



County of Fairfax, Virginia



Transportation



Culture



Environmental Stewardship



Technology

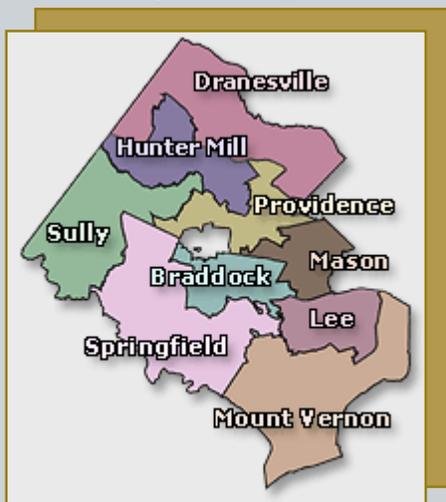


Education



Changing Communities

Anticipating the Future...



Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2006*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006



DEPARTMENT OF FINANCE

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COUNTY OF FAIRFAX, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

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	53
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 Short-Term Obligations	76
J Long-Term Obligations	77
K Long-Term Commitments	86
L Contingent Liabilities	90

	PAGE
<i>Required Supplementary Information</i>	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
<i>Other Supplementary Information</i>	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 Balance Sheet – Debt Service Fund	144
E-1 Statement of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Fund	145
E-2 Budgetary Comparison Schedule – Debt Service Fund	146
F Combining Balance Sheet – Capital Projects Funds	150
F-1 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Funds	154

	PAGE
<u>Exhibit</u>	<u>Internal Service Funds</u>
G	Combining Statement of Net Assets – Internal Service Funds 160
G-1	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds 162
G-2	Combining Statement of Cash Flows – Internal Service Funds 164
	<u>Fiduciary Funds</u>
H	Combining Statement of Plan Net Assets – Pension Trust Funds 169
H-1	Combining Statement of Changes in Plan Net Assets – Pension Trust Funds 170
H-2	Combining Statement of Fiduciary Assets and Liabilities – Agency Funds 172
H-3	Combining Statement of Changes in Assets and Liabilities – Agency Funds 174
	<u>Capital Assets</u>
I	Schedule by Source – Capital Assets Used in Operation of Governmental Funds ... 179
I-1	Schedule by Function and Activity – Capital Assets Used in Operation of Governmental Funds 180
I-2	Schedule of Changes by Function and Activity – Capital Assets Used in Operation of Governmental Funds 182
	<u>Component Units</u>
	<i>Fairfax County Public Schools:</i>
J	Balance Sheet with Reconciliation – Governmental Funds 186
J-1	Statement of Revenues, Expenditures, and Changes in Fund Balances with Reconciliation – Governmental Funds 188
J-2	Budgetary Comparison Schedule – General Fund (Budget Basis) 191
	<i>Budgetary Comparison Schedules – Special Revenue Funds (Budget Basis):</i>
J-3A	Food and Nutrition Services Fund 192
J-3B	Grants and Self-Supporting Programs Fund 193
J-3C	Adult and Community Education Fund 194
J-4	Combining Statement of Net Assets – Internal Service Funds 195
J-5	Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds 196
J-6	Combining Statement of Cash Flows – Internal Service Funds 197
J-7	Statement of Fiduciary Net Assets 198
J-8	Statement of Changes in Plan Net Assets – Pension Trust Fund 199
J-9	Statement of Changes in Assets and Liabilities – Agency Fund 200
	<i>Fairfax County Redevelopment and Housing Authority:</i>
K	Statement of Net Assets 202
K-1	Statement of Revenues, Expenses, and Changes in Net Assets 203
K-2	Statement of Cash Flows 204
	<i>Fairfax County Park Authority:</i>
L	Balance Sheet with Reconciliation 206
L-1	Statement of Revenues, Expenditures, and Changes in Fund Balances with Reconciliation 208
	<i>Budgetary Comparison Schedules (Budget Basis):</i>
L-2A	General Fund (Financed by County General Fund) 211
L-2B	Park Revenue Fund 212

<u>Exhibit</u>	PAGE
<i>Fairfax County Economic Development Authority:</i>	
M	Balance Sheet with Reconciliation 214
M-1	Statement of Revenues, Expenditures, and Changes in Fund Balance with Reconciliation 215
M-2	Budgetary Comparison Schedule – General Fund (Financed by County General Fund) (Budget Basis) 216

STATISTICAL SECTION

<u>Table</u>		
<u>Financial Trends Information</u>		
1.1	Net Assets by component, Last Five Fiscal Years	217
1.2	Changes in Net Assets, Last Five Fiscal Years	218
1.3	Fund Balances, Governmental Funds, Last Ten Fiscal Years	220
1.4	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	222
<u>Revenue Capacity Information</u>		
2.1	Assessed Value and Actual Value of Taxable Real Property, Last Ten Fiscal Years	224
2.2	Direct and Overlapping Real Property Tax Rates, Last Ten Fiscal Years	225
2.3	Principal Real Property Taxpayers, Current Year and Nine Years Ago	226
2.4	Real Property Tax Levies and Collections, Last Ten Fiscal Years	226
<u>Debt Capacity Information</u>		
3.1	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	228
3.2	Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	230
3.3	Direct and Overlapping Governmental Activities Debt as of June 30, 2006.....	231
3.4	Self-Imposed Debt Margin Information, Last Ten Fiscal Years	232
3.5	Pledged Revenue Coverage, Last Ten Fiscal Years	234
<u>Demographic and Economic Information</u>		
4.1	Demographic and Economic Statistics, Last Ten Calendar Years	235
4.2	Principal Employers, Current Year and Nine Years Ago	236
<u>Operating Information</u>		
5.1	Full-time Equivalent County Government Employees by Function, Last Ten Fiscal Years	238
5.2	Operating Indicators by Function, Last Ten Fiscal Years	240
5.3	Capital Asset Statistics by Function, Last Ten Fiscal Years	244

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 6, 2006

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, 2006, 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, the 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, the Small District Five, and the Dulles Rail Phase I Transportation Improvement District 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.

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.

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The 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 cities' residents pursuant to intermunicipal agreements.

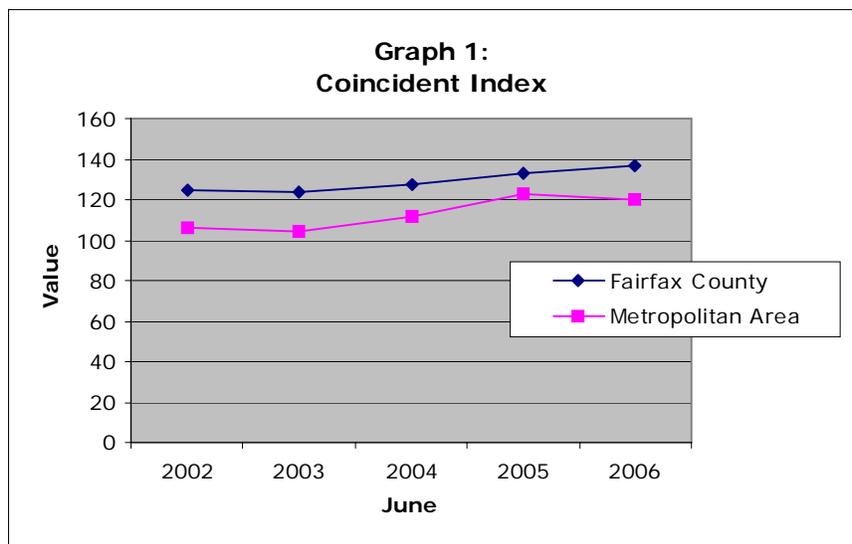
The incorporated towns of Clifton, Herndon, and Vienna are underlying units of government within the County. The ordinances and regulations of the County, with certain limitations prescribed by State law, are in effect. Properties in these towns are subject to County taxation, and the County provides 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

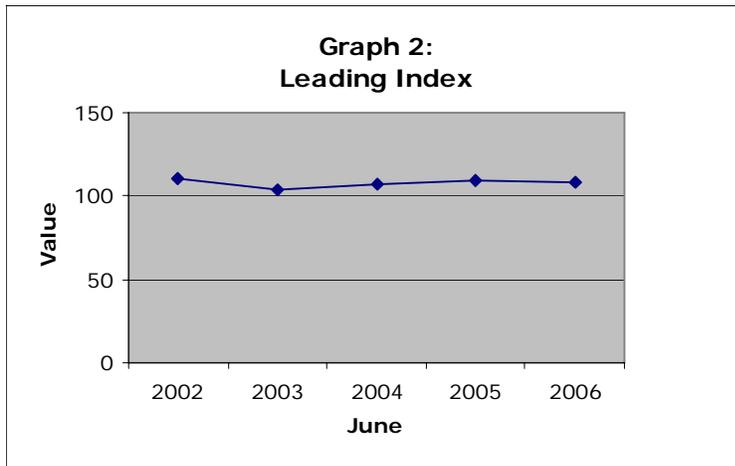
The Coincident Index, which represents the current state of the County's economy based on a value of 100 from 1987, was 137.1 in June 2006, as compared to 133.4 in June 2005. The Coincident Index for the Washington Metropolitan area was 120.2 in June 2006. On a monthly over-the-year basis, the County's Coincident Index continued to increase, gaining 2.77 percent from June 2005. The Coincident Index has also experienced an increase in 30 of the past 31 months. Components of the Coincident Index include consumer confidence, total employment, transient occupancy tax collections, and sales tax collections. In June 2006, transient occupancy tax collections and consumer confidence were both down, while sales tax collections and total employment grew. Some of the slowdown in the economy is a reflection of weakness at the national level attributable to the rapid increase in energy prices, continuing uncertainty about interest rates, growing anxiety regarding the Middle East, and increasing consumer debt burdens.

Still, the underlying strength of the region's economy has helped it to outperform the national economy. Specifically, job growth in the Washington area is ahead of forecasts with almost 76,000 net new jobs being added during fiscal year 2006. The County's job gains average about 22,000 annually, for a 3.5 percent growth rate. Graph 1 indicates the strength of the County's economy over the past five years in relation to the Washington Metropolitan area.



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

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 108.6 in June 2006, as compared to 109.2 in June 2005. The Leading Index fell below its respective same-month value in 2005 for a second consecutive month; however, the Leading Index has been up in 34 of 39 months since turning positive. Components of the Leading Index for the County include claims for unemployment insurance, consumer expectations, and new automobile registrations. Both automobile registrations and claims for unemployment insurance showed improvements, while consumer expectations decreased for the third time in four months. The Leading Index for the County for the past five years is shown in Graph 2.

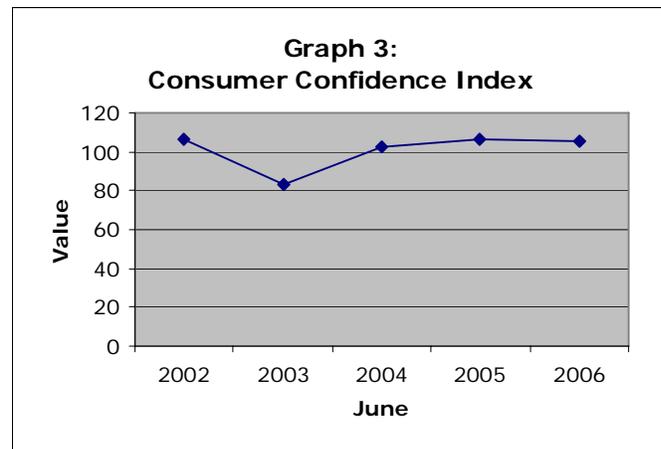


Source: Economic Indicators, Fairfax County Department of Management and Budget

The Consumer Confidence Index, which is composed of a "present situation" factor and an "expectations" factor, was 105.7 in June 2006, as compared to 106.2 in June 2005. With consumer confidence slipping and consumer debt burdens increasing, retail spending has lagged in recent months. Consumers have taken a temporary time out, but are expected to return to the marketplace in the coming months as interest rates stabilize and energy prices continue to fall. As Graph 3 indicates, 2006 has shown a leveling of consumer confidence as compared to the sharp decrease experienced from 2002 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 startups, 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 Seoul, South Korea. A strong foreign-owned business sector helps diversify the County's economy and enhance opportunities for trade. In 2005, the EDA assisted 206 foreign-owned business prospects with real estate requirements. Twenty-one foreign-owned firms announced investments in the County, and they will fill approximately 230,000 square feet of leased commercial space. The presence of 325 international firms contributes significantly to the diverse and prosperous business community in the County.

The total inventory of office space in the County was estimated at 103.5 million square feet at the end of calendar year 2005, 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 37.7 million square feet. The vacancy rates (including sublet space) for the office market and industrial/hybrid markets were 9.6 percent and 6.9 percent, respectively, in 2005.

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 averages over 70,000 passengers daily with nonstop flights to 77 U.S. cities and 37 foreign markets. On the East Coast, the airport is the second largest transatlantic gateway. Over 27 million passengers, including almost 5 million international travelers, flew in and out of Washington Dulles in 2005.

The redevelopment and revitalization of the County's more mature business areas continue to be supported by the Board. There are seven designated commercial areas of the County, including 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. Revitalization projects are underway or near completion in each of these areas. These projects involve planning for a community vision and sense of place, design, and creative approaches to redevelopment, marketing of local business, and attracting private development and investment. A number of capital improvements to the streetscapes, such as new sidewalks, trees, and upgraded street lighting, have enhanced these communities.

The County continues to be actively involved in planning for the impact of BRAC (Base Realignment and Closure) to Fort Belvoir. BRAC will result in the net addition of approximately 22,000 workers to the southern area of the County. BRAC realigns Fort Belvoir adding administrative, medical, and special/intelligence missions creating the requirement for roads, including a multi-modal transportation infrastructure, utilities, and support facilities by September 2011.

Employment

Approximately 30,200 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. A very high proportion of local jobs are in high-wage, highly skilled technical, professional, scientific, and managerial service occupations.

Quality firms and industries continue to thrive in Fairfax County. The County is home to nearly 5,000 technology companies, six Fortune 500 companies, 325 foreign-owned firms, and nearly 300 trade associations. Area companies range from entrepreneurial startups to Fortune 500 corporate headquarters. More than 90 percent of local business establishments have fewer than 50 employees. A major global business center, the County also has a sizable and growing base of large and mid-sized companies. Nearly 40 private, non-retail companies have 1,000 or more employees based in the County. Minority- and woman-owned businesses also make considerable contributions to the County's economy. The County leads Virginia in the number of companies owned by Asians and Pacific Islanders, African-Americans, Hispanics, American Indian and Alaska Natives, and women.

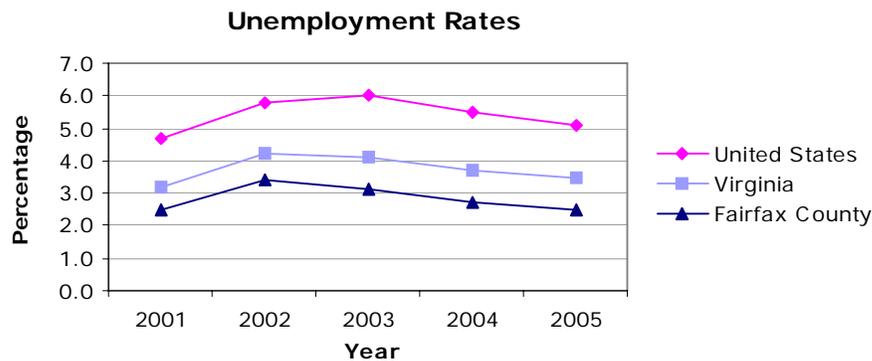
The County hosts a large and lively mix of technology-driven enterprises that deliver a full spectrum of high-end services and solutions to government, industry, and consumer markets worldwide. Nearly 5,000 technology establishments directly employ over 125,000 people – one in four jobs countywide. Technology firms specialize in aerospace, biotech/biomedical, energy/environment, engineering/R&D, enterprise software, systems integration, technology consulting, and telecommunications. Since 1980, technology job

growth has increased nearly seven-fold. In 2005, the information technology sector added 6,000 new jobs in 52 companies, including SAIC, IBM, Ciber, and McDonald Bradley.

The County has outpaced the nation, the state, and the Washington region in job creation and economic growth in 2005. Since 1990, the County has added more than 10,000 new business establishments and 250,000 new jobs. Through the efforts of the EDA, more than 10,000 jobs will be added by 133 companies during 2006.

The unemployment rate in the County has decreased to 2.5 percent in June 2006 from 2.9 percent in June 2005. The Commonwealth of Virginia and national unemployment rates in June 2006 were 3.3 percent and 4.6 percent, respectively. The number of County residents holding jobs in June 2006 was approximately 600,000, representing a gain of almost 20,000 residents, or 3.4 percent over June 2005.

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, homeland security, and federal defense contracting.

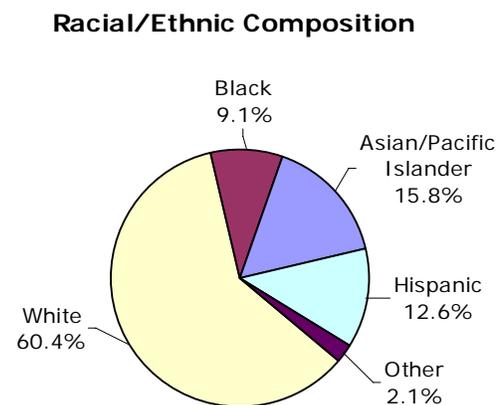


Source: Virginia Employment Commission, Annual Unemployment Statistics

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 that follow, the composition of the County's population is quite diverse. In 2005, almost 40.0 percent of the population was non-white. The Census estimates that from 2000 to 2005, 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 2005 American Community Survey by the Census, over one-third of the population

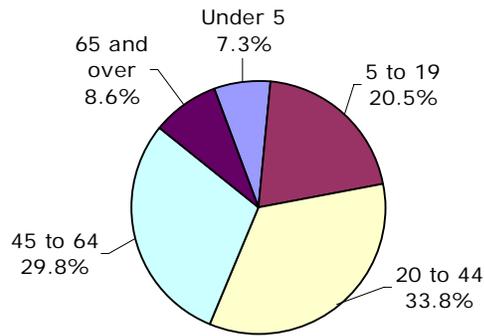


Source: U.S. Census Bureau, 2005 American Community Survey

spoke a language other than English at home, as compared with 10.7 percent in 1980. In 2005, 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.

As reported in the American Community Survey, Fairfax County had an annual median household income of \$94,610 in 2005, as compared to \$54,240 in the Commonwealth of Virginia and \$46,242 in the United States. The County's level in 2005 is more than double the income level in 1983 of \$42,600. In 2005, approximately one quarter of County households had annual household incomes of \$150,000 or more, while only 8.5 percent had a household income level below \$25,000.

Population Age Distribution



Source: U.S. Census Bureau, 2005 American Community Survey

The style, size, and value of homes being built in the County have changed dramatically since 1970. Today's homes are larger in size, more densely grouped, and less likely to be detached single-family homes. In 1970, nearly 70 percent of the housing in the County was single-family detached units, 24.4 percent was multi-family units, and only 5.9 percent was townhouse units. As of 2005, single-family detached units represent 51.0 percent and townhouses make up 23.5 percent. In addition, the size of homes has increased with close to 90 percent of homes having more than 2 bedrooms. The median market value of owner-occupied housing has increased considerably since 1970. In 1970, the median value of a housing unit was \$35,400 compared to \$517,600 in 2005.

Public Schools

Fairfax County Public Schools (FCPS), with a student population of 164,284 for fiscal year 2006, is the largest educational system in the Commonwealth of Virginia and is the 13th largest in the United States out of over 15,000 school divisions. 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.

The mission of FCPS is to be a world-class school system, inspiring, enabling, and empowering students to meet high academic standards, lead ethical lives, and demonstrate responsible leadership. To those ends, 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 starting in elementary school and continuing through high school graduation and beyond to adult education. At the elementary school level, for the 2006-2007 school year, 73 schools offer full-day kindergarten; 20 schools are Project Excel schools, offering a reorganized school day, focused instructional programs, and computer-based phonics instruction; 18 schools are identified as focus schools, offering unique school-wide instructional initiatives to benefit the school's students and the community; and 13 schools offer foreign language partial-immersion programs.

