787	1,690,398	99.10	14,269	1,704,667	99.93	20,073	1.2
2003	1,864,588	1,851,665	99.31	11,364	1,863,029	99.92	19,492	1.0
2004	1,973,175	1,960,699	99.37	13,900	1,974,599	100.07	21,273	1.1
2005	2,098,852	2,090,787	99.62	21,048	2,111,835	100.62	20,069	1.0

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

- (1) General Fund.
- (2) Current tax collections include collection of current tax, penalty, and interest.
- (3) Outstanding delinquent taxes include penalty and interest net of allowances for uncollectibles.
- (4) Tax collections include payments received from the Commonwealth of Virginia under its personal property tax-relief program. See Note C to the financial statements.

TABLE 4 - Assessed Value and Estimated Actual Value of All Taxable Property
Last Ten Fiscal Years

	Assessed Values				Estimated Actual Value (000)
	Real Property (000) (1)	Personal Property (000)	Public Service Corporations (000)	Total (000)	
1996	\$ 68,647,300	7,539,300	1,968,500	78,155,100	78,155,100
1997	70,510,800	8,257,400	2,085,700	80,853,900	80,853,900
1998	72,507,700	8,620,700	2,343,000	83,471,400	83,471,400
1999	75,500,700	9,070,800	2,515,200	87,086,700	87,086,700
2000	80,225,000	9,885,000	2,582,600	92,692,600	92,692,600
2001	87,334,100	10,820,500	2,893,900	101,048,500	101,048,500
2002	99,172,800	11,586,200	3,042,300	113,801,300	113,801,300
2003	114,155,500	11,610,600	3,161,000	128,927,100	128,927,100
2004	128,228,900	11,739,600	3,256,600	143,225,100	143,225,100
2005	143,682,400	11,542,500	3,037,000	158,261,900	158,261,900

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

- (1) Pursuant to the Code of Virginia, all real property assessments are required to be made at 100 percent of estimated actual value.

COUNTY OF FAIRFAX, VIRGINIA
TABLE 5 - General Property Tax Rates
Last Ten Fiscal Years

	Real Estate (1)	Personal Property (1)		
		Most Vehicles	Machinery, Tools and R&D	Public Service Corporations
1996	\$ 1.16	4.57	4.57	1.16
1997	1.23	4.57	4.57	1.23
1998	1.23	4.57	4.57	1.23
1999	1.23	4.57	4.57	1.23
2000	1.23	4.57	4.57	1.23
2001	1.23	4.57	4.57	1.23
2002	1.23	4.57	4.57	1.23
2003	1.21	4.57	4.57	1.21
2004	1.16	4.57	4.57	1.16
2005	1.13	4.57	4.57	1.13

Source: Fairfax County Department of Tax Administration.

(1) Real estate and personal property tax rates are based on \$100 of assessed value.

TABLE 6 - Real Property Tax Rates and Tax Levies - All Overlapping Governments
Last Ten Fiscal Years

	Town of Herndon		Town of Vienna	
	Tax Rates (1)	Tax Levies	Tax Rates (1)	Tax Levies
1996	\$ 0.320	4,054,577	0.300	3,825,959
1997	0.320	4,308,590	0.300	3,947,943
1998	0.320	4,584,304	0.310	4,197,701
1999	0.320	5,219,698	0.310	4,388,785
2000	0.320	5,774,217	0.310	4,465,739
2001	0.320	5,754,853	0.300	4,791,464
2002	0.320	6,666,897	0.300	5,191,734
2003	0.300	6,933,357	0.285	5,821,396
2004	0.280	7,336,469	0.275	6,280,738
2005	0.280	7,802,577	0.265	6,649,128

Source: Town of Herndon and Town of Vienna.

(1) Real property tax rates are levied per \$100 of assessed value.