At the middle and high school levels, FCPS continues to offer students challenging academic experiences. The May 2006 issue of *Newsweek* cited FCPS high schools as among the top high schools in the country based on the ability to challenge students with Advanced Placement (AP) or International Baccalaureate (IB) courses. Four FCPS high schools placed in the top 100 and all eligible FCPS high schools appeared on the

list of the 1,000 most challenging U.S. high schools. For the 2006-2007 school year, four school teams comprised of middle and high schools offer the IB Middle Year program which prepares students for the IB diploma program offered at eight FCPS high schools. In addition, 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.

An extensive program for students pursuing opportunities in technical careers also has been developed. FCPS has five professional technical academies, offering courses in business, health occupations, industrial technology, marketing, engineering, international studies, human services, communications, and work and family studies program areas. FCPS also provides an extensive adult education program offering basic education courses and vocational and enrichment programs to adults in the community.

There is a strong academic program across the County for college-bound students. For school year 2004-2005, 59.1 percent of graduates earned advanced diplomas, and approximately 91.0 percent of high school graduates continued on to post-secondary educational programs. In 2006, 78 students were awarded college-sponsored merit scholarship awards from the National Merit Scholarship Corporation – the most of any school division in the state of Virginia. The passing rate for the Standards of Learning English exam for third graders has risen from 68 percent in 1998 to 79 in 2005; fifth graders have increased their writing exam pass rate from 80 percent in 1998 to 94 percent in 2005. 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 2006, students had an average combined verbal and math SAT score of 1108 as compared to the combined average score for Virginia of 1025 and the national average of 1021.

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). For the 2006-2007 school year, FCPS is investing in enhancements such as the FCPS 24/7 Learning Initiative to develop Standards of Learning predictor assessments and formative assessments. This data will be used to tailor remediation efforts to each child's needs. Preliminary results under the fifth annual report for NCLB show that FCPS has successfully met all required benchmarks under NCLB and has made adequate yearly progress for the 2005-2006 school year. Specifically, 82 and 89 percent of FCPS students met the benchmarks for proficiency in math and English, respectively.

FCPS also emphasizes the use of technology throughout its programs. FCPS has a three to one student to computer ratio with more than 90,000 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 2006, FCPS was named a winner of the CIO 100 award from *Chief Information Officer* magazine for its weCare@school emergency information system, which enables school employees and parents to compile, maintain, update, and access student emergency information in a web-based data application. FCPS was the only K-12 school system in the United States recognized among award winners and this is the third CIO 100 award received by FCPS in four years.

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 30,000 students in 149 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, ITT Technical Institute, 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

Anticipating the Future

In March 2006, the County released an in-depth publication entitled “Anticipating the Future: A Discussion of Trends in Fairfax County.” The impetus for this study came from a challenge by the Board of Supervisors to look at available data and predict what the County’s future may look like. The report encompasses several trends including population growth and urbanization, employment transformation, population diversity, housing trends, patterns of income and wealth, health care issues, technological change, and community safety and engagement. By increasing knowledge and awareness of these key demographic and economic factors that influence future program and services planning, service providers and planners will be better prepared for future changes.

The Board of Supervisors and the County continue to rise to the challenge in anticipating the County’s future. Paramount to the County’s success is demonstrated leadership and strategic thinking and planning in addressing such issues as public safety, quality communities, affordable housing, environmental stewardship, transportation, and technology.

Commitment to Public Safety

Residents of the County benefit from a high level of public safety that enhances the quality of life and makes the County a desirable place in which to live and work. Multiple County agencies work closely together to achieve a coordinated approach to the myriad of public safety concerns facing the County in the 21st century and beyond.

In anticipation of future needs for public safety, the County has started construction on the new Public Safety and Transportation Operations Center (PSTOC). The 113,000 square-foot PSTOC will consolidate regional public safety and transportation operations in a partnership between the County and the Commonwealth of Virginia. 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. The PSTOC will be operational 24 hours a day, 7 days per week. Co-locating these first responders will create opportunities for better coordination and response. In 2006, the County made significant progress in enhancing technology that supports public safety and emergency response. Systems and interoperable technology architectures are being developed for police, fire, and emergency management agencies, including advanced technology for PSTOC. The PSTOC is slated to open in Spring/Summer 2008.

Homeland security and emergency preparedness are key priorities in the County. The County manages a Community Emergency Alert Network (CEAN) to deliver important emergency alerts, notifications, and updates to citizens during a major crisis or emergency in the County. The County received the top honor in the Emergency Management, Large Government category for its CEAN by the Public Technology Institute in its 2005/2006 Technology Solutions Award competition, an annual program that recognizes local governments that have demonstrated how they have improved services to the community. The County also presented its *Ready...Pack...Go* emergency preparedness campaign targeting area faith community leaders who then educated their faith community members about preparing a home emergency preparedness kit. This campaign received a Gold Award in the MarCom Creative Awards competition in November 2005.

The County's proactive approach to gang prevention is further evidence of anticipating future needs involving public safety. Since establishing the Police Department's Gang Investigative Unit in 1994, the County has been involved in numerous gang prevention and related public safety activities, including youth recreation and education programs. Most recently, 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; and improves gang awareness, communication, and collaboration among service providers and community partners. In addition, the County has a gang prevention coordinator responsible for the development and implementation of interdepartmental plans, strategies, policies, and communication related to the County's response to the prevention of criminal gang activity. The gang prevention coordinator also facilitates strategic planning processes, policy analysis, data collection and reporting, and benchmarking related to gang prevention policy and program management.

In September 2006, the County completed its plan for handling a pandemic flu outbreak. The County has taken a coordinated approach to planning for pandemic flu, involving numerous County agencies, Public Schools, the cities of Fairfax and Falls Church, and the towns of Herndon and Vienna, as well as area hospitals, the Red Cross, and other private sector groups and partner organizations. The County held a Pandemic Flu Town Meeting in April 2006 as well as other events targeted at child-care providers, the medical community, and businesses. The completed plan specifically outlines steps the County will take as well as how the public should respond if an outbreak occurs.

Quality Communities

The County prides itself on its diverse communities and quality cultural programs and attractions. In anticipation of continued growth in population and rapid cultural and ethnic diversification, the County is finding ways to reach out to its citizens. The County provides numerous citizen outreach programs that have been recognized for innovation and success. In August 2006, the County was recognized by the National Association of Area Agencies on Aging (NAAAA) for its Cluster Care Volunteer Program which supplies support services to help seniors stay in their own homes as long as possible. In addition, the County won three achievement awards from NAAAA for its Korean Meals on Wheels program, the Northern Virginia long-term care program, and its aging network legislative breakfast which encourages senior advocates to work together with lawmakers on senior issues.

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 of Supervisors' strategic priorities. Information provided to residents will reinforce the County's values and streamline the communication process. The County's communication strategy received a Gold Award in the MarCom Creative Awards competition in November 2005.

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 \$311 million expansion of the airport. The museum boasts 270 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. In 2005, the museum had 1,619,951 visitors.

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 on its parks and recreation facilities. The County has 23,677 acres of park land through the Park Authority, including 288 athletic fields, nine golf courses, and 64 historic sites. 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. Since its opening, the Cub Run RECenter has received an award from the Community Appearance Alliance of Northern Virginia and the Fairfax County Exceptional Design Merit Award.

The County operates eight regional libraries, twelve community libraries, and an access services center that provides unique services for residents with visual and physical disabilities. Two new libraries are scheduled to open in 2007, one in Oakton and one in Burke Centre. Over five million visits were made to libraries in fiscal year 2006 with over eleven million library materials circulated.

Shopping opportunities abound and continue to grow throughout the County. 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 includes a Guest Services Center, a children's play area, year-round valet parking, and a new parking terrace.

Affordable Housing

As the cost of homes continues to rise in the County, affordable housing is a key concern. The Board of Supervisors has made affordable housing in the County a priority stating that "opportunities should be available to all who live or work in Fairfax County to purchase or rent safe, decent, affordable housing within their means." This goal is being achieved through the Fairfax County Redevelopment and Housing Authority and both for- and non-profit community partners; managing and maintaining quality affordable rental housing; administering rental housing subsidies in accordance with federal regulations and local policies; and providing homeownership opportunities to eligible households. The Board has approved several affordable housing initiatives, ranging 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 are aimed at encouraging 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 Penny for Affordable Housing Fund represents the dedication of the value of one cent on the real estate tax rate, or \$17.9 million in fiscal year 2006 and \$21.9 million in fiscal year 2007, toward the preservation of affordable housing. Significant activity for the fund for fiscal year 2006 included the County's purchase of the 180-unit Crescent Apartment complex and accompanying 16.5 acres of land in the Hunter Mill District of the County in an effort to preserve affordable rental units. In 2004, the Board set a goal to preserve 1,000 units of affordable housing by 2007. As of September 2006, the County has preserved 897 units with an additional 423 units in the pipeline for preservation for affordable housing.

In recognition of its affordable housing preservation efforts, the County received the Virginia Association of Counties Achievement Award in July 2006. The Affordable Housing Preservation Initiative was selected for its innovation, model practices, and collaboration. In addition, the Chairman of the Board of Supervisors received the AHOME Preservation Award for his vision to preserve affordable housing in Northern Virginia and for creating and implementing the Penny for Affordable Housing Fund. AHOME (Affordable Housing

Opportunity Means Everyone) is a coalition of community businesses, developers, unions, resident organizations, and other nonprofit public service groups interested in finding ways to meet community needs for affordable housing.

Related to the affordable housing initiative is the County's program to combat homelessness. In October 2005, the Board strongly endorsed the creation of a new strategic plan to end homelessness in the County within ten years. The plan is being developed with broad public input by the County's Council on Homelessness and will be the County's first comprehensive strategy to end homelessness, emphasizing prevention and intervention as the solution, as well as ways to provide housing and social services. The 17-member Council on Homelessness is comprised of County residents and representatives from local nonprofits, businesses, and faith communities, and is charged with engaging the community to end homelessness and examine the problem with a long-term, strategic perspective.

The County currently has five emergency shelters operated by nonprofit organizations. Construction began in the spring of 2006 on the County's newest shelter, the Katherine K. Hanley Family Shelter, to provide safe, temporary housing for families. The shelter is projected to open during the summer of 2007.

Environmental Stewardship

In anticipating the future, the County recognizes the importance of environmental stewardship. This commitment to the environment is evidenced by the awards the County 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 blueprint emphasizes the leadership needed to ensure a healthy and beautiful environment for future generations. Specifically, the plan addresses six core areas for protecting and enhancing the environment, including growth and land use; air quality and transportation; water quality; solid waste; parks, trails, and open space; and environmental stewardship.

In fiscal year 2006, the County's Noman M. Cole, Jr. Pollution Control Plant received the Gold Peak Performance Award from the National Association of Clean Water Agencies in recognition of 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. The County's Wastewater Management Program also received an Outstanding Achievement Award for Nutrient Reduction from Businesses for the Bay, a regional partnership leading and directing the restoration of the Chesapeake Bay since 1983. Also in fiscal year 2006, the U.S. Environmental Protection Agency selected the County for the Landfill Methane Outreach Program Community Partner of the Year award for its program that uses methane gas to heat the landfill facility's vehicle maintenance shop.

Another County initiative to support the environment involves stormwater management. 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 the Stormwater Management Program Fund to support the long-term needs of the County's stormwater capital program. The Board designated \$17.9 million in fiscal year 2006 and \$21.9 million in fiscal year 2007 to fund this program. 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.

Conservation and protection of land are key tenets of environmental stewardship. The County's Department of Public Works and Environmental Services honors excellence in environmental conservation by developers, designers, site superintendents, and contractors whose projects best demonstrate excellence in erosion prevention, sediment control design and implementation, and tree preservation through an annual land conservation award program. In addition, the County has issued brochures about environmental stewardship, such as encouraging residents to plant trees, as part of its campaign for the environment.

Transportation Improvements

The County recognizes the importance of transportation for residents who work in and around the County, especially given the trend of rapid population growth and urbanization of the County. The 2005 American Community Survey estimates the average travel time to work as 31.2 minutes for residents of the County. Approximately 76 percent of the County's household population drive alone to work, while almost 12 percent carpool, nine percent use public transportation, and three percent walk, ride a bicycle, or use other means.

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. With a fleet of 170 buses, Fairfax Connector had over nine million passengers in fiscal year 2006. The Chairman of the Board of Supervisors received the 2006 Local Distinguished Service Award from the American Public Transportation Association, recognizing excellence in the public transportation industry. This excellence is evident in the recent opening of the Reston Town Center Transit Station where travelers can ride Fairfax Connector buses to area shopping malls, business districts, and metro stations seven days a week for a fare of only one dollar. Travelers can obtain free maps and schedules and purchase tickets, passes, and other fare media for all regional transit systems at the new transit station.

Bicycling is also becoming a more viable and popular option for commuting in the County. The Board has proposed a Comprehensive Bicycle Initiative that includes a full-time bicycle program coordinator, creating a countywide bicycle map, and establishing a pilot program in a specific area of the County for an interconnected bicycling network. In April 2006, the Washington Area Bicyclist Association recognized the County's Board for focusing attention on the need to improve facilities and procedures for bicycle transportation in the County. The Board also celebrates the annual Bike to Work Day in May by encouraging residents to participate as an effective means to improve air quality, reduce traffic congestion, and conserve energy.

Another viable transportation option promoted in the County is teleworking, or telecommuting. The County began a telework program for government employees in 1995. Currently, more than 1,000 County employees telework an average of one day a month. The County was the first jurisdiction to reach – and then exceed – the regional goal set by the Metropolitan Washington Council of Governments to have 20 percent of the eligible workforce teleworking at least one day a week by 2005. Telework helps reduce traffic, noise, emissions, and commuter stress.

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 comprises \$700 million in improvements consisting of building more than 50 ramps and overpasses 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. The entire project is scheduled for completion in 2012.

Another transportation initiative is the Dulles Rail Project. This project involves the extension of the Metrorail system for rapid transit in the Dulles corridor. The planned 23+ mile 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 International Airport. A two-phased approach has been proposed due to federal funding constraints. Funding for Phase 1 – which consists of rail through Tysons Corner into Reston – is to be shared by the federal government (44 percent), State government (28 percent), and local government (28 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 target date for completion of Phase 1 is 2012, and the entire project, with rail to Dulles International Airport, is scheduled to be completed by 2015.

Technology Initiatives

Fairfax County takes a very strategic approach to e-Government and information technology planning and governance as evidenced by recently received national recognition and accolades. In August 2006, the County was rated the number two digital county in the United States 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." Also in 2006, the County was ranked as one of the top 100 best places to work in information technology by *Computer World* magazine.

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 894,758 unique visits per month and 10.7 million unique visits per year. Of these annual visits, 6,017,653 access multiple Web pages and/or transactions. The County had 1,080,000 calls to its IVR in fiscal year 2006, and the multimedia kiosks have registered nearly 10.4 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'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 fourth time the County has won the award in the Overall Excellence of Governmental Access category, with previous awards given in 1996, 1999, and 2005. Channel 16 also is the winner of 13 Cable ACE Awards and over 100 other national awards for video excellence. 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.

To make technology available to the entire population, the County also provides public computers in libraries and other County facilities. To augment public computer access, in late 2005 wireless service was implemented in five public libraries. The County is continuing to expand its program for implementing secure wireless access points for other County facilities that offer public computer use. 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.

In 2006, the County released a new application on the County Web site called *My Neighborhood*. *My Neighborhood* utilizes geographic information system (GIS) data to provide information about County resources based on a specific location. By entering a County address, users can quickly get information such as elected officials (County, state, and federal), fire stations, police stations, school attendance areas, voting precincts, health and public services facilities, parks facilities, and demographics. The GIS data warehouse now holds over 470 data layers of information.

The County continues to develop numerous public and private partnerships and collaborative efforts in its approach to information technology. The County is partnering with regional jurisdictions and the

Commonwealth of Virginia to provide leadership in developing interoperable communications solutions for public safety in the Washington Metropolitan region. Through collaboration with cable franchise providers, the County is implementing video, data, and voice services over a private broadband network, which will connect more than 400 County and Fairfax County Public Schools facilities. In 2006, the County's new streamlined contractor licensing verification module, known as FIDO (Fairfax Inspections Database Online), was implemented. FIDO represents a unique collaboration with the Commonwealth of Virginia and incorporates the state's electronic contractor licensing database to make the overall building permit process quicker, easier, and more efficient.

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), a Deputy County Executive, 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, 2006, the Revenue Stabilization Fund and Managed Reserve balances were \$94,390,235 and \$63,475,466, 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 U.S. generally accepted accounting principles. 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, 2006, 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 2006, only 6 of 50 states, 22 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 J to the financial statements. Tables 3.1 through 3.5 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, 2005. 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 eighth consecutive award to the County, which was the only county in the United States to receive this honor in 2006.

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 two NACo Achievement Awards and one Acts of Caring Award for innovative programs in 2006:

Early Literacy Outreach – The Fairfax County Public Library launched a program to teach early literacy skills to preschoolers and their caregivers who cannot, or do not, visit a library. Early literacy is based on the concept that children need to develop pre-reading skills, such as handling books or recognizing print, before they begin to read and write. The Early Literacy Program is directed by the Early Literacy Specialist who acts as an outreach extension for each of the library’s 20 regular branches. The specialist serves offsite schools, day care centers, community centers, parent groups, and teachers. The program is designed to introduce children, their caregivers, and teachers to the concept of early literacy and to the resources available at their local library branches. The specialist is also training a volunteer corps to increase community outreach. In all, almost 6,000 preschoolers and other individuals have been exposed to early literacy concepts in the program’s first year.

Environmental Improvement – The County has developed an Environmental Improvement Program (EIP) to provide a framework for the County Executive and the Board of Supervisors to make decisions regarding environmental investment and project planning as well as a policy needs assessment. The EIP is designed to integrate and link environmental goals and objectives into all levels of County decision-making and to provide a strategic approach to prioritizing environmental actions for implementation. The Board of Supervisors already has funded and implemented \$2.5 million worth of projects and programs based on the 2005 EIP.

Long-term Care Volunteer Ombudsman – With 10,816 residents in nursing homes and assisted living facilities, the County established a program to advocate for the frail elderly and people with disabilities receiving long-term care. The County has recruited 76 well-trained volunteer ombudsmen who act as concerned visitors as well as the eyes and ears for the five County staffers in the Ombudsman Program. The ombudsmen are screened and trained in residents’ rights, communicating with impaired people, and how to handle complaints. The ombudsmen listen, observe, and mediate between the residents, their families, and the staff of the facility to make sure that the residents’ rights are being protected.

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.
Deputy County Executive



Robert L. Mears
Director of Finance



**COUNTY OF FAIRFAX,
VIRGINIA**

Urban County Executive Form of Government
As of June 30, 2006

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
Edward L. Long, Jr.
David J. Molchany
Robert A. Stalzer

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

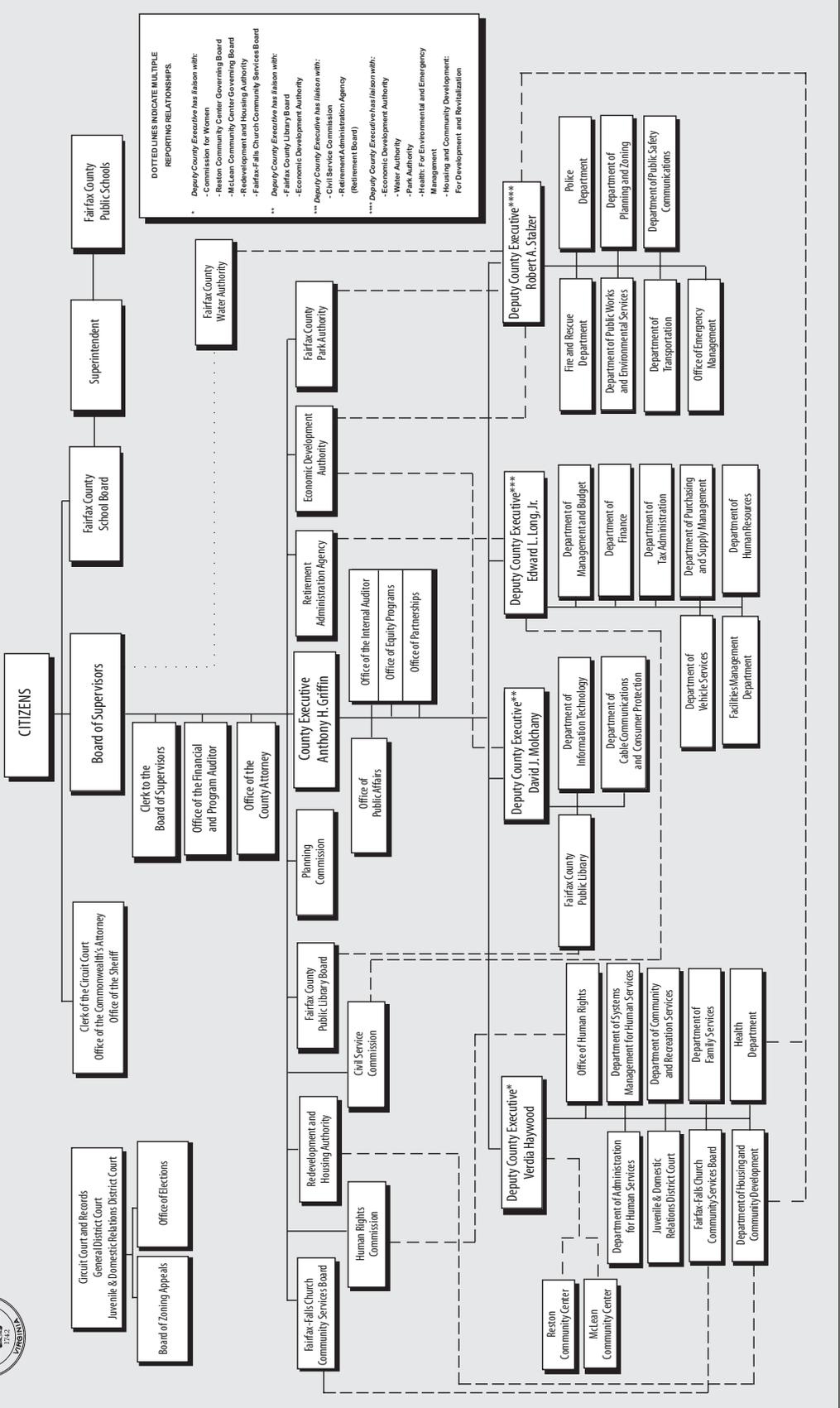
Christopher J. Pietsch, Director

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
 - Redevelopment and Housing Authority
 - Fairfax Falls Church Community Services Board
- ** Deputy County Executive has liaison with:
 - Fairfax County Library Board
 - Economic Development Authority
- *** Deputy County Executive has liaison with:
 - Civil Service Commission
 - Retirement Administration Agency (Retirement Board)
- **** Deputy County Executive has liaison with:
 - Water Authority
 - Park Authority
 - Health: For Environmental and Emergency Management
 - Housing and Community Development: For Development and Revitalization

This report was prepared by:

COUNTY OF FAIRFAX, VIRGINIA
DEPARTMENT OF FINANCE

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Fairfax, Virginia 22035
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Robert L. Mears

DEPUTY DIRECTORS
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A special thanks to Erin Summers for designing the cover.

Front cover photographs (clockwise, from upper left):

Washington Metropolitan Area Transit Authority*; Wolf Trap Farm Park for the Performing Arts*; Northern Virginia Regional Park Authority Meadowlark Botanical Gardens*; Laurel Hill, Village Center Concept; Fairfax County Public Schools Teacher and Student*; Krasnow Institute for Advanced Study at George Mason University*

* Courtesy of the Fairfax County Economic Development Authority

**GOVERNMENT
FINANCE
OFFICERS
ASSOCIATION
AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2005. 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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emery

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, 2006, 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 represent 1.96% and .29%, 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 FCRHA's 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, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006 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 U.S. generally accepted accounting principles. 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 30, 2006

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, 2006. 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 \$1,240.4 million on a government-wide basis at June 30, 2006.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to \$3,429.8 million. Expenses amounted to \$3,277.2 million.
- For the fiscal year, revenues of the County's business-type activities were \$133.7 million, and expenses were \$136.1 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 \$64.3 million for fiscal year 2006, as compared to \$65.2 million for fiscal year 2005.
- The County's General Fund reported a fund balance of \$274.3 million, an increase of \$37.8 million from June 30, 2005.

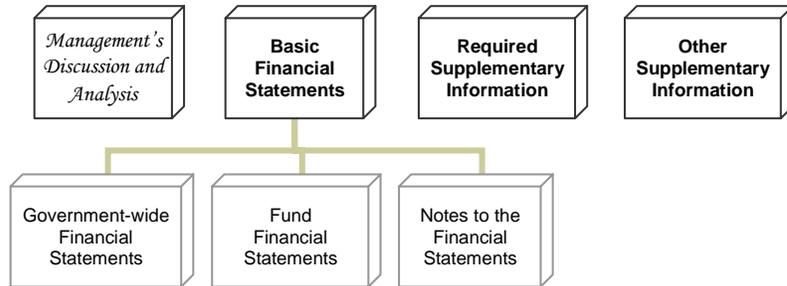
General Financial Highlights

- In August 2005, the County issued \$543.59 million of general obligation public improvement and refunding bonds. Of this total, \$190.34 million are being used to finance school, park, public safety, and other general County improvements, and \$353.25 million were used to advance refund certain outstanding general obligation bonds in order to save \$24.4 million in future debt service payments.
- In February 2006, the Fairfax County Redevelopment and Housing Authority issued a \$40.6 million bond anticipation note to partially finance the purchase of a multi-family rental housing complex as part of the County's affordable housing initiative. The County is responsible, under the related documents and subject to appropriation, to pay the principal and interest on the note at maturity.

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, 2006 and 2005:

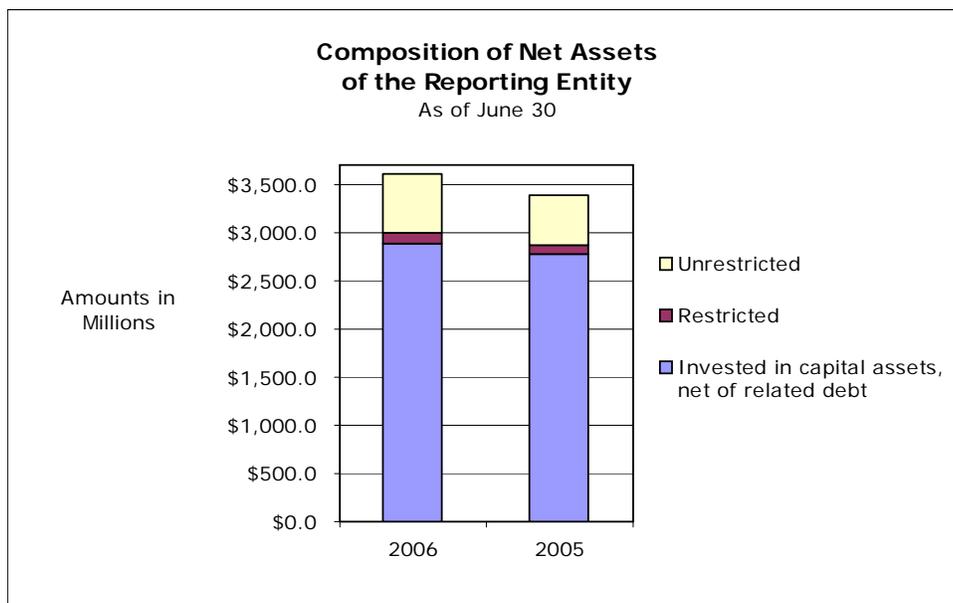
Summary of Net Assets As of June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	\$ 3,789.4	3,410.9	\$ 142.9	148.7	\$ 3,932.3	3,559.6
Capital assets (net)	1,567.7	1,456.1	1,157.2	1,168.7	2,724.9	2,624.8
Total assets	5,357.1	4,867.0	1,300.1	1,317.4	6,657.2	6,184.4
Liabilities:						
Current liabilities	2,753.0	2,472.7	8.5	13.6	2,761.5	2,486.3
Long-term liabilities	2,268.9	2,211.7	386.4	396.2	2,655.3	2,607.9
Total liabilities	5,021.9	4,684.4	394.9	409.8	5,416.8	5,094.2
Net assets:						
Invested in capital assets, net of related debt	1,075.5	1,034.3	786.3	787.9	1,861.8	1,822.2
Restricted	36.9	30.4	57.5	56.5	94.4	86.9
Unrestricted	(777.2)	(882.1)	61.4	63.2	(715.8)	(818.9)
Total net assets	\$ 335.2	182.6	\$ 905.2	907.6	\$ 1,240.4	1,090.2

Summary of Net Assets - continued As of June 30 (\$ in millions)								
	Total Primary Government		Component Units		Reclassifications		Total Reporting Entity	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets:								
Current and other assets	\$ 3,932.3	3,559.6	\$ 441.7	507.9	\$ -	-	\$ 4,374.0	4,067.5
Capital assets (net)	2,724.9	2,624.8	2,374.8	2,245.8	-	-	5,099.7	4,870.6
Total assets	6,657.2	6,184.4	2,816.5	2,753.7	-	-	9,473.7	8,938.1
Liabilities:								
Current liabilities	2,761.5	2,486.3	171.5	193.5	-	-	2,933.0	2,679.8
Long-term liabilities	2,655.3	2,607.9	270.4	269.0	-	-	2,925.7	2,876.9
Total liabilities	5,416.8	5,094.2	441.9	462.5	-	-	5,858.7	5,556.7
Net assets:								
Invested in capital assets, net of related debt	1,861.8	1,822.2	2,196.1	2,079.1	(1,173.7)	(1,133.1)	2,884.2	2,768.2
Restricted	94.4	86.9	20.9	35.2	(10.5)	(21.6)	104.8	100.5
Unrestricted	(715.8)	(818.9)	157.7	176.9	1,184.2	1,154.7	626.1	512.7
Total net assets	\$ 1,240.4	1,090.2	\$ 2,374.7	2,291.2	\$ -	-	\$ 3,615.1	3,381.4

Certain amounts for FY 2005 have been reclassified for comparability to FY 2006 amounts.

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 \$3,615.1 million at fiscal year end 2006, representing an increase of \$233.7 million from the net assets at June 30, 2005, 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 (\$52.7 million), grant programs (\$25.6 million), community centers (\$11.3 million), and housing projects (\$8.9 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, 2006 and 2005:

Summary of Changes in Net Assets For the Fiscal Years Ended June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 263.2	227.8	\$ 123.4	118.0	\$ 386.6	345.8
Operating grants and contributions	241.5	225.1	-	-	241.5	225.1
Capital grants and contributions	28.0	55.3	5.9	7.3	33.9	62.6
General revenues:						
Real property tax	1,785.1	1,638.7	-	-	1,785.1	1,638.7
Personal property tax	288.6	277.7	-	-	288.6	277.7
Business licenses tax	127.4	114.4	-	-	127.4	114.4
Local sales and use tax	176.1	168.7	-	-	176.1	168.7
Consumers utility tax	103.3	96.2	-	-	103.3	96.2
Other taxes	112.2	102.0	-	-	112.2	102.0
Unrestricted grants and contributions	215.8	200.8	-	-	215.8	200.8
Revenue from the use of money	88.6	24.5	4.4	3.5	93.0	28.0
Total revenues	3,429.8	3,131.2	133.7	128.8	3,563.5	3,260.0
Expenses:						
General government administration	133.8	182.2	-	-	133.8	182.2
Judicial administration	38.6	36.4	-	-	38.6	36.4
Public safety	550.6	481.9	-	-	550.6	481.9
Public works	159.9	155.5	136.1	125.4	296.0	280.9
Health and welfare	441.6	423.2	-	-	441.6	423.2
Community development	185.8	167.1	-	-	185.8	167.1
Parks, recreation, and cultural	137.4	126.2	-	-	137.4	126.2
Education	1,547.1	1,453.7	-	-	1,547.1	1,453.7
Interest on long-term debt *	82.4	83.0	-	-	82.4	83.0
Total expenses	3,277.2	3,109.2	136.1	125.4	3,413.3	3,234.6
Increase (decrease) in net assets before special item	152.6	22.0	(2.4)	3.4	150.2	25.4
Special items:						
Gain on sale of land	-	8.0	-	-	-	8.0
Increase (decrease) in net assets	152.6	30.0	(2.4)	3.4	150.2	33.4
Beginning net assets	182.6	152.6	907.6	904.2	1,090.2	1,056.8
Ending net assets	\$ 335.2	182.6	\$ 905.2	907.6	\$ 1,240.4	1,090.2

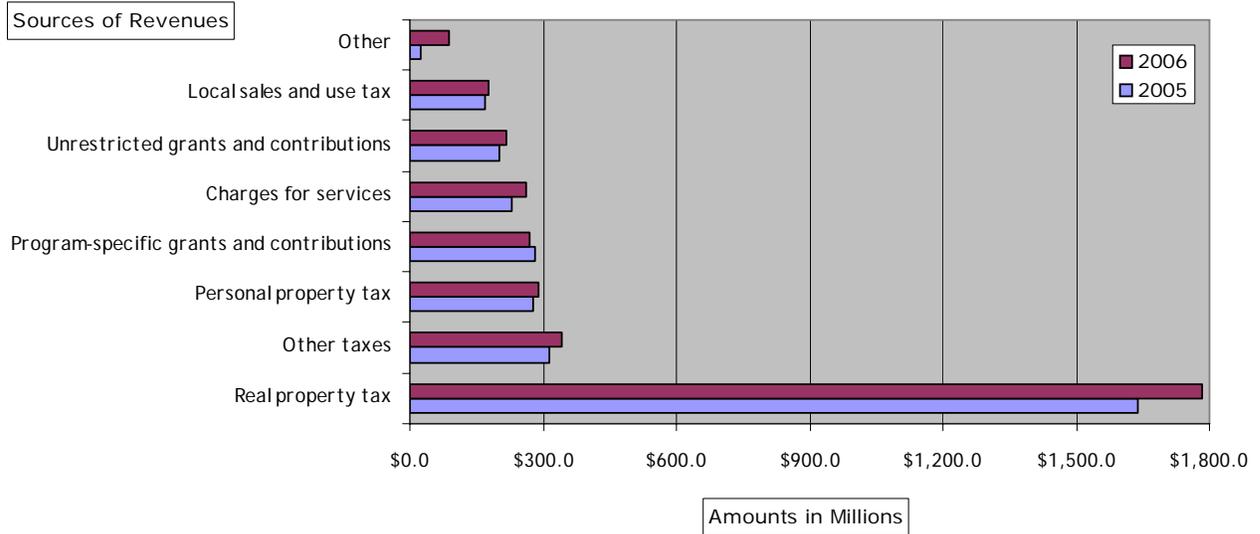
* For business-type activities, interest on long-term debt is included in the functional expense category. Certain amounts for FY 2005 have been reclassified for comparability to FY 2006 amounts.

Governmental Activities

Revenues for the County's governmental activities were \$3,424.5 million for fiscal year 2006, representing an increase of \$293.3 million over fiscal year 2005. Sources of revenues for fiscal years 2006 and 2005 are comprised of the following items:

Governmental Activities - Revenues by Source

For the Fiscal Years Ended June 30, 2006 and 2005

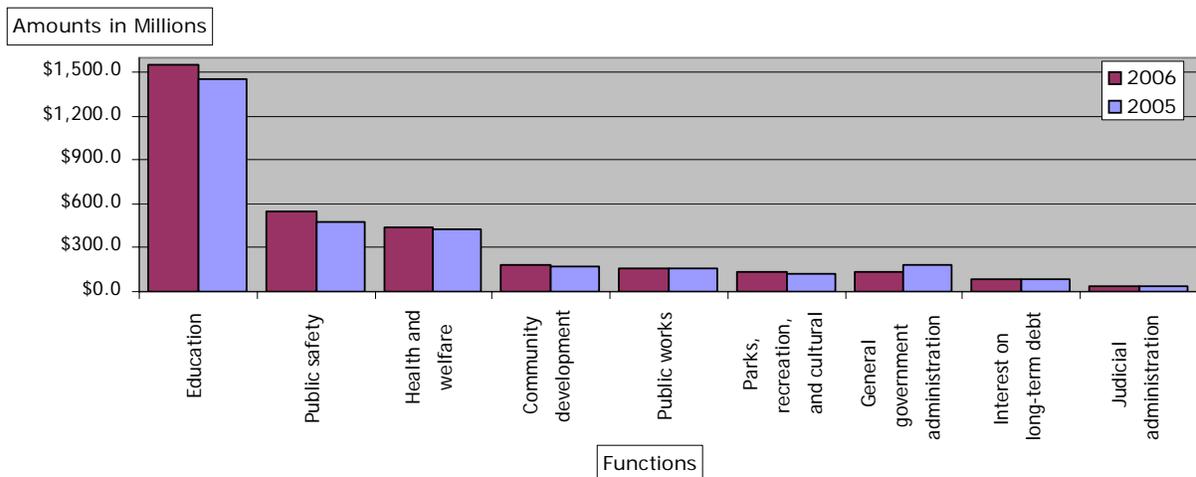


Taxes constitute the largest source of County revenues, amounting to \$2,592.7 million for fiscal year 2006, an increase of \$195.0 million over fiscal year 2005, primarily due to real property taxes. Real property taxes (\$1,785.1 million) represent almost 69 percent of total taxes and over half of all revenues combined. Tax revenues for fiscal year 2006 benefited from an average increase of 23.49 percent in real property assessments offset by a tax rate reduction of 11.50 percent. Unrestricted grants and contributions include \$207.8 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 2006 was \$3,277.2 million, representing an increase of \$168.0 million over fiscal year 2005. As the chart below indicates, education continues to be the County's largest program. Education expenses totaled over \$1.5 billion in fiscal year

Governmental Activities - Expenses by Function

For the Fiscal Years Ended June 30, 2006 and 2005



2006, an increase of \$93.4 million over fiscal year 2005 due primarily to operations, including personnel costs. Public safety expenses represent the second largest expense, totaling \$550.6 million in fiscal year 2006. Public safety expenses increased \$68.7 million over fiscal year 2005 primarily as a result of increased costs associated with emergency management assistance during Hurricane Katrina and increased staffing.

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).

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$263.2 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$269.5 million). Of the \$2,744.6 million net cost of services, the amount that our taxpayers paid for these programs through County taxes was \$2,592.7 million.

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	
	2006	2005	2006	2005
Education	\$ 1,547.1	1,453.7	\$ 1,547.1	1,453.7
Public safety	550.6	481.9	438.6	377.6
Health and welfare	441.6	423.2	248.7	243.2
Community development	185.8	167.1	115.3	122.2
Public works	159.9	155.5	75.9	38.2
General government administration	133.8	182.2	124.6	163.0
Other	258.4	245.6	194.4	203.0
Total	\$ 3,277.2	3,109.2	\$ 2,744.6	2,600.9

Certain amounts for FY 2005 have been reclassified for comparability to FY 2006 amounts.

Business-type Activities

The Sewer System recovers its costs primarily through user service charges and availability fees. For fiscal year 2006, the Sewer System reported a decrease in net assets of \$2.4 million. Total revenues of the Sewer System increased by \$4.9 million over fiscal year 2005 primarily as a result of increases in both the availability fee rate and the number of units sold. The decrease in capital contributions of \$1.4 million from fiscal year 2005 to 2006 was offset by an increase in interest revenue of \$0.9 million.

Total expenses of the Sewer System for fiscal year 2006 were \$136.1 million, representing an increase of \$10.7 million over fiscal year 2005. This increase resulted primarily from treatment plant expenses caused by rising energy related expenses, increased expenses for contract disposal of wastewater, and depreciation expense related to the completion of the Noman M. Cole, Jr., Pollution Control Plant upgrade and expansion.