COUNTY OF FAIRFAX, VIRGINIA
TABLE 7 - Principal Real Estate Taxpayers
June 30, 2005

Rank	Taxpayer Name	Property Type	2005 Assessed Value (1)	% of Total Assessed Value (1)
1	Tysons Corner Property Holdings LLC	Tysons Corner Regional Shopping Center	\$ 574,159,430	0.32 %
2	Prentiss Properties	Office and Land	496,564,760	0.28
3	West Group Properties LLC	Offices, Retail, and Land	377,562,360	0.21
4	Virginia Electric & Power Company	Public Utility	346,885,714	0.19
5	Company of Fairfax	Fair Oaks Mall	262,191,600	0.15
6	Franconia Two LP	Springfield Mall	238,012,530	0.13
7	EOP Reston Town Center	Office, Shopping Center, and Land	230,431,960	0.13
8	Smith Property Holdings	Various Commercial	206,341,640	0.12
9	Washington Gas Light Co	Public Utility	204,590,008	0.11
10	Gannett Co Inc	Office	194,529,960	0.11
11	Mobil Fairfax Inc	HQ Office and Various Commercial	179,189,630	0.10
12	Springfield Campus LLC	Continuing Care Retirement Community	178,950,710	0.10
13	West Mac Associates	Office and Land	178,945,040	0.10
14	USRP I LLC	Shopping Center	178,419,920	0.10
15	PS Business Parks LP	Industrial Park	176,299,870	0.10
16	Writ LP	Office, Apartments, and Shopping	172,594,900	0.10
17	Campus Point Realty Corp	Office	163,689,230	0.09
18	Mitre Corporation	Office	159,587,240	0.09
19	Capital One Bank	Office	148,466,400	0.08
20	7535 Little River Turnpike LLC	Office	147,167,150	0.08
21	Navy Federal Credit Union	Various Offices and Land	143,269,120	0.08
22	Homart Newco One Inc	Shopping Center	132,802,660	0.07
23	Avalon Properties Inc	Apartments	132,553,600	0.07
24	ISTAR NG LP	Office	131,892,610	0.07
25	Fairfax Square Partners	Office	128,387,350	0.07
			<u>\$ 5,483,485,392</u>	<u>3.05 %</u>

Source: Fairfax County Department of Tax Administration.
 Note: Total assessed value of all real property is \$178,818,426,150.
 (1) Assessed values as of January 1, 2005.

TABLE 8 - Computation of Debt Margin
June 30, 2005

The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness that Fairfax County can at any time incur or have outstanding. The Board of Supervisors, however, has imposed limits which provide that the County's long-term debt (1) should not exceed three percent of the total market value of taxable real and personal property in the County and the annual debt service should not exceed ten percent of the annual General Fund expenditures and transfers. Below is the computation of the self-imposed three percent debt limit. The computation of the annual debt service percentage is presented in Table 10.

Self-imposed debt limit:	
Three percent of total market value of taxable real and personal property (\$158,261,900,000)	\$ 4,747,857,000
Less long-term debt (1)	<u>1,931,008,940</u>
Debt margin	<u>\$ 2,816,848,060</u>

Source: Fairfax County Department of Management and Budget and Department of Finance.
 (1) Excludes self-imposed debt of the Integrated Sewer System, the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.

COUNTY OF FAIRFAX, VIRGINIA

TABLE 9 - Comparative Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property and Net Bonded Debt Per Capita Last Ten Fiscal Years

	Estimated Population (1)	Value of Taxable Property (000) (2)	Net Bonded Debt (2) (3)	Percentage of Net Bonded Debt to Property Value (2)	Net Debt Per Capita (2)
1996	899,700	\$ 78,155,100	\$ 1,167,504,650	1.49 %	\$ 1,298
1997	912,100	80,853,900	1,219,735,725	1.51	1,337
1998	931,500	83,471,400	1,258,171,800	1.51	1,351
1999	946,400	87,086,700	1,314,377,875	1.51	1,389
2000	969,700	92,692,600	1,380,266,450	1.49	1,423
2001	984,400	101,048,500	1,442,682,525	1.43	1,466
2002	1,004,400	113,801,300	1,655,613,600	1.45	1,648
2003	1,012,100	128,927,100	1,779,461,575	1.38	1,758
2004	1,027,500	143,225,100	1,814,517,662	1.27	1,766
2005	1,041,200	158,261,900	1,931,008,940	1.22	1,855

(1) Source: Fairfax County Department of Systems Management for Human Services.

(2) Source: Fairfax County Department of Management and Budget.

(3) Excludes self-imposed debt of the Integrated Sewer System, special assessment debt of the Small District One in the Dranesville District (McLean Community Center), the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.