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, 2006, the County's governmental funds had a combined fund balance of \$805.0 million, as compared to \$740.8 million at June 30, 2005. Of the fiscal year 2006 fund balance, \$270.9 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 66.3 percent (\$534.1 million) of the total 2006 fund balance is unreserved, representing resources available for appropriation. Of the unreserved fund balance, by nature of the individual funds, 55.2 percent (\$294.6 million) has been

designated to meet the program needs in the special revenue, capital projects, and debt service funds. Additionally, \$157.9 million of the General Fund's unreserved fund balance of \$239.6 million is designated for emergency needs and revenue stabilization for periods of economic downturn.

The increase in fund balances for all governmental funds was \$64.3 million for the fiscal year ended June 30, 2006, as compared to \$65.2 million for the fiscal year ended June 30, 2005. Total revenues and other financing sources were \$4,545.7 million, and total expenditures and other financing uses were \$4,481.4 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 \$81.7 million after considering the designated amount of \$157.9 million. This \$81.7 million represents approximately 3.0 percent of the General Fund's total expenditures. Revenues of \$3,068.3 million less expenditures of \$2,538.9 million and other financing uses (net) of \$491.6 million resulted in a net change in fund balance of \$37.8 million. Key factors in the growth of the fund balance include the following:

- Real property tax revenues increased as a result of increased assessments coupled with favorable variances in exonerations and tax relief.
- Delinquent personal property taxes were higher than expected due to increased collection efforts by the Department of Tax Administration.
- Higher than anticipated business license receipts resulted in increased BPOL tax revenue.
- The County experienced higher than expected returns on investments as a result of rising interest rates.
- 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 \$107.8 million or 3.6 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 \$72.2 million or 2.4 percent, primarily because of greater than anticipated tax collections (personal property taxes, recordation taxes, BPOL taxes, and consumer utility taxes) and investment returns.

Actual revenues exceeded final budget amounts by \$45.6 million, while actual expenditures were \$59.9 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, 2006, include the following:

- Actual tax revenues exceeded budgeted amounts by \$15.3 million primarily from real property, BPOL, and mobile telephone taxes as a result of increased collection efforts.
- Intergovernmental revenues were \$18.5 million more than budgeted amounts due to revenue associated with personal property tax relief from the Commonwealth of Virginia and reimbursable expenditures for public assistance programs.

- Revenue from the use of money and property was \$8.2 million, or 12.2 percent, more than budgeted amounts as a result of increased investment returns from rising interest rates.
- Charges for services revenue was \$4.0 million, or 7.4 percent, more than budgeted amounts due to higher than anticipated receipts from Emergency Medical Services Transport Fees and School Age Child Care Fees.
- Actual health and welfare expenditures were \$14.5 million, or 5.7 percent, less than budgeted amounts primarily due to savings in personnel services as a result of managing position vacancies and difficulty in recruiting and hiring for certain job classifications.
- Actual public safety expenditures were \$13.6 million less than budgeted amounts primarily as a result of 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.
- Actual nondepartmental expenditures were \$9.6 million, or 5.4 percent, less than budgeted amounts as a result of lower than anticipated health insurance premiums, lower than anticipated contributions to the retirement system, and savings in FICA.
- Actual community development expenditures were \$5.9 million, or 12.4 percent, less than budgeted amounts due in part to savings in personnel services as a result of managing position vacancies and the multi-year scope of transportation projects resulting in the carryover of funding from year to year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets as of June 30, 2006, amounted to \$2.72 billion (net of accumulated depreciation and amortization), which represents an increase of \$100.1 million, or 3.8 percent, over last year. Capital assets as of June 30, 2006 and 2005, are summarized below:

Capital Assets As of June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 374.5	331.6	\$ 17.5	17.5	\$ 392.0	349.1
Buildings, improvements, and infrastructure	1,370.1	1,320.9	935.2	917.9	2,305.3	2,238.8
Equipment and library collections	319.7	303.3	10.3	10.7	330.0	314.0
Construction in progress	109.9	56.0	23.8	19.3	133.7	75.3
Purchased capacity	-	-	656.2	645.4	656.2	645.4
Total capital assets	2,174.2	2,011.8	1,643.0	1,610.8	3,817.2	3,622.6
Less: Accumulated depreciation and amortization	(606.5)	(555.7)	(485.8)	(442.1)	(1,092.3)	(997.8)
Total capital assets, net	\$ 1,567.7	1,456.1	\$ 1,157.2	1,168.7	\$ 2,724.9	2,624.8

The major capital assets events for fiscal year 2006 included the following:

- The \$49.6 million acquisition of the Crescent Apartments in the Hunter Mill District to be preserved as affordable housing was funded by bond anticipation note proceeds and contributions from the County.

- The ongoing construction costs for improvements and expansion to the Judicial Center Complex in the Providence District totaled \$37.6 million, funded primarily with general obligation bond proceeds.
- The land acquisition and ongoing construction costs for the Public Safety and Transportation Operations Center totaled \$14.0 million, funded with general obligation bond proceeds and general revenues.
- The costs associated with the ongoing construction and completion of fire stations in the Springfield District totaled \$6.2 million, funded with general obligation bond proceeds and general revenues.
- The purchase of library books and audio/video materials totaled \$7.9 million, funded from general revenues.
- The costs associated with the ongoing construction and completion of community and adult day care centers in the Hunter Mill and Braddock Districts totaled \$7.1 million, funded with lease revenue bond proceeds.
- Developer conveyance of trails and walkways totaled \$10.9 million, and 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 \$14.4 million, using funds generated from operations.
- The Sewer System's share of the ongoing expansion costs of the Alexandria Sanitation Authority's and the District of Columbia's wastewater treatment facilities, which provide services to certain County residents, was \$4.7 million and \$6.0 million, respectively, using funds generated from operations.

Additional information pertaining to the County's capital assets can be found in Note F to the financial statements on page 65.

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 2006, these percentages were 1.01 percent and 7.89 percent, respectively.

In August 2005, the County issued \$543.59 million of Series 2005A General Obligation Public Improvement and Refunding Bonds with a true interest cost of 3.875 percent and a premium of \$38.4 million. Proceeds of \$190.34 million are being used to fund new facilities and improvements, as follows (in millions):

County facilities:	
Transportation improvements	\$ 46.71
Public safety facilities	5.75
Other purposes	<u>14.54</u>
Total County facilities	67.00
Public Schools facilities	104.69
Park Authorities facilities	<u>18.65</u>
Total bonds issued for new projects	<u>\$190.34</u>

The remaining Series 2005A Bonds were used to advance refund certain outstanding Series 1999A, 2000A, 2000B, 2001A, and 2002A General Obligation Bonds, thereby taking advantage of lower interest rates to reduce the County's debt service payments by \$24.4 million over the next 16 years and obtaining an economic gain of \$11.9 million.

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2006 and 2005:

Outstanding Long-term Debt As of June 30 (\$ in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds issued for:						
County facilities	\$ 326.3	314.7	\$ -	-	\$ 326.3	314.7
Public Schools facilities	1,053.8	1,028.7	-	-	1,053.8	1,028.7
Park Authority facilities	130.3	125.9	-	-	130.3	125.9
Washington Metropolitan Area Transit Authority	55.1	54.6	-	-	55.1	54.6
Northern Virginia Regional Park Authority	10.2	9.3	-	-	10.2	9.3
Commonwealth of Virginia (roads)	125.3	128.2	-	-	125.3	128.2
Revenue bonds	234.9	241.7	-	-	234.9	241.7
Sewer revenue bonds	-	-	386.8	398.6	386.8	398.6
Capital leases and other	45.3	52.1	-	-	45.3	52.1
Total County outstanding debt	\$ 1,981.2	1,955.2	\$ 386.8	398.6	\$ 2,368.0	2,353.8

Additional information related to the County's long-term debt can be found in Note J to the financial statements on page 77.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors are reflected in the General Fund budget for fiscal year 2007:

- The assessed value of all real property increased \$40.6 billion over the fiscal year 2006 value. The increase was 22.70 percent, as compared to 23.49 percent in fiscal year 2006.
- For the sixth consecutive year, average residential real estate assessments have increased by double digits. Since fiscal year 2001, average house values have increased approximately 160 percent from \$208,126 to \$540,746 in fiscal year 2007.
- For fiscal year 2007, the increase in residential equalization - the reassessment of existing property - is 20.57 percent, reflecting a combination of strong job growth, a limited supply of homes, and historically low interest rates.
- For fiscal year 2007, the increase in non-residential equalization is 16.64 percent, as compared to 12.74 percent for fiscal year 2006. This increase reflects continued strength in the office leasing market and a decline in the County's overall office vacancy rate.
- Commencing in fiscal year 2007, the reimbursement revenue from the Commonwealth of Virginia under the Personal Property Tax Relief Act (see Note C to the financial statements) is a fixed amount of \$211.3 million and no share will be provided for prior year delinquent taxpayers.
- The average unemployment rate in the County for fiscal year 2006 was 2.34 percent as compared to 2.63 percent in fiscal year 2005.

The Fiscal Year 2007 Adopted Budget includes revenues of \$3.21 billion, a 5.07 percent increase over the fiscal year 2006 level. Real and personal property taxes represent the majority of budgeted revenues, comprising approximately 75.0 percent of the fiscal year 2007 General Fund revenues. Revenue from real property taxes alone makes up 58.9 percent of total revenues, as compared to 59.5 percent in the Fiscal Year 2006 Adopted Budget.

Budgeted disbursements, which include expenditures and transfers out, are \$3.21 billion, a 1.26 percent increase over the fiscal year 2006 level. For fiscal year 2007, the County has budgeted an increase of \$93.88 million over fiscal year 2006 in its funding to Public Schools. County funding for Public Schools is \$1.67 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 3.75 percent over fiscal year 2006.

The County has added no new major initiatives for fiscal year 2007. The County's commitment to a strong investment in education, public safety and gang prevention, affordable housing, environmental protection, transportation improvements, and revenue diversification to reduce the burden on homeowners remains strong.

The Board approved the following tax rate and fee adjustments for fiscal year 2007 as a result of the economic indicators discussed above:

- The Board decreased the real property tax rate from \$1.00 per \$100 of assessed value to \$0.89 per \$100 of assessed value. This eleven-cent reduction results in a decrease to budgeted revenues of \$240.4 million. This is the fifth consecutive year the Board of Supervisors has approved a reduction in the real property tax rate, bringing the cumulative decrease to 34 cents over the past five years.

- The Board eliminated the motor vehicle decal requirement for personal property taxpayers for fiscal year 2007 and beyond. In fiscal year 2006, the County generated \$19.6 million in revenue from the decal program.
- The Sewer Service Charge rate was increased from \$3.28 to \$3.50 per 1,000 gallons of water consumption for fiscal year 2007 to help cover operating expenses. Also, sewer availability fees were increased by 4.5 percent.

The Board emphasized that its funding decisions reflect the 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, 2006

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
ASSETS			
Equity in pooled cash and temporary investments	\$ 1,020,276,911	47,145,410	1,067,422,321
Cash in banks	-	-	-
Investments	-	244,600	244,600
Receivables (net of allowances):			
Accounts	24,295,522	-	24,295,522
Accrued interest	4,922,976	237,644	5,160,620
Property taxes:			
Delinquent	20,999,306	-	20,999,306
Not yet due	2,207,891,026	-	2,207,891,026
Business license taxes - delinquent	3,042,518	-	3,042,518
Loans	15,127,105	-	15,127,105
Notes	-	-	-
Other	18,508	-	18,508
Due from intergovernmental units (net of allowances):			
Property tax relief:			
Delinquent	3,709,648	-	3,709,648
Not yet due	185,627,600	-	185,627,600
Other	79,099,038	23,560,106	102,659,144
Due from primary government	-	-	-
Due from component units	1,501,611	-	1,501,611
Loan to component unit	15,530,000	-	15,530,000
Lease to component unit	60,070,000	-	60,070,000
Interfund receivables	254,227	(254,227)	-
Inventories of supplies	2,945,190	565,316	3,510,506
Prepaid and other assets	12,047,681	-	12,047,681
Restricted assets:			
Equity in pooled cash and temporary investments	123,076,441	59,328,439	182,404,880
Cash with fiscal agents	1,088,489	-	1,088,489
Certificates of deposit - performance bonds	54,824	-	54,824
Investments	-	11,716,707	11,716,707
Land held for sale	-	-	-
Capital assets:			
Non-depreciable:			
Land	374,546,731	17,535,818	392,082,549
Construction in progress	109,870,255	23,820,691	133,690,946
Depreciable/amortizable:			
Equipment	262,878,841	10,309,424	273,188,265
Library collections	56,778,471	-	56,778,471
Purchased capacity	-	656,197,278	656,197,278
Buildings and improvements	865,471,375	935,174,162	1,800,645,537
Infrastructure	504,604,530	-	504,604,530
Accumulated depreciation	(606,447,927)	(374,706,865)	(981,154,792)
Accumulated amortization	-	(111,136,797)	(111,136,797)
Deferred bond issuance costs (net of amortization)	7,750,860	347,602	8,098,462
Total assets	\$ 5,357,031,757	1,300,085,308	6,657,117,065

See accompanying notes to the financial statements.

EXHIBIT A

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
ASSETS			
341,059,931	-	1,408,482,252	Equity in pooled cash and temporary investments
8,129,438	-	8,129,438	Cash in banks
4,302,781	-	4,547,381	Investments
			Receivables (net of allowances):
1,563,248	-	25,858,770	Accounts
828,555	-	5,989,175	Accrued interest
			Property taxes:
-	-	20,999,306	Delinquent
-	-	2,207,891,026	Not yet due
-	-	3,042,518	Business license taxes - delinquent
		15,127,105	Loans
6,373,441	-	6,373,441	Notes
-	-	18,508	Other
			Due from intergovernmental units (net of allowances):
			Property tax relief:
-	-	3,709,648	Delinquent
-	-	185,627,600	Not yet due
38,299,932	-	140,959,076	Other
9,510,118	-	9,510,118	Due from primary government
-	-	1,501,611	Due from component units
-	-	15,530,000	Loan to component unit
-	-	60,070,000	Lease to component unit
-	-	-	Interfund receivables
4,402,526	-	7,913,032	Inventories of supplies
2,987,773	-	15,035,454	Prepaid and other assets
			Restricted assets:
11,183,899	-	193,588,779	Equity in pooled cash and temporary investments
7,658,239	-	8,746,728	Cash with fiscal agents
-	-	54,824	Certificates of deposit - performance bonds
4,482,133	-	16,198,840	Investments
198,268	-	198,268	Land held for sale
			Capital assets:
			Non-depreciable:
379,192,644	-	771,275,193	Land
182,708,191	-	316,399,137	Construction in progress
			Depreciable/amortizable:
191,482,426	-	464,670,691	Equipment
38,651,178	-	95,429,649	Library collections
-	-	656,197,278	Purchased capacity
2,620,965,441	-	4,421,610,978	Buildings and improvements
-	-	504,604,530	Infrastructure
(1,038,173,941)	-	(2,019,328,733)	Accumulated depreciation
-	-	(111,136,797)	Accumulated amortization
706,735	-	8,805,197	Deferred bond issuance costs (net of amortization)
2,816,512,956	-	9,473,630,021	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
June 30, 2006

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
LIABILITIES			
Accounts payable and accrued liabilities	\$ 82,746,286	3,040,679	85,786,965
Accrued salaries and benefits	40,863,784	883,145	41,746,929
Contract retainages	4,675,291	1,356,994	6,032,285
Accrued interest payable	19,760,441	3,176,889	22,937,330
Due to primary government	-	-	-
Due to component units	9,510,118	-	9,510,118
Short-term notes payable	40,600,000	-	40,600,000
Matured bond principal and interest payable	81,638	-	81,638
Deferred revenue:			
Property taxes not yet due	2,407,734,647	-	2,407,734,647
Other	64,109,740	-	64,109,740
Performance and other deposits	82,939,898	-	82,939,898
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds payable, net	161,651,558	-	161,651,558
Revenue bonds payable, net	8,619,039	10,817,748	19,436,787
Notes payable	645,000	-	645,000
Compensated absences payable	54,013,193	1,167,758	55,180,951
Landfill closure and postclosure obligation	7,000,000	-	7,000,000
Obligations under capital leases and installment purchases	5,251,945	-	5,251,945
Insurance and benefit claims payable	15,360,636	-	15,360,636
Loan from primary government	-	-	-
Other	907,700	-	907,700
Portion due or payable after one year:			
General obligation bonds payable, net	1,599,461,292	-	1,599,461,292
Revenue bonds payable, net	233,012,636	373,643,052	606,655,688
Notes payable	11,932,500	-	11,932,500
Compensated absences payable	36,008,796	778,505	36,787,301
Landfill closure and postclosure obligation	55,182,109	-	55,182,109
Obligations under capital leases and installment purchases	38,276,972	-	38,276,972
Insurance and benefit claims payable	14,917,264	-	14,917,264
Net pension obligation	24,885,926	-	24,885,926
Loan from primary government	-	-	-
Other	1,732,700	-	1,732,700
Total liabilities	5,021,881,109	394,864,770	5,416,745,879
NET ASSETS			
Invested in capital assets, net of related debt	1,075,520,989	786,263,108	1,861,784,097
Restricted for:			
Grant programs	25,561,857	-	25,561,857
Sewer improvements	-	52,691,367	52,691,367
Repair and replacement	-	-	-
Community centers	11,341,277	-	11,341,277
Housing	-	-	-
Capital projects	-	-	-
Debt service	-	4,823,582	4,823,582
Unrestricted (deficit)	(777,273,475)	61,442,481	(715,830,994)
Total net assets	\$ 335,150,648	905,220,538	1,240,371,186

See accompanying notes to the financial statements.

EXHIBIT A
concluded

Total Component Units	Reclassifications (See Note A-12)	Total Reporting Entity	
LIABILITIES			
48,265,026	-	134,051,991	Accounts payable and accrued liabilities
95,260,304	-	137,007,233	Accrued salaries and benefits
7,888,074	-	13,920,359	Contract retainages
2,330,663	-	25,267,993	Accrued interest payable
1,501,611	-	1,501,611	Due to primary government
-	-	9,510,118	Due to component units
-	-	40,600,000	Short-term notes payable
-	-	81,638	Matured bond principal and interest payable
-	-		Deferred revenue:
-	-	2,407,734,647	Property taxes not yet due
12,603,042	-	76,712,782	Other
3,601,975	-	86,541,873	Performance and other deposits
			Long-term liabilities:
			Portion due or payable within one year:
-	-	161,651,558	General obligation bonds payable, net
898,345	-	20,335,132	Revenue bonds payable, net
6,340,061	-	6,985,061	Notes payable
21,478,763	-	76,659,714	Compensated absences payable
-	-	7,000,000	Landfill closure and postclosure obligation
17,191,404	-	22,443,349	Obligations under capital leases and installment purchases
19,046,505	-	34,407,141	Insurance and benefit claims payable
75,000	-	75,000	Loan from primary government
160,615	-	1,068,315	Other
			Portion due or payable after one year:
-	-	1,599,461,292	General obligation bonds payable, net
21,417,528	-	628,073,216	Revenue bonds payable, net
51,243,996	-	63,176,496	Notes payable
11,068,849	-	47,856,150	Compensated absences payable
-	-	55,182,109	Landfill closure and postclosure obligation
93,188,424	-	131,465,396	Obligations under capital leases and installment purchases
11,747,460	-	26,664,724	Insurance and benefit claims payable
-	-	24,885,926	Net pension obligation
15,455,000	-	15,455,000	Loan from primary government
1,090,595	-	2,823,295	Other
441,853,240	-	5,858,599,119	Total liabilities
NET ASSETS			
2,196,065,824	(1,173,676,584)	2,884,173,337	Invested in capital assets, net of related debt
			Restricted for:
-	-	25,561,857	Grant programs
-	-	52,691,367	Sewer improvements
700,000	-	700,000	Repair and replacement
-	-	11,341,277	Community centers
8,876,830	-	8,876,830	Housing
10,483,899	(10,483,899)	-	Capital projects
861,370	-	5,684,952	Debt service
157,671,793	1,184,160,483	626,001,282	Unrestricted (deficit)
2,374,659,716	-	3,615,030,902	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Statement of Activities
For the fiscal year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government administration	\$ 133,838,032	5,416,716	3,710,636	73,100
Judicial administration	38,631,468	24,915,577	18,820,214	-
Public safety	550,648,594	53,558,588	54,691,518	3,804,896
Public works	159,913,922	80,212,361	3,856,069	-
Health and welfare	441,567,541	56,770,395	136,114,924	-
Community development	185,778,647	23,911,285	22,415,536	24,125,181
Parks, recreation, and cultural	137,380,297	18,357,175	1,901,636	-
Education - for Public Schools	1,547,083,954	-	-	-
Interest on long-term debt	82,365,378	-	-	-
Total governmental activities	<u>3,277,207,833</u>	<u>263,142,097</u>	<u>241,510,533</u>	<u>28,003,177</u>
Business-type activities:				
Public works - Sewer	136,063,778	123,358,395	-	5,888,926
Total business-type activities	<u>136,063,778</u>	<u>123,358,395</u>	<u>-</u>	<u>5,888,926</u>
Total primary government	<u>3,413,271,611</u>	<u>386,500,492</u>	<u>241,510,533</u>	<u>33,892,103</u>
Component units:				
Public Schools	2,092,291,998	92,737,646	152,118,967	121,933,825
Redevelopment and Housing Authority	68,491,074	21,350,854	57,888,898	1,574,387
Park Authority	77,844,253	35,416,456	-	18,174,241
Economic Development Authority	6,962,589	-	-	-
Total component units	<u>\$ 2,245,589,914</u>	<u>149,504,956</u>	<u>210,007,865</u>	<u>141,682,453</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

Total general revenues

Change in net assets

Net assets, July 1, 2005

Net assets, June 30, 2006

See accompanying notes to the financial statements.

EXHIBIT A-1

Net (Expense) Revenue and Changes in Net Assets				
<u>Primary Government</u>			Total Component Units	Functions/Programs
Governmental Activities	Business-type Activities	Total Primary Government		
(124,637,580)	-	(124,637,580)	-	Primary government: Governmental activities:
5,104,323	-	5,104,323	-	General government administration
(438,593,592)	-	(438,593,592)	-	Judicial administration
(75,845,492)	-	(75,845,492)	-	Public safety
(248,682,222)	-	(248,682,222)	-	Public works
(115,326,645)	-	(115,326,645)	-	Health and welfare
(117,121,486)	-	(117,121,486)	-	Community development
(1,547,083,954)	-	(1,547,083,954)	-	Parks, recreation, and cultural
(82,365,378)	-	(82,365,378)	-	Education - for Public Schools
(2,744,552,026)	-	(2,744,552,026)	-	Interest on long-term debt
				Total governmental activities
-	(6,816,457)	(6,816,457)	-	Business-type activities:
-	(6,816,457)	(6,816,457)	-	Public works - Sewer
(2,744,552,026)	(6,816,457)	(2,751,368,483)	-	Total business-type activities
				Total primary government
-	-	-	(1,725,501,560)	Component units: Public Schools
-	-	-	12,323,065	Redevelopment and Housing Authority
-	-	-	(24,253,556)	Park Authority
-	-	-	(6,962,589)	Economic Development Authority
-	-	-	(1,744,394,640)	Total component units
				General revenues:
				Taxes:
1,785,065,735	-	1,785,065,735	-	Real property
288,584,215	-	288,584,215	-	Personal property
127,439,823	-	127,439,823	-	Business licenses
176,084,111	-	176,084,111	-	Local sales and use
103,271,085	-	103,271,085	-	Consumers utility
19,572,404	-	19,572,404	-	Motor vehicle decals
51,431,631	-	51,431,631	-	Recordation
41,195,083	-	41,195,083	-	Occupancy, tobacco, and other
				Grants and contributions not restricted to specific programs
215,804,028	-	215,804,028	330,231,609	Revenue from the use of money
88,643,896	4,449,036	93,092,932	6,337,454	Revenue from primary government
-	-	-	1,486,599,954	Other
-	-	-	4,673,003	
2,897,092,011	4,449,036	2,901,541,047	1,827,842,020	Total general revenues
152,539,985	(2,367,421)	150,172,564	83,447,380	Change in net assets
182,610,663	907,587,959	1,090,198,622	2,291,212,336	Net assets, July 1, 2005
\$ 335,150,648	905,220,538	1,240,371,186	2,374,659,716	Net assets, June 30, 2006

COUNTY OF FAIRFAX, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2006

EXHIBIT A-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Equity in pooled cash and temporary investments	\$ 306,963,356	569,934,818	876,898,174
Receivables (net of allowances):			
Accounts	15,025,010	9,146,514	24,171,524
Accrued interest	3,747,537	940,211	4,687,748
Property taxes:			
Delinquent	20,999,306	-	20,999,306
Not yet due	2,207,891,026	-	2,207,891,026
Business license taxes - delinquent	3,042,518	-	3,042,518
Loans	-	15,127,105	15,127,105
Due from intergovernmental units (net of allowances):			
Property tax relief:			
Delinquent	3,709,648	-	3,709,648
Not yet due	185,627,600	-	185,627,600
Other	41,606,946	37,263,032	78,869,978
Due from component units	327,678	1,173,933	1,501,611
Loan to component unit	-	15,530,000	15,530,000
Lease to component unit	-	60,070,000	60,070,000
Interfund receivables	3,914,843	-	3,914,843
Inventories of supplies	1,351,456	-	1,351,456
Prepaid and other assets	77,141	11,774,374	11,851,515
Restricted assets:			
Equity in pooled cash and temporary investments	77,178,489	45,897,952	123,076,441
Cash with fiscal agents	579,240	322,249	901,489
Certificates of deposit - performance bonds	54,824	-	54,824
Total assets	\$ 2,872,096,618	767,180,188	3,639,276,806

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable and accrued liabilities	\$ 33,296,616	43,164,234	76,460,850
Accrued salaries and benefits	32,983,274	6,761,599	39,744,873
Contract retainages	-	4,675,291	4,675,291
Accrued interest payable	-	1,777,237	1,777,237
Due to component units	2,206,073	7,304,045	9,510,118
Interfund payables	-	3,790,813	3,790,813
Short-term notes payable	-	40,600,000	40,600,000
Matured bond principal and interest payable	-	81,638	81,638
Deferred revenue:			
Property taxes not yet due	2,407,734,647	-	2,407,734,647
Other	44,386,187	122,531,419	166,917,606
Performance and other deposits	77,235,962	5,703,936	82,939,898
Total liabilities	2,597,842,759	236,390,212	2,834,232,971
FUND BALANCES:			
Reserved for:			
Encumbrances	33,314,458	188,902,518	222,216,976
Inventories of supplies	1,351,456	-	1,351,456
Long-term loans	-	30,657,105	30,657,105
Certain capital projects	-	16,678,547	16,678,547
Unreserved, reported in:			
General fund	239,587,945	-	239,587,945
Special revenue funds	-	184,308,185	184,308,185
Debt service funds	-	8,361,065	8,361,065
Capital projects funds	-	101,882,556	101,882,556
Total fund balances	274,253,859	530,789,976	805,043,835
Total liabilities and fund balances	\$ 2,872,096,618	767,180,188	3,639,276,806

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, 2006

EXHIBIT A-2
concluded

Fund balances - Total governmental funds \$ 805,043,835

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	\$	372,608,043	
Construction in progress		109,870,255	
Depreciable assets:			
Equipment		175,967,010	
Library collections		56,778,471	
Buildings and improvements		849,011,448	
Infrastructure		<u>504,604,530</u>	
Total capital assets		2,068,839,757	
Less accumulated depreciation		<u>(544,705,779)</u>	1,524,133,978

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	\$	21,267,406	
Business license		3,042,599	
Sales and use taxes		14,034,907	
EMS transport and other charges for services		5,194,842	
Lease to component unit		<u>60,070,000</u>	103,609,754

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. 7,750,860

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	\$	146,416,601	
Capital assets		105,310,446	
Less accumulated depreciation		(61,742,148)	
Liabilities		<u>(46,793,772)</u>	143,191,127

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	\$	(1,761,112,850)	
Revenue bonds payable, net		(241,631,675)	
Notes payable		(12,577,500)	
Compensated absences payable		(87,155,758)	
Landfill closure and postclosure obligation		(62,182,109)	
Obligations under capital leases and installment purchases		(38,409,484)	
Net pension obligation		(24,885,926)	
Other long-term liabilities		(2,640,400)	
Accrued interest on long-term debt		<u>(17,983,204)</u>	(2,248,578,906)

Net assets of governmental activities \$ 335,150,648

COUNTY OF FAIRFAX, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2006

EXHIBIT A-3

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,535,863,535	55,747,399	2,591,610,934
Permits, privilege fees, and regulatory licenses	31,621,985	13,713,420	45,335,405
Intergovernmental	345,774,761	139,047,642	484,822,403
Charges for services	57,563,873	145,143,417	202,707,290
Fines and forfeitures	15,107,451	800	15,108,251
Developers' contributions	-	4,679,589	4,679,589
Revenue from the use of money and property	73,648,658	17,894,990	91,543,648
Recovered costs	7,693,205	8,183,075	15,876,280
Gifts, donations, and contributions	1,035,531	993,603	2,029,134
Total revenues	3,068,308,999	385,403,935	3,453,712,934
EXPENDITURES			
Current:			
General government administration	108,926,017	14,751,383	123,677,400
Judicial administration	37,332,945	780,780	38,113,725
Public safety	466,187,044	66,754,210	532,941,254
Public works	66,215,452	129,015,969	195,231,421
Health and welfare	278,750,056	163,642,743	442,392,799
Community development	47,598,972	93,031,728	140,630,700
Parks, recreation, and cultural	48,482,846	15,010,656	63,493,502
Intergovernmental:			
Community development	8,363,321	28,012,520	36,375,841
Parks, recreation, and cultural	30,751,669	36,677,797	67,429,466
Education - for Public Schools	1,432,966,312	115,739,006	1,548,705,318
Capital outlay:			
General government administration	726,703	2,759,657	3,486,360
Judicial administration	147,620	232,966	380,586
Public safety	2,126,381	58,302,119	60,428,500
Public works	164,535	10,012,495	10,177,030
Health and welfare	451,448	2,574,946	3,026,394
Community development	89,670	64,737,672	64,827,342
Parks, recreation, and cultural	7,917,509	9,254,320	17,171,829
Debt service:			
Principal retirement	1,488,377	154,242,713	155,731,090
Interest and other charges	220,166	93,643,079	93,863,245
Total expenditures	2,538,907,043	1,059,176,759	3,598,083,802
Excess (deficiency) of revenues over (under) expenditures	529,401,956	(673,772,824)	(144,370,868)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,604,307	492,000,267	494,604,574
Transfers out	(496,103,250)	(6,167,615)	(502,270,865)
General obligation bonds issued	-	190,340,000	190,340,000
Premium on general obligation bonds issued	-	9,624,050	9,624,050
General obligation refunding bonds issued	-	353,245,000	353,245,000
Premium on general obligation refunding bonds issued	-	28,737,418	28,737,418
Payments to refunded bonds escrow agent	-	(381,019,900)	(381,019,900)
Notes issued	-	12,900,000	12,900,000
Lease principal payments from component unit	-	620,000	620,000
Capital leases and installment purchases	1,904,016	-	1,904,016
Total other financing sources (uses)	(491,594,927)	700,279,220	208,684,293
Net change in fund balances	37,807,029	26,506,396	64,313,425
Fund balances, July 1, 2005	236,486,917	504,283,580	740,770,497
Decrease in reserve for inventories of supplies	(40,087)	-	(40,087)
Fund balances, June 30, 2006	\$ 274,253,859	530,789,976	805,043,835

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, 2006

EXHIBIT A-3
concluded

Net change in fund balances - Total governmental funds	\$	64,313,425
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	\$	159,498,041
Less depreciation expense		<u>(50,752,877)</u>
		108,745,164
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 capital asset dispositions.		
		(7,910,999)
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.		
		10,904,592
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	\$	(1,476,249)
Delinquent business license taxes		260,755
Sales and use taxes		680,532
EMS transport and other charges for services		<u>3,010,024</u>
		2,475,062
The receipt of principal payments for the lease to the component unit does not result in an other financing source in the statement of activities.		
		(620,000)
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 2005A General Obligation Bonds	\$	(581,946,468)
Notes payable		(12,900,000)
Obligations under capital leases and installment purchases		<u>(1,904,016)</u>
		(596,750,484)
The costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred and amortized in the government-wide statements, resulting in a net difference.		
		1,245,022
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, notes, and loans	\$	149,283,564
Payment to escrow agent to refund bonds		381,019,900
Principal payments of capital leases and installment purchases		<u>6,447,526</u>
		536,750,990
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	\$	(3,355,598)
Amortization of bond premiums		17,489,476
Amortization of deferred losses on bond refundings		<u>(3,694,646)</u>
		10,439,232
Under the modified accrual basis of accounting used in the governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, however, they are reported as expenses and liabilities as they accrue. The timing differences are as follows:		
Landfill closure and postclosure costs	\$	3,523,441
Compensated absences		(6,578,880)
Net pension obligation		(12,288,522)
Other		<u>2,131,271</u>
		(13,212,690)
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>36,160,671</u>
Change in net assets of governmental activities	\$	<u>152,539,985</u>

COUNTY OF FAIRFAX, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2006

	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	\$ 47,145,410	143,378,737
Investments	244,600	-
Restricted investments	4,823,582	-
Accounts receivable	-	123,998
Accrued interest receivable	237,644	235,228
Due from intergovernmental units (net of allowance)	23,560,106	229,060
Interfund receivables	-	472,678
Inventories of supplies	565,316	1,593,734
Prepaid and other assets	-	196,166
Total current assets	<u>76,576,658</u>	<u>146,229,601</u>
Long-term assets:		
Restricted assets:		
Equity in pooled cash and temporary investments	59,328,439	-
Cash with fiscal agents	-	187,000
Investments	6,893,125	-
Total restricted assets	<u>66,221,564</u>	<u>187,000</u>
Capital assets:		
Non-depreciable:		
Land	17,535,818	1,938,688
Construction in progress	23,820,691	-
Depreciable/amortizable:		
Equipment	10,309,424	86,911,831
Purchased capacity	656,197,278	-
Buildings and improvements	935,174,162	16,459,927
Accumulated depreciation	(374,706,865)	(61,742,148)
Accumulated amortization	(111,136,797)	-
Total capital assets, net	<u>1,157,193,711</u>	<u>43,568,298</u>
Other long-term asset - Deferred bond issuance costs (net of amortization)	<u>347,602</u>	<u>-</u>
Total long-term assets	<u>1,223,762,877</u>	<u>43,755,298</u>
Total assets	<u>\$ 1,300,339,535</u>	<u>189,984,899</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	\$ 3,040,679	6,285,436
Accrued salaries and benefits	883,145	1,118,911
Contract retainages	1,356,994	-
Interfund payables	254,227	323,973
Accrued interest payable	3,176,889	-
Deferred revenue	-	801,888
Revenue bonds payable, net	10,817,748	-
Compensated absences payable	1,167,758	1,719,739
Obligations under capital leases	-	2,070,736
Insurance and benefit claims payable	-	15,360,636
Total current liabilities	20,697,440	27,681,319
Long-term liabilities:		
Revenue bonds payable, net	373,643,052	-
Compensated absences payable	778,505	1,146,492
Obligations under capital leases	-	3,048,697
Insurance and benefit claims payable	-	14,917,264
Total long-term liabilities	374,421,557	19,112,453
Total liabilities	395,118,997	46,793,772
NET ASSETS		
Invested in capital assets, net of related debt	786,263,108	38,448,865
Restricted for:		
Sewer improvements	52,691,367	-
Debt service	4,823,582	-
Unrestricted	61,442,481	104,742,262
Total net assets	\$ 905,220,538	143,191,127

COUNTY OF FAIRFAX, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2006

EXHIBIT A-5

	Business-type Activities - <u>Enterprise Fund</u> Integrated Sewer System	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 87,213,834	197,810,479
Intergovernmental revenue	-	486,927
Other	-	188,375
Total operating revenues	<u>87,213,834</u>	<u>198,485,781</u>
OPERATING EXPENSES:		
Personnel services	19,823,094	24,463,674
Materials and supplies	11,976,080	2,211,339
Equipment operation and maintenance	-	46,872,099
Risk financing and benefit payments	-	76,272,799
Depreciation and amortization	45,412,396	12,296,380
Professional consultant and contractual services	40,905,497	11,124,590
Other	-	448,892
Total operating expenses	<u>118,117,067</u>	<u>173,689,773</u>
Operating income (loss)	<u>(30,903,233)</u>	<u>24,796,008</u>
NONOPERATING REVENUES (EXPENSES):		
Availability fees	36,144,561	-
Interest revenue	4,449,036	3,356,264
Interest expense	(18,138,416)	(186,389)
Amortization expense for bond issuance costs	(16,294)	-
Amortization of deferred gain on bond refunding	235,922	-
Gain (loss) on disposal of capital assets	(27,923)	455,397
Total nonoperating revenues (expenses)	<u>22,646,886</u>	<u>3,625,272</u>
Income (loss) before contributions and transfers	(8,256,347)	28,421,280
Capital contributions	5,888,926	73,100
Transfers in	-	8,166,291
Transfers out	-	(500,000)
Change in net assets	(2,367,421)	36,160,671
Total net assets, July 1, 2005	<u>907,587,959</u>	<u>107,030,456</u>
Total net assets, June 30, 2006	<u>\$ 905,220,538</u>	<u>143,191,127</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, 2006

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	\$ 83,713,259	-
Receipts from interfund services provided	-	197,664,669
Payments to suppliers and contractors	(57,480,560)	(52,192,910)
Payments to employees	(19,772,431)	(24,288,925)
Claims and benefits paid	-	(76,395,948)
Payments for interfund services used	-	(6,474,729)
Intergovernmental revenue received	-	257,867
Net cash provided by operating activities	6,460,268	38,570,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	-	(500,000)
Transfers from other funds	-	8,166,291
Net cash provided by noncapital financing activities	-	7,666,291
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Availability fees received	36,144,561	-
Principal payments on sewer revenue bonds	(9,910,029)	-
Interest payments on sewer revenue bonds	(18,028,412)	-
Proceeds from sale of capital assets	69,863	888,906
Purchase of capital assets, other than purchased capacity	(17,782,726)	(12,482,964)
Acquisition of purchased capacity	(10,843,177)	-
Principal payments on obligations under capital leases	-	(2,009,611)
Interest payments on obligations under capital leases	-	(186,389)
Net cash (used) by capital and related financing activities	(20,349,920)	(13,790,058)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of restricted investments (net)	(86,638)	-
Interest received	4,426,518	3,229,001
Net cash provided by investing activities	4,339,880	3,229,001
Net increase (decrease) in cash and cash equivalents	(9,549,772)	35,675,258
Cash and cash equivalents, July 1, 2005	116,023,621	107,890,479
Cash and cash equivalents, June 30, 2006	\$ 106,473,849	143,565,737
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (30,903,233)	24,796,008
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	45,412,396	12,296,380
Change in assets and liabilities:		
(Increase) in accounts receivable	-	(109,517)
(Increase) in intergovernmental receivables	(3,500,575)	(229,060)
(Increase) in interfund receivables	-	(29,576)
(Increase) decrease in inventories of supplies	(120,693)	193,223
(Increase) in other assets	(4,673)	(195,091)
Increase (decrease) in accounts payable and accrued liabilities	(4,497,916)	1,672,907
Increase in accrued salaries and benefits	66,189	141,179
Increase in interfund payables	8,773	33,571
Total adjustments to operating income (loss)	37,363,501	13,774,016
Net cash provided by operating activities	\$ 6,460,268	38,570,024
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines, manholes, and equipment	\$ 5,888,926	73,100
Net decrease in long-term debt resulting from the issuance of refunding bonds	1,909,604	-
Increase in fair value of investments not classified as cash and cash equivalents	274,795	-