TABLE 10 - Ratio of Annual Debt Service Requirements for General Obligation Bonded Debt to General Fund Expenditures and Operating Transfers Out and to Total Expenditures Reported in Table 1 Last Ten Fiscal Years

	Debt Service Requirements (1)	General Fund Expenditures (2) and Transfers Out (3)	Percentage of Debt Service to General Fund Expenditures and Transfers Out	Total Expenditures Reported in Table 1	Percentage of Debt Service to Total Expenditures Reported in Table 1
1996	\$ 142,754,018	\$ 1,602,457,378	8.9 %	\$ 2,234,124,982	6.4 %
1997	152,571,474	1,682,606,121	9.1	2,375,999,568	6.4
1998	162,970,744	1,756,990,140	9.3	2,468,291,649	6.6
1999	162,622,554	1,849,587,185	8.8	2,591,953,175	6.3
2000	176,004,197	1,982,577,128	8.9	2,813,446,499	6.3
2001	183,740,487	2,148,334,971	8.6	3,021,194,495	6.1
2002	190,097,946	2,292,016,724	8.3	3,327,010,567	5.7
2003	212,106,642	2,447,015,916	8.7	3,358,108,843	6.3
2004	213,027,136	2,597,650,034	8.2	3,581,700,873	5.9
2005	224,543,583	2,799,591,368	8.0	4,047,032,871	5.5

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

(1) Excludes bond issuance and other expenditures recorded in the Debt Service Funds.

(2) Expenditures exclude donated food and capital leases and installment purchases in the year initiated.

(3) Includes operating transfers out to component units which, commencing in fiscal year 2002, are reported as functional expenditures.

COUNTY OF FAIRFAX, VIRGINIA

**TABLE 11 - Computation of Direct and Overlapping and Underlying Debt
June 30, 2005**

	Net Debt Outstanding	Applicable to County	County's Share of Debt
Direct: (1)			
County of Fairfax	\$ 1,931,008,940	100 %	\$ 1,931,008,940
Overlapping: (2)			
Commonwealth of Virginia (3)	76,015,000	47 (4)	35,727,050
Underlying: (2)			
Town of Vienna (5)	12,869,999	100	12,869,999
Town of Herndon (6)	18,425,758	100	18,425,758
Total overlapping and underlying debt			67,022,807
Total direct and overlapping and underlying debt			\$ 1,998,031,747

- (1) Excludes self-imposed debt of the Integrated Sewer System, the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.
- (2) These overlapping and underlying general obligation bonds are obligations for the respective governmental units and are not general obligations of Fairfax County.
- (3) Virginia Department of Transportation.
- (4) Percentage applicable to the County of 47% is an estimate based on the projected development of Route 28 to the year 2018.
- (5) Source: Town of Vienna.
- (6) Source: Town of Herndon.

**TABLE 12 - Schedule of Revenue Bond Coverage for the Integrated Sewer System
Last Ten Fiscal Years**

	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage	
				Senior Bonds (3)	Subordinated Bonds (4)	Total	Senior Bonds	Total Bonds
1996	\$ 109,058,784	58,270,673	50,788,111	7,396,517	5,235,431	12,631,948	6.87	4.02
1997	105,416,237	57,201,355	48,214,882	13,313,036	8,184,018	21,497,054	3.62	2.24
1998	111,467,716	57,941,548	53,526,168	13,531,966	9,918,468	23,450,434	3.96	2.28
1999	122,445,443	57,711,690	64,733,753	14,808,956	12,096,830	26,905,786	4.37	2.41
2000	122,197,316	57,617,735	64,579,581	13,170,134	13,545,764	26,715,898	4.90	2.42
2001	122,904,982	61,787,120	61,117,862	13,406,258	14,901,320	28,307,578	4.56	2.16
2002	117,377,483	68,664,799	48,712,684	13,342,964	16,483,286	29,826,250	3.65	1.63
2003	112,515,093	70,578,633	41,936,460	13,518,282	20,188,387	33,706,669	3.10	1.24
2004	120,062,817	70,124,296	49,938,521	12,165,404	21,731,156	33,896,560	4.10	1.47
2005	121,475,938	67,225,871	54,250,067	5,654,798	21,635,055	27,289,853	9.59	1.99

Source: Fairfax County Department of Finance.

- (1) Gross revenues include all revenues except grants, donated assets, and amortization of deferred gain on bond refunding.
- (2) Operating expenses do not include depreciation, amortization, and interest.
- (3) Senior bonds include sewer revenue bonds issued by the Sewer System and any parity debt, none of which exists as of June 30, 2005.
- (4) Subordinated bonds include revenue bonds issued by the Sewer System to the Virginia Water Facilities Revolving Fund and the Sewer System's share of the revenue bonds issued by the Upper Occoquan Sewage Authority.