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2006

EXHIBIT A-7

	Pension Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and temporary investments	\$ 7,537,309	2,247,388
Cash collateral for securities lending	439,462,787	-
Accounts receivable	-	88,787
Contributions receivable	4,992,117	-
Accrued interest and dividends receivable	16,217,014	5,004
Receivable from sale of pension investments	223,538,415	-
Investments, at fair value:		
U.S. Government securities	362,530,586	-
Asset-backed securities	350,870,772	29,230,656
Corporate and other bonds	317,112,858	-
Common and preferred stock	1,609,276,746	-
Money market funds	-	5,139,977
Pooled and mutual funds	1,240,277,340	-
Repurchase agreements	-	1,369,813
Short-term investments	387,977,978	-
Equipment	-	2,372,300
Total assets	<u>4,959,793,922</u>	<u>\$ 40,453,925</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,108,879	1,307
Accrued salaries and benefits	73,178	-
Payable for purchase of pension investments	310,106,271	-
Liabilities for collateral received under securities lending agreements	439,462,787	-
Liabilities under reimbursement agreements	-	40,096,034
Interfund payable	18,508	-
Obligations under capital leases	-	356,584
Total liabilities	<u>755,769,623</u>	<u>\$ 40,453,925</u>
NET ASSETS		
Held in trust for pension benefits	\$ 4,204,024,299	

(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, 2006

EXHIBIT A-8

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 98,299,734
Plan members	48,366,021
Other	11,750,084
Total contributions	<u>158,415,839</u>
Investment income:	
From investment activities:	
Net appreciation in fair value of investments	255,354,809
Interest	87,281,255
Dividends	38,888,664
Total income from investment activities	<u>381,524,728</u>
Less investment activities expenses:	
Management fees	18,448,683
Other	1,673,929
Total investment activities expenses	<u>20,122,612</u>
Net income from investment activities	<u>361,402,116</u>
From securities lending activities:	
Securities lending income	<u>19,835,394</u>
Less securities lending expenses:	
Borrower rebates	17,944,919
Management fees	573,839
Total securities lending activities expenses	<u>18,518,758</u>
Net income from securities lending activities	<u>1,316,636</u>
Net investment income	<u>362,718,752</u>
Total additions	<u>521,134,591</u>
DEDUCTIONS	
Benefits	176,062,324
Refunds of contributions	6,937,887
Transfer of plan assets for certain plan members	11,750,084
Administrative expenses	1,458,478
Total deductions	<u>196,208,773</u>
Net increase	324,925,818
Net assets, July 1, 2005	<u>3,879,098,481</u>
Net assets, June 30, 2006	<u>\$ 4,204,024,299</u>

See accompanying notes to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2006

	Public Schools	Redevelopment and Housing Authority	Park Authority
ASSETS			
Equity in pooled cash and temporary investments	\$ 287,009,263	31,672,487	22,378,181
Cash in banks	-	8,129,438	-
Investments	-	4,302,781	-
Receivables (net of allowances):			
Accounts	184,181	1,369,688	9,379
Accrued interest	507,058	191,281	130,216
Notes	-	6,373,441	-
Due from intergovernmental units	38,299,932	-	-
Due from primary government	194,813	7,081,452	1,982,932
Inventories of supplies	4,402,526	-	-
Prepaid and other assets	26,727	2,959,935	1,111
Restricted assets:			
Equity in pooled cash and temporary investments	-	-	11,183,899
Cash with fiscal agents	-	7,658,239	-
Investments	594,896	1,101,198	2,786,039
Land held for sale	-	198,268	-
Capital assets:			
Non-depreciable:			
Land	50,956,241	33,884,741	294,351,662
Construction in progress	146,055,899	3,154,678	33,497,614
Depreciable:			
Equipment	174,824,194	2,956,966	13,609,464
Library collections	38,651,178	-	-
Buildings and improvements	2,216,539,939	171,036,277	233,389,225
Accumulated depreciation	(834,233,920)	(84,199,498)	(119,698,352)
Deferred bond issuance costs (net of amortization)	-	312,840	393,895
Total assets	\$ 2,124,012,927	198,184,212	494,015,265

See accompanying notes to the financial statements.

EXHIBIT A-9

Economic Development Authority	Total Component Units	
ASSETS		
-	341,059,931	Equity in pooled cash and temporary investments
-	8,129,438	Cash in banks
-	4,302,781	Investments
		Receivables (net of allowances):
-	1,563,248	Accounts
-	828,555	Accrued interest
-	6,373,441	Notes
-	38,299,932	Due from intergovernmental units
250,921	9,510,118	Due from primary government
-	4,402,526	Inventories of supplies
-	2,987,773	Prepaid and other assets
		Restricted assets:
-	11,183,899	Equity in pooled cash and temporary investments
-	7,658,239	Cash with fiscal agents
-	4,482,133	Investments
-	198,268	Land held for sale
		Capital assets:
		Non-depreciable:
-	379,192,644	Land
-	182,708,191	Construction in progress
		Depreciable:
91,802	191,482,426	Equipment
-	38,651,178	Library collections
-	2,620,965,441	Buildings and improvements
(42,171)	(1,038,173,941)	Accumulated depreciation
-	706,735	Deferred bond issuance costs (net of amortization)
300,552	2,816,512,956	Total assets

continued

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Net Assets
Component Units
June 30, 2006

	Public Schools	Redevelopment and Housing Authority	Park Authority
LIABILITIES			
Accounts payable and accrued liabilities	\$ 34,972,932	11,185,406	2,012,343
Accrued salaries and benefits	91,833,005	450,490	2,820,233
Contract retainages	7,162,185	-	725,889
Accrued interest payable	-	2,106,101	224,562
Due to primary government	-	1,290,072	211,539
Deferred revenue	7,905,725	978,581	3,718,736
Performance and other deposits	559,675	2,848,248	194,052
Long-term liabilities:			
Portion due or payable within one year:			
Revenue bonds payable, net	-	368,305	530,040
Notes payable	-	6,340,061	-
Compensated absences payable	18,208,485	449,752	2,661,082
Obligations under capital leases and installment purchases	17,191,404	-	-
Insurance and benefit claims payable	19,046,505	-	-
Loan from primary government	-	-	75,000
Other	-	160,615	-
Portion due or payable after one year:			
Revenue bonds payable, net	-	11,142,013	10,275,515
Notes payable	-	51,243,996	-
Compensated absences payable	8,568,699	515,674	1,926,989
Obligations under capital leases and installment purchases	93,188,424	-	-
Insurance and benefit claims payable	11,747,460	-	-
Loan from primary government	-	-	15,455,000
Other	-	1,090,595	-
Total liabilities	310,384,499	90,169,909	40,830,980
NET ASSETS			
Invested in capital assets, net of related debt	1,695,698,130	69,913,799	430,404,264
Restricted for:			
Repair and replacement	-	-	700,000
Housing	-	8,876,830	-
Capital projects	-	-	10,483,899
Debt service	-	-	861,370
Unrestricted (deficit)	117,930,298	29,223,674	10,734,752
Total net assets	\$ 1,813,628,428	108,014,303	453,184,285

See accompanying notes to the financial statements.

EXHIBIT A-9
concluded

Economic Development Authority	Total Component Units	
LIABILITIES		
94,345	48,265,026	Accounts payable and accrued liabilities
156,576	95,260,304	Accrued salaries and benefits
-	7,888,074	Contract retainages
-	2,330,663	Accrued interest payable
-	1,501,611	Due to primary government
-	12,603,042	Deferred revenue
-	3,601,975	Performance and other deposits
		Long-term liabilities:
		Portion due or payable within one year:
-	898,345	Revenue bonds payable, net
-	6,340,061	Notes payable
159,444	21,478,763	Compensated absences payable
-	17,191,404	Obligations under capital leases and installment purchases
-	19,046,505	Insurance and benefit claims payable
-	75,000	Loan from primary government
-	160,615	Other
		Portion due or payable after one year:
-	21,417,528	Revenue bonds payable, net
-	51,243,996	Notes payable
57,487	11,068,849	Compensated absences payable
-	93,188,424	Obligations under capital leases and installment purchases
-	11,747,460	Insurance and benefit claims payable
-	15,455,000	Loan from primary government
-	1,090,595	Other
467,852	441,853,240	Total liabilities
NET ASSETS		
49,631	2,196,065,824	Invested in capital assets, net of related debt
		Restricted for:
-	700,000	Repair and replacement
-	8,876,830	Housing
-	10,483,899	Capital projects
-	861,370	Debt service
(216,931)	157,671,793	Unrestricted (deficit)
(167,300)	2,374,659,716	Total net assets

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Activities
Component Units
For the fiscal year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Schools:				
Education	\$2,092,291,998	92,737,646	152,118,967	121,933,825
Redevelopment and Housing Authority:				
Community development	68,491,074	21,350,854	57,888,898	1,574,387
Park Authority:				
Parks, recreation, and cultural	77,844,253	35,416,456	-	18,174,241
Economic Development Authority:				
Community development	<u>6,962,589</u>	-	-	-
Total component units	\$2,245,589,914	149,504,956	210,007,865	141,682,453

General revenues:

Grants and contributions not restricted to specific programs
Revenue from the use of money
Revenue from primary government
Other
Total general revenues
Change in net assets
Net assets, July 1, 2005
Net assets, June 30, 2006

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
(1,725,501,560)	-	-	-	(1,725,501,560)
-	12,323,065	-	-	12,323,065
-	-	(24,253,556)	-	(24,253,556)
-	-	-	(6,962,589)	(6,962,589)
(1,725,501,560)	12,323,065	(24,253,556)	(6,962,589)	(1,744,394,640)
323,186,694	-	7,044,915	-	330,231,609
3,594,012	1,865,470	877,972	-	6,337,454
1,429,716,456	-	49,909,598	6,973,900	1,486,599,954
4,673,003	-	-	-	4,673,003
1,761,170,165	1,865,470	57,832,485	6,973,900	1,827,842,020
35,668,605	14,188,535	33,578,929	11,311	83,447,380
1,777,959,823	93,825,768	419,605,356	(178,611)	2,291,212,336
\$ 1,813,628,428	108,014,303	453,184,285	(167,300)	2,374,659,716



COUNTY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

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 (IDAFIC), but the County's accountability does not extend beyond making the appointments. The IDAFIC 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 2006, Fairfax Water collected approximately \$79.9 million on behalf of the County, and as of June 30, 2006, the County has receivables of approximately \$23.6 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 Fund - The debt service fund is 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. This includes the general obligation debt the County has issued to fund Public Schools capital projects.

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, 2006, 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, 2006, 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	\$ 17,463,252
Internal Service Funds	1,804,821
Total primary government	19,268,073
<u>Component Units</u>	
Public Schools	11,558,907
FCRHA	239,606
Park Authority	900,753
Total component units	12,699,266
Total reporting entity	\$ 31,967,339

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 2006, the Systems invested in the following derivative instruments that were not reported in the financial statements as of June 30, 2006: futures contracts, interest rate swaps, options on futures and swaps, currency forwards, inverse floating rate notes, and to-be-assigned mortgage securities (TBAs). However, as of June 30, 2006, 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, 2006, these Systems had futures contracts as described below:

Futures Contracts as of June 30, 2006			
Type	Notional Value	Fair Value	Maturity Date
ERS:			
Money market futures	\$ 43,000,000	\$ 40,623,288	Dec. 2006 - Dec. 2007
Government futures	46,412,508	45,838,423	Sept. 2006
Equity futures	292,823,442	292,421,547	Sept. 2006
Foreign currency futures	(20,663,309)	(20,715,920)	Sept. 2006
URS:			
Money market futures	81,750,000	77,245,863	Dec. 2006 - March 2008
Government futures	6,800,000	7,168,252	Sept. 2006
ERFC:			
Government futures	4,800,000	5,119,500	Sept. 2006

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, 2006, the ERS, URS, and ERFC had swaps as described below:

Interest Rate Swaps as of June 30, 2006			
	Notional Value	Fair Value	Maturity Date
ERS	\$ 202,429,655	\$ 4,409,380	July 2006 - June 2036
URS	17,500,000	(232,321)	Dec. 2011 - Dec. 2036
ERFC	4,300,000	(403,742)	Dec. 2026

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, 2006, the ERS and URS had options as described below:

Options on Futures and Swaps as of June 30, 2006			
	Notional Value	Fair Value	Maturity Date
ERS	\$ (28,600,000)	\$ (57,450)	July 2006 - June 2007
URS	18,000,000	(2,487)	Aug. 2006 - June 2007

Currency forward contracts are used as a cost effective way to hedge or create foreign currency exposure in the portfolio. Exposure to foreign currency is monitored in the context of total contribution to volatility and tracking error. Foreign currency can add significant volatility to a portfolio's return. As of June 30, 2006, the ERS and URS had currency forwards as described below.

Currency Forwards as of June 30, 2006		
	Fair Value	Maturity Date
ERS	\$ (4,555,538)	July 2006 - Oct. 2006
URS	(1,651,047)	July 2006 - Nov. 2006

An inverse floating rate note is a security whose interest rate moves inversely to its index rate. The variable rate on this type of security falls as its index rate rises and vice versa. It performs well if interest rates increase less than market expectations, but suffers if rates exceed market expectations. Inverse floating rate notes are used for increased exposure to the short end of the yield curve. As of June 30, 2006, the URS had inverse floating rate notes with notional and market values of \$168,077 and \$1,600, respectively, and a maturity date of March 2009.

TBAs are useful to gain mortgage exposure without taking delivery of mortgage pass-through securities. Provided that pricing is favorable, a TBA position may be sold prior to settlement date and the same position may be bought or rolled forward one month. By actively managing the short-term investments that back the TBA positions, a higher return is received on the cash needed for

future settlement than the imbedded financing rate of the TBA implied by the forward price. At June 30, 2006, ERFC held TBAs with notional and market values of \$4,100,000 and \$3,833,500, respectively, and a maturity date of July 2036.

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, 2006, the Sewer System has cash and investments that are restricted for the following uses:

Restricted Assets of the Sewer System	
Extensions and improvements	\$ 52,691,367
Long-term debt service requirements	13,530,197
Current debt service requirements	4,823,582
Total restricted assets	<u>\$ 71,045,146</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.

Purchased capital assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value as of the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. The estimated useful lives are shown in the table on the right.

Capital Assets	Useful Lives
Infrastructure	10 - 100 years
Sewer lines	50 years
Buildings	30 - 50 years
Purchased capacity	30 years
Improvements	10 - 30 years
Equipment	5 - 15 years
Library collections	5 years

No depreciation is taken in the year of acquisition for infrastructure and library collections; depreciation/amortization on other capital assets commences when the assets are purchased or are substantially complete and ready for use. For constructed assets, all associated costs necessary to bring such assets to the condition and location necessary for their intended use, including interest on related debt with respect to the Sewer System, are initially capitalized as construction in progress and are transferred to buildings or improvements when the assets are substantially complete and ready for use.

11. Compensated Absences

All reporting entity employees earn annual leave based on a prescribed formula which allows employees with less than ten years of service to accumulate a maximum of 240 hours and employees with ten years or more of service to accumulate a maximum of 320 hours of annual leave as of the end of each year. In addition, employees, except for Public Schools employees, may accrue compensatory leave for hours worked in excess of their scheduled hours. Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited.

The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at June 30. The entire liability for compensated absences is reported in the government-wide and proprietary fund statements, whereas, only the matured portion resulting from employee resignations and retirements is reported in the governmental fund statements.

12. Net Assets

Net assets are comprised of three categories: Net assets invested in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the outstanding liquid assets and any associated unamortized costs. Restricted net assets are restricted assets, net of related debt. As of June 30, 2006, the primary government had \$94.4 million in restricted net assets, of which \$11.3 million was restricted by enabling legislation. 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 \$1,184.2 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	\$1,861,784,097	2,196,065,824	(1,053,824,731)	(119,851,853)	2,884,173,337
Restricted for:					
Capital projects	-	10,483,899	-	(10,483,899)	-
Other	94,418,083	10,438,200	-	-	104,856,283
Unrestricted	(715,830,994)	157,671,793	1,053,824,731	130,335,752	626,001,282
Total net assets	\$1,240,371,186	2,374,659,716	-	-	3,615,030,902

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, 2006, have the following significant designations:

<u>Designation</u>	<u>Amount</u>
<u>Primary Government</u>	
General Fund:	
Revenue stabilization during periods of economic downturn	\$ 94,390,235
Emergency needs and loss of revenue sources through actions of other governments	63,475,466
Nonmajor Governmental Funds:	
Landfill closure and postclosure costs	62,182,109
Solid waste disposal	29,934,152
Total primary government	\$ 249,981,962
<u>Component Unit - Park Authority</u>	
E.C. Lawrence Park expenditures	\$ 1,507,926

15. Recovered Costs

Reimbursements from another government, organization, or private company for utilities, tuition fees, vehicle insurance, and services rendered or provided to citizens are recorded as recovered costs 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 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 goals 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 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, 2006, are summarized at fair value on the following page.

Investment Type	Fair Value	Weighted Average Maturity (Days)
Primary Government - Pooled Investments:		
Discount GSE securities	\$ 149,229,600	72.98
Commercial paper	297,020,880	53.31
Asset-backed commercial paper *	134,326,920	78.68
Banker's acceptances	16,869,199	2.63
Money market funds	56,053,140	3.00
Bank notes	106,548,000	65.99
Negotiable certificates of deposit	104,704,860	233.88
GSE bullets	41,094,300	235.00
Total fair value	<u>\$ 905,846,899</u>	
Portfolio weighted average maturity		89.76
Component Units - Pooled Investments:		
Discount GSE securities	\$ 42,090,400	72.98
Commercial paper	83,775,120	53.31
Asset-backed commercial paper *	37,887,080	78.68
Banker's acceptances	4,757,979	2.63
Money market funds	15,809,860	3.00
Bank notes	30,052,000	65.99
Negotiable certificates of deposit	29,532,140	233.88
GSE bullets	11,590,700	235.00
Total fair value	<u>\$ 255,495,279</u>	
Portfolio weighted average maturity		89.76

* The underlying assets of the asset-backed commercial paper are predominantly mortgages and collateralized mortgage obligations.

The primary government's pension trust funds manage interest rate risk for 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, 2006, are summarized at fair value on the right.

Investment Type	Fair Value	Duration (Years)
Primary Government - Pension Trust Funds:		
U.S. Government securities	\$ 50,111,852	3.0
	261,266,996	4.4
	51,151,738	6.8
Corporate and other bonds	221,830,746	2.2
	37,469,308	3.2
	57,812,803	5.8
Asset-backed securities *	126,788,381	7.8
	109,110,439	8.3
	114,971,952	17.9
Short-term investments	387,977,978	0.1
Fixed pooled funds	439,462,787	0.1
Total fair value	<u>\$1,857,954,980</u>	
Component Unit - Pension Trust Fund:		
U.S. Government securities	\$ 132,870,424	5.9
Discount GSE securities	17,021,391	3.4
Asset-backed securities *	173,647,444	5.0
Money market funds	7,422,400	0.5
Corporate bonds	107,305,228	6.8
Municipal bonds	4,480,775	10.5
International bonds	10,457,118	(2.5)
Emerging markets	5,046,249	6.3
Other	24,033,825	6.0
Total fair value	<u>\$ 482,284,854</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, 2006, 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	16.5 %	- %	- %	- %	- %	- %	- %	- %	- %
Commercial paper	12.2	-	20.6	-	-	-	-	-	-
Asset-backed commercial paper	7.3	7.5	-	-	-	-	-	-	-
Banker's acceptances	-	1.9	-	-	-	-	-	-	-
Money market funds	6.2	-	-	-	-	-	-	-	-
Bank notes	-	3.5	8.2	-	-	-	-	-	-
Negotiable certificates of deposit	-	-	11.6	-	-	-	-	-	-
GSE bullets	4.5	-	-	-	-	-	-	-	-
Pension Trust Funds:									
U.S. Government securities	19.5 %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate and other bonds	3.5	0.3	1.5	1.4	3.2	5.1	1.4	0.7	
Asset-backed securities	18.6	-	0.1	-	-	-	-	0.1	
Short-term investments	14.6	3.4	-	-	-	-	-	2.9	
Fixed pooled funds	-	4.3	-	-	-	-	-	19.4	
Component Units									
Pooled Investments:									
Discount GSE securities	16.5 %	- %	- %	- %	- %	- %	- %	- %	- %
Commercial paper	12.2	-	20.6	-	-	-	-	-	-
Asset-backed commercial paper	7.3	7.5	-	-	-	-	-	-	-
Banker's acceptances	-	1.9	-	-	-	-	-	-	-
Money market funds	6.2	-	-	-	-	-	-	-	-
Bank notes	-	3.5	8.2	-	-	-	-	-	-
Negotiable certificates of deposit	-	-	11.6	-	-	-	-	-	-
GSE bullets	4.5	-	-	-	-	-	-	-	-
Pension Trust Fund:									
U.S. Government and GSE securities	30.3 %	- %	- %	- %	- %	- %	- %	- %	- %
Asset-backed securities	36.2	1.0	-	0.4	0.2	-	-	0.2	
Money market funds	0.6	-	-	-	-	-	-	-	-
Corporate bonds	0.3	0.7	3.6	5.6	2.2	2.8	0.2	0.6	
International bonds	2.4	0.3	0.3	2.1	1.2	0.2	-	4.5	
Other bonds	-	1.3	0.3	0.2	-	-	-	0.4	
Other	0.1	-	-	-	-	-	-	1.8	

* Credit quality ratings are determined using S&P's long-term rating schema, which approximates the greatest degree of risk as of June 30, 2006

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, 2006, 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	\$ 217,113,205	220,510,507	-
Asset-backed securities	3,354,332	3,650,738	-
Corporate and other bonds	32,730,742	33,848,246	-
Common and preferred stock	168,702,883	175,872,319	-
Lent for securities collateral:			
U.S. Government securities	50,753,978	-	51,593,447
Corporate and other bonds	8,833,531	-	9,033,039
Common and preferred stock	8,192,693	-	8,781,918
Total securities lent	<u>\$ 489,681,364</u>	<u>433,881,810</u>	<u>69,408,404</u>
Component Unit - Pension Trust Fund:			
Lent for cash or securities collateral:			
U.S. Government and GSE securities	\$ 31,913,243	32,080,016	647,130
Corporate bonds	3,567,324	3,702,840	-
International bonds	3,472,350	3,637,700	-
Common and preferred stock	61,896,596	63,600,759	-
International stock	43,458,692	44,184,329	5,225
Total securities lent	<u>\$ 144,308,205</u>	<u>147,205,644</u>	<u>652,355</u>

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, 2006, 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	\$ (18,872,438)	18,778,208	12,270,636	12,176,406
Brazil real	-	98,646	3,180,851	3,279,497
British pound sterling	10,149,814	92,609,911	4,813,093	107,572,818
Canadian dollar	10,996,809	5,306,446	5,350,629	21,653,884
Danish krone	101,477	4,231,161	-	4,332,638
Euro currency unit	(4,118,475)	165,335,958	14,818,894	176,036,377
Hong Kong dollar	443,785	19,294,871	-	19,738,656
Indonesian rupiah	20,503	812,180	2,371,900	3,204,583
Japanese yen	32,578,846	96,135,282	-	128,714,128
Malaysian ringgit	-	1,285,275	2,282,371	3,567,646
Mexican new peso	2,023,312	450,541	3,111,557	5,585,410
New Zealand dollar	(3,380,233)	594,991	3,801,823	1,016,581
Norwegian krone	1,964,969	6,145,429	-	8,110,398
Philippines peso	1,445	1,864,715	-	1,866,160
Polish zloty	(301,033)	4,548,784	7,921,821	12,169,572
Singapore dollar	1,589,465	3,396,651	8,196,642	13,182,758
South African comm rand	7	3,339,685	413,523	3,753,215
South Korean won	184,501	2,122,296	-	2,306,797
Swedish krona	1,339,206	13,161,260	8,176,396	22,676,862
Swiss franc	520,686	28,267,152	-	28,787,838
Thailand baht	1,755,286	1,838,378	1,181,433	4,775,097
Other currencies	(418,846)	4,426,557	-	4,007,711
Total fair value	\$ 36,579,086	474,044,377	77,891,569	588,515,032
Component Unit - Pension Trust Fund:				
Australian dollar	\$ 33,842	1,433,843	-	1,467,685
British pound sterling	140,926	27,743,197	-	27,884,123
Canadian dollar	40,027	1,630,744	6,593,098	8,263,869
Danish krone	-	1,217,572	-	1,217,572
Euro currency unit	12,255	43,689,365	-	43,701,620
Hong Kong dollar	-	4,659,614	-	4,659,614
Japanese yen	53,395	9,749,739	-	9,803,134
Mexican new peso	75,924	2,394,431	-	2,470,355
New Zealand dollar	39,137	-	4,527,649	4,566,786
Norwegian krone	-	1,410,046	-	1,410,046
South African comm rand	50,585	-	1,330,503	1,381,088
Singapore dollar	52,820	1,510,861	125,771	1,689,452
Swedish krona	-	3,405,299	-	3,405,299
Swiss franc	74,179	4,932,301	-	5,006,480
Thailand baht	25,438	-	614,874	640,312
Total fair value	\$ 598,528	103,777,012	13,191,895	117,567,435

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. Vehicle decal fees have been eliminated for fiscal year 2007 and beyond. 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, 2006, after allowances for uncollectible amounts, is \$20,999,306, of which \$3,709,226 has been included in tax revenue for fiscal year 2006 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 2006 as receivables (net of payments totaling \$14,216,021 received in advance of the due date) and deferred revenue because the County has an enforceable legal claim to these resources at June 30, 2006; however, these resources, which amount to \$2,407,734,647, will not be available to the County until fiscal year 2007.

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). The County's fixed share of the \$950 million is \$211,313,944, as determined by its share of the total payments made to all localities by the Commonwealth during calendar years 2004 and 2005 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 2006, this revenue from the Commonwealth totaled \$207,841,206 and is reported as intergovernmental revenue in the General Fund.

D. RECEIVABLES

Receivables and allowances for uncollectible receivables of the primary government, excluding fiduciary funds, at June 30, 2006, consist of the following:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total Primary Government (Exhibit A)
Receivables:					
Accounts	\$ 16,900,792	9,430,176	-	123,998	26,454,966
Accrued interest	3,747,537	940,211	237,644	235,228	5,160,620
Property taxes:					
Delinquent	43,448,533	-	-	-	43,448,533
Not yet due	2,214,594,026	-	-	-	2,214,594,026
Business license taxes - delinquent	7,413,985	-	-	-	7,413,985
Loans	-	16,253,270	-	-	16,253,270
Other*	-	-	-	-	18,508
Total receivables	2,286,104,873	26,623,657	237,644	359,226	2,313,343,908
Allowances for uncollectibles:					
Accounts receivable	(1,875,782)	(283,662)	-	-	(2,159,444)
Property taxes:					
Delinquent	(22,449,227)	-	-	-	(22,449,227)
Not yet due	(6,703,000)	-	-	-	(6,703,000)
Business license taxes - delinquent	(4,371,467)	-	-	-	(4,371,467)
Loans	-	(1,126,165)	-	-	(1,126,165)
Total allowances for uncollectibles	(35,399,476)	(1,409,827)	-	-	(36,809,303)
Total net receivables	\$2,250,705,397	25,213,830	237,644	359,226	2,276,534,605

* 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, 2006, consist of the following:

	Public Schools	FCRHA	Park Authority	Total Component Units
Receivables:				
Accounts	\$ 184,181	1,564,906	9,379	1,758,466
Accrued interest	507,058	191,281	130,216	828,555
Notes	-	8,112,430	-	8,112,430
Total receivables	691,239	9,868,617	139,595	10,699,451
Allowances for uncollectibles	-	(1,934,207)	-	(1,934,207)
Total net receivables	\$ 691,239	7,934,410	139,595	8,765,244

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2006, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2005	\$ 9,375,544	5,767,921	15,143,465
2004	1,921,375	3,072,897	4,994,272
2003	671,283	4,605,038	5,276,321
Prior years	1,448,653	10,340,043	11,788,696
Total delinquent taxes	13,416,855	23,785,899	37,202,754
Penalty and interest			6,245,779
Total delinquent taxes, penalty and interest			43,448,533
Allowances for uncollectibles			(22,449,227)
Net delinquent tax receivables			\$ 20,999,306

Amounts due to the primary government and component units from other governmental units at June 30, 2006, include the following:

	Primary Government					Component Unit - Public Schools
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Funds	Total (Exhibit A)	
Federal government	\$ 1,277,313	27,678,260	162,321	229,060	29,346,954	20,935,012
State government:						
Property tax relief:						
Delinquent	17,956,697	-	-	-	17,956,697	-
Allowance for uncollectibles	(14,247,049)	-	-	-	(14,247,049)	-
Not yet due	190,778,600	-	-	-	190,778,600	-
Allowance for uncollectibles	(5,151,000)	-	-	-	(5,151,000)	-
Other	39,546,340	8,662,209	-	-	48,208,549	16,891,363
Local governments	783,293	922,563	23,397,785	-	25,103,641	473,557
Total intergovernmental units	\$ 230,944,194	37,263,032	23,560,106	229,060	291,996,392	38,299,932

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, 2006, is as shown on the right.

	Interfund Receivables	Interfund Payables
Primary Government		
General Fund	\$ 3,914,843	-
Nonmajor Governmental Funds	-	3,790,813
Enterprise Fund	-	254,227
Internal Service Funds	472,678	323,973
Fiduciary Funds	-	18,508
Total primary government	\$ 4,387,521	4,387,521
Component Unit		
Public Schools:		
General Fund	\$ 11,600,000	-
Nonmajor Governmental Funds	-	9,700,000
Internal Service Funds	-	1,900,000
Total component units	\$ 11,600,000	11,600,000

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, 2006, are as follows:

Receivable Entity	Payable Entity	Amount
<u>Component Units</u>	<u>Primary Government</u>	
Public Schools	General Fund	\$ 194,813
FCRHA	Nonmajor Governmental Fund	7,081,452
Park Authority	General Fund	1,760,339
Park Authority	Nonmajor Governmental Fund	222,593
EDA	General Fund	250,921
Total		\$ 9,510,118
<u>Primary Government</u>	<u>Component Unit</u>	
General Fund	FCRHA	\$ 116,139
Nonmajor Governmental Funds	FCRHA	1,173,933
General Fund	Park Authority	211,539
Total		\$ 1,501,611

The primary purpose of interfund transfers is to provide funding for operations, including those of the Fairfax-Falls Church Community Services Board, debt service, and capital projects. Interfund transfers for the year ended June 30, 2006, are as follows:

	Transfers In	Transfers Out
<u>Primary Government</u>		
General Fund	\$ 2,604,307	496,103,250
Nonmajor Governmental Funds	492,000,267	6,167,615
Internal Service Funds	8,166,291	500,000
Total primary government	\$ 502,770,865	502,770,865
<u>Component Unit</u>		
Public Schools:		
General Fund	\$ -	38,992,035
Capital Projects Fund	15,154,197	-
Nonmajor Governmental Funds	23,837,838	-
Park Authority:		
Major Governmental Funds	210,000	210,000
Total component units	\$ 39,202,035	39,202,035

F. CAPITAL ASSETS

Capital assets activity for the primary government for the year ended June 30, 2006, is as follows:

	Balances July 1, 2005	Increases	Decreases	Balances June 30, 2006
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 331,547,121	44,389,452	(1,389,842)	374,546,731
Construction in progress	56,019,368	79,971,716	(26,120,829)	109,870,255
Total capital assets, not being depreciated	387,566,489	124,361,168	(27,510,671)	484,416,986
Capital assets, being depreciated:				
Equipment	254,463,045	21,522,857	(13,107,061)	262,878,841
Library collections	48,868,464	7,910,007	-	56,778,471
Buildings	766,220,661	33,617,037	-	799,837,698
Improvements	62,591,065	3,042,612	-	65,633,677
Infrastructure	492,121,466	12,483,064	-	504,604,530
Total capital assets, being depreciated	1,624,264,701	78,575,577	(13,107,061)	1,689,733,217
Less accumulated depreciation for:				
Equipment	(173,913,319)	(25,461,230)	12,295,172	(187,079,377)
Library collections	(33,192,052)	(5,518,296)	-	(38,710,348)
Buildings	(204,826,660)	(17,371,548)	-	(222,198,208)
Improvements	(30,869,899)	(2,606,330)	-	(33,476,229)
Infrastructure	(112,891,912)	(12,091,853)	-	(124,983,765)
Total accumulated depreciation	(555,693,842)	(63,049,257)	12,295,172	(606,447,927)
Total capital assets, being depreciated, net	1,068,570,859	15,526,320	(811,889)	1,083,285,290
Total capital assets, net - Governmental activities	1,456,137,348	139,887,488	(28,322,560)	1,567,702,276
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	17,535,818	-	-	17,535,818
Construction in progress	19,314,369	15,946,810	(11,440,488)	23,820,691
Total capital assets, not being depreciated/amortized	36,850,187	15,946,810	(11,440,488)	41,356,509
Capital assets, being depreciated/amortized:				
Equipment	10,733,151	1,354,505	(1,778,232)	10,309,424
Purchased capacity	645,354,101	10,843,177	-	656,197,278
Buildings	57,257,549	978,225	-	58,235,774
Improvements	860,605,788	16,332,600	-	876,938,388
Total capital assets, being depreciated/amortized	1,573,950,589	29,508,507	(1,778,232)	1,601,680,864
Less accumulated depreciation/amortization for:				
Equipment	(8,023,146)	(939,323)	1,680,447	(7,282,022)
Purchased capacity	(89,360,833)	(21,775,964)	-	(111,136,797)
Buildings	(27,712,905)	(1,186,619)	-	(28,899,524)
Improvements	(317,014,829)	(21,510,490)	-	(338,525,319)
Total accumulated depreciation/amortization	(442,111,713)	(45,412,396)	1,680,447	(485,843,662)
Total capital assets, being depreciated/amortized, net	1,131,838,876	(15,903,889)	(97,785)	1,115,837,202
Total capital assets, net - Business-type activities	1,168,689,063	42,921	(11,538,273)	1,157,193,711
Total capital assets, net - Primary government	\$ 2,624,826,411	139,930,409	(39,860,833)	2,724,895,987

Capital assets activity for the component units for the year ended June 30, 2006, is as follows:

	Balances July 1, 2005	Increases	Decreases	Balances June 30, 2006
Component Units				
Public Schools				
Capital assets, not being depreciated:				
Land	\$ 50,775,897	180,344	-	50,956,241
Construction in progress	113,585,603	137,423,328	(104,953,032)	146,055,899
Total capital assets, not being depreciated	164,361,500	137,603,672	(104,953,032)	197,012,140
Capital assets, being depreciated:				
Equipment	164,077,445	16,858,973	(6,112,224)	174,824,194
Library collections	33,385,752	5,265,426	-	38,651,178
Buildings	962,383,944	32,965,415	-	995,349,359
Improvements	1,147,383,399	73,807,181	-	1,221,190,580
Total capital assets, being depreciated	2,307,230,540	128,896,995	(6,112,224)	2,430,015,311
Less accumulated depreciation for:				
Equipment	(91,331,175)	(14,709,626)	5,551,719	(100,489,082)
Library collections	(20,825,065)	(4,141,503)	-	(24,966,568)
Buildings	(332,740,985)	(19,446,357)	-	(352,187,342)
Improvements	(309,292,768)	(47,298,160)	-	(356,590,928)
Total accumulated depreciation	(754,189,993)	(85,595,646)	5,551,719	(834,233,920)
Total capital assets, being depreciated, net	1,553,040,547	43,301,349	(560,505)	1,595,781,391
Total capital assets, net - Public Schools	1,717,402,047	180,905,021	(105,513,537)	1,792,793,531
FCRHA				
Capital assets, not being depreciated:				
Land	32,729,130	1,155,611	-	33,884,741
Construction in progress	3,382,126	1,235,184	(1,462,632)	3,154,678
Total capital assets, not being depreciated	36,111,256	2,390,795	(1,462,632)	37,039,419
Capital assets, being depreciated:				
Equipment	2,935,355	21,611	-	2,956,966
Buildings and improvements	157,965,946	13,070,331	-	171,036,277
Total capital assets, being depreciated	160,901,301	13,091,942	-	173,993,243
Less accumulated depreciation for:				
Equipment	(2,850,881)	(111,934)	-	(2,962,815)
Buildings and improvements	(75,719,556)	(5,517,127)	-	(81,236,683)
Total accumulated depreciation	(78,570,437)	(5,629,061)	-	(84,199,498)
Total capital assets, being depreciated, net	82,330,864	7,462,881	-	89,793,745
Total capital assets, net - FCRHA	118,442,120	9,853,676	(1,462,632)	126,833,164
Park Authority				
Capital assets, not being depreciated:				
Land	266,283,546	28,068,116	-	294,351,662
Construction in progress	25,656,860	23,011,145	(15,170,391)	33,497,614
Total capital assets, not being depreciated	291,940,406	51,079,261	(15,170,391)	327,849,276
Capital assets, being depreciated:				
Equipment	13,174,728	1,089,002	(654,266)	13,609,464
Buildings and improvements	218,218,834	15,170,391	-	233,389,225
Total capital assets, being depreciated	231,393,562	16,259,393	(654,266)	246,998,689
Less accumulated depreciation for:				
Equipment	(10,775,094)	(773,836)	631,853	(10,917,077)
Buildings and improvements	(102,596,358)	(6,184,917)	-	(108,781,275)
Total accumulated depreciation	(113,371,452)	(6,958,753)	631,853	(119,698,352)
Total capital assets, being depreciated, net	118,022,110	9,300,640	(22,413)	127,300,337
Total capital assets, net - Park Authority	409,962,516	60,379,901	(15,192,804)	455,149,613
EDA				
Capital assets, being depreciated - Equipment	62,122	29,680	-	91,802
Less accumulated depreciation - Equipment	(29,334)	(12,837)	-	(42,171)
Total capital assets, net - EDA	32,788	16,843	-	49,631
Total capital assets, net - Component units	\$ 2,245,839,471	251,155,441	(122,168,973)	2,374,825,939

Depreciation and amortization expense for the year ended June 30, 2006, 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	\$ 6,008,100	-	-
Judicial administration	1,165,050	-	-
Public safety	11,935,449	-	-
Public works	10,790,472	45,412,396	-
Health and welfare	3,602,315	-	-
Community development	9,592,374	-	-
Parks, recreation, and cultural	7,659,117	-	-
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based on asset usage.	12,296,380	-	-
Component Units			
Public Schools	-	-	85,595,646
FCRHA	-	-	5,629,061
Park Authority	-	-	6,958,753
EDA	-	-	12,837
Total depreciation and amortization expense	\$ 63,049,257	45,412,396	98,196,297

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.

Effective July 1, 2005, a Deferred Retirement Option Program (DROP) was established for eligible members of the ERS. 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 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 2006, the reporting entity contributed a contractually fixed rate of 8.24 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, 2006, 2005, and 2004, 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		
	2006	2005	2004
County	\$ 35,022,701	34,314,915	25,119,274
Public Schools	14,413,762	12,643,198	9,298,777
Total	\$ 49,436,463	46,958,113	34,418,051

For the years ended June 30, 2006, 2005, and 2004, the County's and Public Schools' annual required contributions (ARC) were as follows:

	ARC for Years Ended June 30		
	2006	2005	2004
County	\$ 52,813,374	49,688,676	37,945,265
Public Schools	21,735,599	18,307,601	14,046,766
Total	\$ 74,548,973	67,996,277	51,992,031

The ARC for fiscal year 2006 were determined as part of the July 1, 2004, 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, 2005, 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 2006 employer contribution rate is 18.44 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 2006, 2005, and 2004 is as follows:

	2006	2005	2004
ARC, for the year ended June 30	\$ 22,641,707	20,744,793	17,356,995
Interest on NPO from prior year	783,767	348,789	149,595
Actuarial adjustment	(882,665)	(392,800)	(168,471)
Annual pension cost	22,542,809	20,700,782	17,338,119
Actual contributions	(16,727,287)	(14,901,070)	(14,682,201)
Increase (decrease) in the NPO, for the year ended June 30	5,815,522	5,799,712	2,655,918
NPO, beginning of year	10,450,229	4,650,517	1,994,599
NPO, end of year	\$ 16,265,751	10,450,229	4,650,517
Percentage of annual pension cost contributed	74.20%	71.98%	84.68%

The ARC for the year ended June 30, 2006, was determined as part of the July 1, 2004, 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, 2005, 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 2006 employer contribution rate is 24.92 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 2006, 2005, and 2004 is as follows:

	2006	2005	2004
ARC, for the year ended June 30	\$ 38,629,304	32,320,929	25,186,003
Interest on NPO from prior year	161,038	(225,708)	(255,328)
Actuarial adjustment	(181,358)	254,189	287,547
Annual pension cost	38,608,984	32,349,410	25,218,222
Actual contributions	(32,135,984)	(27,192,791)	(24,823,288)
Increase (decrease) in the NPO, for the year ended June 30	6,473,000	5,156,619	394,934
NPO, beginning of year	2,147,175	(3,009,444)	(3,404,378)
NPO, end of year	\$ 8,620,175	2,147,175	(3,009,444)
Percentage of annual pension cost contributed	83.23%	84.06%	98.43%

The ARC for the year ended June 30, 2006, was determined as part of the July 1, 2004, 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, 2005, 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 2006, 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, 2006, 2005, and 2004, the Public Schools' annual pension cost of \$34,648,918, \$32,198,596, and \$37,331,203, respectively, was equal to its ARC and actual contributions.