COUNTY OF FAIRFAX, VIRGINIA
TABLE 13 - Demographic Statistics
Last Ten Fiscal Years

	Estimated Population (1)	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Bachelor's or Higher Degree and 25 Years of Age or Older (5)	Unemployment Rates (6)
1996	899,700	\$ 38,482	36.0	143,040	56.0	2.7
1997	912,100	40,330	n/a	145,805	n/a	2.1
1998	931,500	43,193	37.0	148,036	n/a	1.5
1999	946,400	47,306	n/a	151,418	n/a	1.5
2000	969,700	50,035	36.0	154,523	54.8	1.6
2001	984,400	51,921	36.4	158,331	56.2	2.5
2002	1,004,400	52,401	37.3	161,385	55.9	3.4
2003	1,012,100	53,984	37.9	163,386	56.3	2.6
2004	1,022,300	n/a	37.6	164,195	57.4	2.7
2005 (projection)	1,041,200	n/a	n/a	164,408	n/a	n/a

- (1) Source: Fairfax County Department of Systems Management for Human Services.
- (2) Source: Bureau of Economic Analysis, U.S. Department of Commerce; includes Fairfax City and Falls Church.
- (3) Source: Fairfax County Department of Systems Management for Human Services, U.S. Census Bureau's American Community Survey.
- (4) Source: Revised figures from Fairfax County Public Schools, Office of Finance.
- (5) Source: Fairfax County Department of Systems Management for Human Services, U.S. Census Bureau's American Community Survey.
- (6) Source: Virginia Employment Commission, Annual Unemployment Statistics (not seasonally adjusted).

TABLE 14 - Construction and Property Values
Last Ten Fiscal Years

	New Non-Residential Construction (2)		New Residential Construction (2)		Property Values (000) (1)			
	Permits Issued	Value (000)	Permits Issued	Value (000)	Real Estate	Personal Property	Public Service Corporations (3)	Tax Exempt Real Estate (4)
1996	166	\$ 107,445	8,567	\$ 646,767	\$ 68,647,300	\$ 7,539,300	\$ 1,968,500	\$ 6,163,600
1997	174	135,281	6,159	562,993	70,510,800	8,257,400	2,085,700	6,227,000
1998	374	583,076	7,500	592,779	72,507,700	8,620,700	2,343,000	6,508,300
1999	293	422,293	8,601	679,858	75,500,700	9,070,800	2,515,200	6,690,000
2000	264	636,167	8,667	728,964	80,225,000	9,885,000	2,582,600	7,036,600
2001	258	502,248	6,767	613,342	87,334,100	10,820,500	2,893,900	7,812,400
2002	183	301,439	6,550	566,793	99,172,800	11,586,200	3,042,300	8,246,400
2003	205	164,906	4,866	504,118	114,155,500	11,610,600	3,161,000	8,732,600
2004	167	232,459	5,875	571,195	128,228,900	11,739,600	3,256,600	9,780,000
2005	194	320,225	5,706	684,310	143,682,400	11,542,500	3,037,000	10,470,400

- (1) Source: Fairfax County Department of Tax Administration.
- (2) Source: Fairfax County Department of Public Works and Environmental Services. Effective July 1997, the number of building permits issued for new residential construction exclude duplicated permits that result from the master file permit program.
- (3) Consists of \$961,000 real property and \$2,076,000 personal property in 2005 (000).
- (4) Source: Fairfax County Department of Tax Administration. This value is determined on January 1 for the subsequent July 1 to June 30 fiscal year.

COUNTY OF FAIRFAX, VIRGINIA
TABLE 15 - Miscellaneous Statistical Data
June 30, 2005, unless otherwise indicated

A.	Date of establishment:	1742
B.	Form of government:	Urban County Executive
C.	Area, including land and water:	407 square miles
D.	Miles of sanitary sewers:	3,289
E.	Fire protection:	
	1. Number of stations owned:	
	a. County-operated fire and rescue stations	20
	b. Volunteer fire and rescue stations	11
	c. County-owned/volunteer participation stations	<u>4</u>
	Total fire stations	35
	2. Number of authorized positions:	1,315 uniform/125 civilian
F.	Police protection:	
	1. Number of authorized positions:	1,325 sworn/552 civilian
	2. Number of police vehicles:	1,283
	3. Number of helicopters:	2
	4. Correctional operations (facilities and population):	
	a. Number of authorized positions	516 sworn/87 civilian
	b. Number of correctional facilities	<u>2</u>
	Adult Detention Center (jail) capacity	1,160 beds
	Pre-Release Center (community corrections) capacity	<u>100</u> beds
	Total capacity	1,260 beds
	c. Number of prisoners booked	52,120
G.	Recreation:	
	1. Number of County parks (including stream valleys):	397
	2. Number of regional parks:	10 (1)
	3. Number of acres in County parks:	23,517
	4. Facilities in County parks:	

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Athletic fields	295	290	290	274	275	275
Trail miles	190	206	206	207	211	217
Garden plots	825	825	825	790	675	670
Play areas and tot lots	197	201	201	201	205	205
Tennis courts	222	222	222	222	223	225
Multi-use courts	135	143	143	119	118	119
Recreational centers	8	8	8	8	8	9
Golf courses	7	7	7	7	7	7
Historic sites	54	60	60	60	65	65
Nature/visitor centers	7	7	7	7	7	7
Marinas	3	3	3	3	3	3

Note: The process for calculating certain park facilities was revised in FY 2003.

H.	Public education system:		
1.	Number of public schools:		
a.	Elementary		136
b.	Middle		22
c.	High/Secondary		24
d.	Special education centers		15
e.	Alternative high schools		3
2.	Number of personnel:		21,564
3.	Number of students:		164,408
I.	Number of street lights:		53,555
J.	Number of authorized County positions:		
1.	General fund		9,484
2.	General fund supported		1,249
3.	Other funds		814
	Total		<u>11,547</u>
K.	Population:		
1.	Census population count for last three censuses: (2)		
a.	2000 census population count		969,749
b.	1990 census population count		818,584
c.	1980 census population count		596,901
2.	Age distribution of population: (2)		
	<u>Age Group</u>	<u>1980</u>	<u>1990</u>
	Less than 5	38,326	57,892
	5 - 9	45,307	55,698
	10 - 14	54,936	53,112
	15 - 19	54,754	54,207
	20 - 24	47,646	59,425
	25 - 34	112,191	158,602
	35 - 44	98,037	158,119
	45 - 54	70,151	107,709
	55 - 64	48,564	60,276
	65 and over	26,989	53,544
	<u>Total</u>	<u>596,901</u>	<u>818,584</u>
			<u>969,749</u>
3.	Median household income last three censuses: (2)		
a.	2000 census median household income		\$ 82,000
b.	1990 census median household income		57,000
c.	1980 census median household income		30,000
4.	Per capita income last three censuses: (2)		
a.	2000 per capita income		\$ 50,035
b.	1990 per capita income		29,857
c.	1980 per capita income		14,419

(1) Includes Parks of the Northern Virginia Regional Park Authority, the Commonwealth of Virginia, and the U.S. Department of Interior.

(2) Source: Bureau of Economic Analysis, U.S. Department of Commerce and U.S. Bureau of Census.

COUNTY OF FAIRFAX, VIRGINIA
TABLE 16 - Continuing Bond Disclosure Supplementary Data
June 30, 2005, unless otherwise indicated

The following data, in addition to data presented elsewhere in this report, are presented to satisfy continuing disclosure requirements relative to certain outstanding bond issues.

A. 20 largest private employers:

	Company	Type of Business	County Employment Range
1	Inova Health System	Health Care	9,000-10,000
2	Northrup Grumman	Professional, Scientific, and Technical Services	6,000-7,000
3	Booz Allen Hamilton	Professional, Scientific, and Technical Services	6,000-7,000
4	Science Applications International Corp. (SAIC)	Professional, Scientific, and Technical Services	6,000-7,000
5	Federal Home Loan Mortgage Corp. (Freddie Mac)	Finance and Insurance	3,000-4,000
6	Computer Sciences Corp. (CSC)	Professional, Scientific, and Technical Services	3,000-4,000
7	Navy Federal Credit Union	Finance and Insurance	3,000-4,000
8	General Dynamics	Professional, Scientific, and Technical Services	2,000-3,000
9	Lockheed Martin	Professional, Scientific, and Technical Services	2,000-3,000
10	Raytheon	Professional, Scientific, and Technical Services	2,000-3,000
11	Nextel Communications	Information/Telecommunications	2,000-3,000
12	ExxonMobil	Wholesale Trade (Petroleum Products)	2,000-3,000
13	IBM	Professional, Scientific, and Technical Services	2,000-3,000
14	Verizon	Professional, Scientific, and Technical Services	2,000-3,000
15	CACI International	Professional, Scientific, and Technical Services	2,000-3,000
16	The Mitre Corporation	Professional, Scientific, and Technical Services	2,000-3,000
17	Accenture	Professional, Scientific, and Technical Services	2,000-3,000
18	Electronic Data Systems (EDS)	Information/Data Processing Services	2,000-3,000
19	Gannett Co.	Information/Newspaper Publishers	2,000-3,000
20	Branch Banking & Trust Co. (BB&T)	Finance and Insurance	1,000-2,000

Source: Virginia Employment Commission, 2004; Fairfax County Economic Development Authority

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

B. Businesses and employment by industry:

Industrial Classification (1)	Number of	
	Establishments	Employment
Agriculture/Forestry/Fishing	15	93
Manufacturing	469	11,001
Utilities	26	2,038
Wholesale Trade	1,594	15,283
Construction	2,687	32,536
Transportation and Warehousing	391	10,511
Retail Trade	2,890	54,851
Information	1,013	35,822
Services (2)	19,583	328,980
Finance, Insurance, Real Estate	3,019	33,134
Public Administration	111	19,957
Total	31,798	544,206

Source: Virginia Employment Commission - 2004 (annual); Fairfax County Economic Development Authority

Note: Excludes self-employed business owners.

(1) By two-digit North American Industry Classification System (NAICS) code.

(2) The Services category includes professional and technical services, health care, management, accommodation and food services, membership organizations and trade associations, and other services.

C. Selected corporate expansions in 2004:

Name of Company	Nature of Operations	Projected New Employment
Abraxas Corp.	Financial/Law/Consulting	175
Agusta Westland	Aerospace	200
Apogen Technologies	Information Technology	200
BAE Systems	Aerospace	363
Booz Allen Hamilton	Information Technology	1,192
CGI-AMS	Information Technology	1,000
DigitalNet	Information Technology	863
IBM	Information Technology	540
ManTech International	Information Technology	270
SYTEX Group	Information Technology	175
Titan Corp.	Information Technology	400
iCode	Telecommunications	200

Source: Fairfax County Economic Development Authority, 2004 Annual Report

D. Commercial-industrial percentage of the total assessed value of real property:

Fiscal Year (1)	Percent (2)
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.

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

(2) Includes the Towns of Vienna, Herndon, and Clifton.

E. Housing units by type of structure:

	1970		1980		1990		2004	
	No.	%	No.	%	No.	%	No.	%
Single Family:								
Detached	91,134	69.7	125,717	58.3	163,029	53.9	187,032	49.4
Attached	7,747	5.9	31,882	14.8	67,306	22.3	93,107	24.6
Multi-Family	31,887	24.4	58,072	26.9	72,129	23.8	98,500	26.0
Total	130,768	100.0	215,671	100.0	302,464	100.0	378,639	100.0

Source: U.S. Bureau of the Census, U.S. Census of Population and Housing - 1970, 1980; Fairfax County Department of Systems Management for Human Services - 1990, 2004.

Note: Single-family detached includes all single-family homes and mobile homes. Single-family attached includes duplexes, townhouses and multiple units. Multi-family includes garden and elevator units.

COUNTY OF FAIRFAX, VIRGINIA

**TABLE 16 - Continuing Bond Disclosure Supplementary Data, continued
June 30, 2005, unless otherwise indicated**

F. Per capita taxable sales:

Fiscal Year	Taxable Sales (in billions) (1)	Population (2)	Per Capita Taxable Sales
1995	\$ 8.31	879,400	\$ 9,453
1996	8.50	899,700	9,448
1997	9.04	912,100	9,910
1998	9.65	931,500	10,357
1999	10.62	946,400	11,219
2000	11.32	969,700	11,676
2001	11.01	984,400	11,185
2002	11.13	1,004,400	11,081
2003	11.68	1,012,100	11,540
2004	12.66	1,022,300	12,384

- (1) Source: Commonwealth of Virginia Department of Taxation.
 (2) Source: Fairfax County Department of Systems Management for Human Services.

The Fairfax County Board of Supervisors has identified six strategic priorities: ***strong investment in education; public safety and gang prevention; affordable housing; environmental protection; transportation improvements; and revenue diversification.*** Through programs and initiatives supporting these priorities, the County continues to protect and enrich the ***quality of life*** for the citizens of Fairfax County.



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A publication of the County of Fairfax, Virginia

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