The ARC for the year ended June 30, 2006, was determined as part of the December 31, 2004, 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, 2005, was 27 years.

Concentrations

The ERFC plans do not have investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represent 5.0 percent or more of net assets available for benefits.

5. Virginia Retirement System

Plan Description

Public Schools contributes to the Virginia Retirement System (VRS) on behalf of covered professional Public Schools employees. VRS is a cost-sharing multiple-employer public employee defined benefit pension plan administered by the Commonwealth of Virginia for its political subdivisions. All full-time, salaried, permanent employees of participating employers must participate in the VRS.

In accordance with the requirements established by State statute, the VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The VRS issues a publicly available annual report that includes financial statements and required supplementary information for the VRS. This report can be obtained by writing to the Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by State statute to contribute 5.0 percent of their annual covered salary to the VRS. If a plan member leaves covered employment, the accumulated contributions plus interest earned may be refunded. In accordance with State statute, Public Schools is required to contribute at an actuarially determined rate. The rate for fiscal year 2006 was 10.12 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, 2006, 2005, and 2004, were \$129,941,650, \$90,556,009, and \$42,418,186, respectively, equal to the required contributions for each year.

6. Current Plan Membership

At July 1, 2005 (December 31, 2005, for ERFC), the date of the latest actuarial valuations, membership in the reporting entity's plans consisted of the following:

	Primary Government			Component Unit - Public Schools
	ERS	PORS	URS	ERFC
Retirees and beneficiaries receiving benefits	4,889	715	799	7,714
Terminated employees entitled to, but not yet receiving, benefits	373	19	22	2,030
DROP participants	n/a	27	68	n/a
Active employees	14,378	1,282	1,641	19,081
Total number of plan members	19,640	2,043	2,530	28,825

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 3.98 percent and 2.5 percent at June 30, 2006 and 2005, respectively, to reflect anticipated investment income. Changes in the balances of claims liabilities during fiscal years 2006 and 2005 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, 2004	\$ 22,333,973	7,870,893	14,717,654
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
Claims and changes in estimates	9,959,457	55,010,544	6,281,010	193,035,945
Claims payments	(8,683,956)	(56,682,906)	(6,505,982)	(188,451,945)
Liability balances, June 30, 2006	\$ 24,146,308	6,131,592	15,793,965	15,000,000

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. SHORT-TERM OBLIGATIONS

On February 16, 2006, the FCRHA issued a \$40,600,000 bond anticipation note to partially finance the purchase of a multi-family rental housing complex as part of the County's affordable housing initiative. The note bears interest at 4.92 percent and matures on February 15, 2007. The note may not be redeemed prior to maturity. As the County is responsible, under the related documents and subject to appropriation, to pay the principal and interest on the note at maturity, the related transactions, including the liability for the note, have been recorded in the County's financial statements and not in those of the FCRHA. The note is not a general obligation debt of the County, and the full faith and credit of the County is not pledged to the note.

The following is a summary of changes in the short-term obligations of the primary government for the year ended June 30, 2006 (in thousands):

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Primary Government				
Nonmajor Governmental Funds:				
Short-term notes payable	\$ -	40,600	-	40,600

J. 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, 2006 (in thousands):

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	\$1,661,385	543,585	(503,990)	1,700,980	151,340
Premium on bonds payable	76,672	38,361	(16,122)	98,911	13,599
Deferred amount on refundings	(23,245)	(18,820)	3,287	(38,778)	(3,287)
Revenue bonds payable:					
Principal amount of bonds payable	241,732	-	(6,869)	234,863	7,698
Premium on bonds payable	13,432	-	(1,367)	12,065	1,328
Deferred amount on refundings	(5,703)	-	407	(5,296)	(407)
Notes payable	-	12,900	(322)	12,578	645
Compensated absences payable	83,407	56,659	(50,044)	90,022	54,013
Landfill closure and postclosure obligation	65,706	2,673	(6,197)	62,182	7,000
Obligations under capital leases and installment purchases	50,082	1,904	(8,457)	43,529	5,252
Insurance and benefit claims payable	30,675	64,970	(65,367)	30,278	15,361
Net pension obligation	12,597	12,289	-	24,886	-
Other:					
Obligation to component unit	1,622	-	(1,622)	-	-
HUD Section 108 loan	1,955	-	(230)	1,725	-
Obligations for claims and judgments	1,260	500	(860)	900	900
State Literary Fund loans	86	-	(71)	15	8
Total governmental activities	2,211,663	715,021	(657,824)	2,268,860	253,450
Business-type activities:					
Sewer revenue bonds payable:					
Principal amount of bonds payable	398,602	53,201	(65,020)	386,783	10,859
Premium (discount) on bonds payable	2,673	-	(120)	2,553	120
Deferred amount on refundings	(6,945)	1,910	160	(4,875)	(161)
Compensated absences payable	1,922	1,178	(1,154)	1,946	1,168
Total business-type activities	396,252	56,289	(66,134)	386,407	11,986
Total long-term liabilities - Primary government	\$2,607,915	771,310	(723,958)	2,655,267	265,436
Component Units					
Public Schools					
Compensated absences payable	\$ 25,333	18,807	(17,363)	26,777	18,208
Obligations under capital leases and installment purchases	115,044	15,960	(20,624)	110,380	17,191
Insurance and benefit claims payable	26,435	199,317	(194,958)	30,794	19,047
Total Public Schools	166,812	234,084	(232,945)	167,951	54,446
FCRHA					
Mortgage revenue bonds payable	11,870	-	(360)	11,510	368
Mortgage notes payable	56,524	3,244	(2,184)	57,584	6,340
Public housing loans payable	1,401	-	(150)	1,251	161
Compensated absences payable	951	415	(401)	965	450
Total FCRHA	70,746	3,659	(3,095)	71,310	7,319
Park Authority					
Revenue bonds payable:					
Principal amount of bonds payable	12,145	-	(570)	11,575	585
Discount on bonds payable	(79)	-	6	(73)	(6)
Deferred amount on refundings	(745)	-	49	(696)	(49)
Loan from primary government	15,530	-	-	15,530	75
Compensated absences payable	4,333	2,763	(2,508)	4,588	2,661
Total Park Authority	31,184	2,763	(3,023)	30,924	3,266
EDA					
Compensated absences payable	211	166	(160)	217	159
Total long-term liabilities - Component units	\$ 268,953	240,672	(239,223)	270,402	65,190

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, 2006, the amount of general obligation bonds authorized and unissued is summarized to the right (in thousands).

Bond Purpose	Amount
School improvements	\$ 577,505
Transportation improvements	153,930
Parks and park facilities	56,350
Commercial and redevelopment area improvements	8,630
Human services facilities	29,000
Public safety facilities	49,750
Public library facilities	42,640
Total authorized but unissued bonds	<u>\$ 917,805</u>

The Commonwealth of Virginia does not impose a legal limit on the amount of general obligation indebtedness that the County can incur or have outstanding.

The Board of Supervisors, however, has self-imposed bond limits to provide that the County's net debt may not exceed three percent of the total market value of taxable real and personal property in the County. In addition, the annual debt service may not exceed ten percent of the annual General Fund disbursements. As a financial guideline, the Board of Supervisors also follows a self-imposed limitation in total general obligation bond sales of \$1 billion over a five-year period or an average of \$200 million annually, with a maximum of \$225 million in any given year. All self-imposed bond limits have been complied with at June 30, 2006.

In August 2005, the County issued \$543,585,000 of Series 2005A General Obligation Public Improvement and Refunding Bonds, with an average interest rate of 4.73 percent. The Refunding Bonds, totaling \$353,245,000, were issued to advance refund \$86,055,000 of outstanding Series 1999A bonds, \$52,800,000 of outstanding Series 2000A bonds, \$31,330,000 of outstanding Series 2000B bonds, \$73,215,000 of outstanding Series 2001A bonds, \$118,800,000 of outstanding Series 2002A bonds, with average interest rates of 4.64, 5.17, 4.93, 4.70, and 4.67 percent, respectively. Proceeds of \$381,982,418 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 1999A bonds on June 1, 2007, the Series 2000A bonds on June 1, 2008, the Series 2000B bonds on December 1, 2008, the Series 2001A bonds on June 1, 2009, and the Series 2002A bonds on June 1, 2010. The reacquisition prices exceeded the net carrying amounts of the refunded bonds by \$18,819,900, 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 16 years by approximately \$24.4 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 \$11.9 million.

Detailed information regarding the general obligation bonds outstanding as of June 30, 2006, 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, 2006, 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.

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 1995, UOSA, a joint venture, 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. In December 2003, UOSA issued \$58,150,000 of Regional Sewer System Revenue Refunding Bonds to advance refund its outstanding Series 1993 bonds. In November 2004, UOSA issued \$49,395,000 of Regional Sewer System Revenue Refunding Bonds to advance refund a portion of the outstanding Series 1995 bonds. On July 1, 2005, UOSA issued \$82,465,000 of Regional Sewer System Revenue Refunding Bonds, of which the Sewer System's share is \$53,201,198, to advance refund another portion of the outstanding Series 1995 bonds, resulting in a \$1,909,604 accounting gain, which is being amortized over the life of the Series 2005 Bonds. The Sewer System's share of UOSA's total outstanding debt at June 30, 2006, is \$214,553,963, and it is subordinate to the sewer revenue bonds issued by the Sewer System.

In June 2001 and June 2002, the Sewer System issued 20-year subordinated sewer revenue bonds in the amounts of \$40,000,000 and \$50,000,000, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority. The proceeds have been used to finance a portion of the Sewer System's share of incurred expansion and upgrade costs of the Alexandria Sanitation Authority's wastewater treatment facilities, which provide service to certain County residents. The bonds bear interest rates of 4.1 percent per annum and 3.75 percent per annum, respectively, and collectively require semi-annual debt service payments of \$3,318,536. The bonds are subordinated to all outstanding prior bond issues of the Sewer System and payments for operation and maintenance expenses.

Detailed information regarding the sewer revenue bonds outstanding as of June 30, 2006, 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, notes payable, HUD Section 108 loans, State Literary Fund loans, Sewer System revenue bonds, and the related interest to maturity as of June 30, 2006, 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 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	\$ 2,710	54,200	5,420	359	5,779
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-19	4,272-8,379	76,043	56,570	10,572	67,142
Series 1999B Public Improvement	5.50	12-01-99	12-01-07	180	3,600	360	17	377
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	1,900	38,000	3,800	313	4,113
Series 2000B Public Improvement	4.25-5.13	12-01-00	12-01-20	110-115	2,250	345	24	369
Series 2001A Public Improvement	4.25-5.00	06-01-01	06-01-21	2,120	42,400	6,438	570	7,008
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	3,281-14,423	82,238	33,564	3,093	36,657
Series 2002A Public Improvement	4.00-5.00	06-01-02	06-01-22	3,400	68,000	13,600	1,700	15,300
Series 2002A Refunding	4.00-5.00	06-01-02	06-01-15	1,680-3,421	26,149	18,158	3,800	21,958
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,650-10,089	82,407	43,670	6,816	50,486
Series 2003B Public Improvement	2.00-5.00	05-15-03	06-01-23	3,315-3,330	66,490	56,500	22,500	79,000
Series 2004A Public Improvement	2.00-5.25	04-14-04	04-01-24	3,170-3,180	63,530	57,180	24,726	81,906
Series 2004A Refunding	2.00-5.25	04-14-04	04-01-17	2,955-5,690	67,200	59,075	17,321	76,396
Series 2004B Public Improvement	4.00-6.00	10-19-04	10-01-24	3,455-3,460	69,120	65,665	28,511	94,176
Series 2004B Refunding	4.00-5.00	10-19-04	10-01-19	825-2,585	30,375	30,375	10,031	40,406
Series 2005A Public Improvement	4.00-5.00	08-16-05	10-01-25	4,155-4,310	85,655	85,655	38,732	124,387
Series 2005A Refunding	4.25-5.00	08-16-05	10-01-21	3,045-10,185	117,505	117,505	49,982	167,487
Total general obligation bonds - General County					975,162	653,880	219,067	872,947
Schools:								
Series 1999A Public Improvement	4.13-5.00	04-01-99	06-01-19	5,000	100,000	10,000	662	10,662
Series 1999A Refunding	4.13-5.00	04-01-99	06-01-14	3,549-6,961	63,172	46,995	8,783	55,778
Series 1999B Public Improvement	5.50	12-01-99	12-01-07	4,000	80,000	8,000	443	8,443
Series 2000A Public Improvement	5.00-5.50	04-01-00	06-01-20	2,500	50,000	5,000	413	5,413
Series 2000B Public Improvement	4.38-5.13	12-01-00	12-01-20	2,500	50,000	7,500	523	8,023
Series 2001A Public Improvement	4.25-5.00	16-01-01	06-01-21	4,000	80,000	12,147	1,075	13,222
Series 2001A Refunding	4.25-5.00	06-01-01	06-01-10	2,284-10,037	57,227	23,356	2,152	25,508
Series 2002A Public Improvement	4.00-5.00	06-01-02	06-01-22	6,500	130,000	26,000	3,250	29,250
Series 2002A Refunding	4.00-5.00	06-01-02	06-01-15	1,410-4,474	34,786	28,137	6,268	34,405
Series 2003A Refunding	2.25-5.00	02-01-03	06-01-12	3,935-10,866	88,758	47,040	7,343	54,383
Series 2003B Public Improvement	3.00-5.00	05-15-03	06-01-23	6,430-6,435	128,680	109,375	43,591	152,966
Series 2004A Public Improvement	4.00-5.25	04-14-04	04-01-24	6,005-6,015	120,215	108,185	46,775	154,960
Series 2004A Refunding	4.50-5.25	04-14-04	04-01-17	3,155-6,620	78,165	68,440	20,003	88,443
Series 2004B Public Improvement	4.00-6.00	10-19-04	10-01-24	5,810-5,815	116,280	110,465	47,949	158,414
Series 2004B Refunding	4.00-5.00	10-19-04	10-01-19	2,600-8,170	96,035	96,035	31,709	127,744
Series 2005A Public Improvement	4.00-5.00	08-16-05	10-01-25	5,085-5,275	104,685	104,685	47,346	152,031
Series 2005A Refunding	4.25-5.00	08-16-05	10-01-21	5,620-20,385	235,740	235,740	100,988	336,728
Total general obligation bonds - Schools					1,613,743	1,047,100	369,273	1,416,373
Total general obligation bonds					2,588,905	1,700,980	588,340	2,289,320
Revenue bonds:								
EDA revenue bonds:								
Series 2003	2.00-5.00	06-01-03	06-01-33	105-4,240	70,830	70,830	38,351	109,181
Series 2003 Refunding	5.00	10-01-03	11-15-18	4,080-7,885	85,650	76,045	29,049	105,094
Series 2005	3.00-5.00	01-27-05	04-01-35	620-3,615	60,690	60,070	49,417	109,487
FCRHA lease revenue bonds:								
Series 1996	5.35-5.55	09-15-96	06-01-17	280-505	6,390	4,300	1,545	5,845
Series 1998	4.00-4.85	12-01-98	06-01-18	235-390	5,500	3,725	1,223	4,948
Series 1999	4.75-5.38	05-27-99	05-01-29	20-65	1,000	905	686	1,591
Series 2003	3.50	07-22-03	08-01-23	44-171	2,530	2,278	766	3,044
Series 2004	2.25-5.25	08-26-04	06-01-19	720-725	10,870	9,420	2,958	12,378
Series 2005	3.00-3.60	06-16-05	06-01-15	810-815	8,105	7,290	1,246	8,536
Total revenue bonds					251,565	234,863	125,241	360,104
Notes payable	3.22-4.29	12-27-05	12-31-25	645	12,900	12,578	5,060	17,638
HUD Section 108 loan	4.97-6.67	07-01-01	08-01-21	115	2,300	1,725	930	2,655
State Literary Fund loan - Science Lab #2	5.00	10-01-87	10-01-08	8	148	15	1	16
Total governmental activities					2,855,818	1,950,161	719,572	2,669,733
Business-type activities:								
Sewer revenue bonds:								
UOSA Bonds Subordinated	2.00-6.00	01-12-95	07-01-29	4,759-15,574	277,621	214,534	150,054	364,588
Series 1996 Sewer Improvements	5.63	07-01-96	07-15-06	1,810-1,925	104,000	1,925	54	1,979
Series 2001 Subordinated	4.10	06-01-01	02-01-21	1,583-2,910	40,000	33,357	11,632	44,989
Series 2002 Subordinated	3.75	09-01-02	03-01-22	1,952-3,538	50,000	43,472	14,732	58,204
Series 2004 Refunding	3.00-5.00	10-14-04	07-15-28	510-6,725	94,005	93,495	59,863	153,358
Total business-type activities					565,626	386,783	236,335	623,118
Total County bond, note, and loan indebtedness					\$ 3,421,444	2,336,944	955,907	3,292,851

Principal and interest to maturity (in thousands) for the County’s general obligation bonds, revenue bonds, loans, and Sewer System revenue bonds outstanding at June 30, 2006, are as follows:

Fiscal Year	Governmental Activities						Business-Type Activities			
	General Obligation Bonds		Revenue Bonds		Notes and Loans		Sewer System Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 151,340	80,413	7,698	10,726	653	587	10,858	17,631	170,549	109,357
2008	146,085	73,135	10,476	10,403	767	558	11,341	17,184	168,669	101,280
2009	139,745	65,944	11,780	10,009	760	531	11,779	16,754	164,064	93,238
2010	129,870	59,015	12,114	9,565	760	504	12,287	16,258	155,031	85,342
2011	124,275	52,318	12,453	9,085	760	474	13,417	15,753	150,905	77,630
2012-2016	515,100	177,207	67,536	36,776	3,800	1,917	76,583	69,501	663,019	285,401
2017-2021	355,010	68,313	55,320	20,001	3,800	1,107	96,760	49,786	510,890	139,207
2022-2026	139,555	11,995	22,606	10,619	3,018	313	89,909	27,705	255,088	50,632
2027-2031	-	-	19,000	6,334	-	-	63,849	5,763	82,849	12,097
2032-2035	-	-	15,880	1,723	-	-	-	-	15,880	1,723
Totals	\$ 1,700,980	588,340	234,863	125,241	14,318	5,991	386,783	236,335	2,336,944	955,907

5. FCRHA Bonds, Notes, and Loans Payable

The FCRHA issues various debt instruments, including bonds, notes and mortgages, to finance the cost of acquisition, construction, and equipping of its workforce, senior, disabled, low income, transient, and homeless affordable housing projects. These debt instruments are usually secured by the properties being financed. Sources of permanent financing include the Federal Department of Housing and Urban Development (HUD), the Virginia Housing Development Authority (VHDA), and commercial lenders. Principal and interest on the HUD debt are funded by HUD under the Annual Contributions Contract, a federal government grant program. In addition, the FCRHA maintains unsecured \$10 million tax-exempt and \$5 million taxable lines of credit with a commercial bank to provide interim (bridge) financing.

The following table details all FCRHA bonds, notes, and loans payable as of June 30, 2006, excluding its component units:

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	5,405
Tax-exempt revenue bonds	Herndon Harbor I - rental property	6.10	08-01-97	07-01-27	16-30	2,875	889
Multi-family revenue bonds	Castellani Meadows	6.15	04-01-98	03-01-28	14-20	1,700	795
Lease revenue refunding bonds	FCRHA revenues	4.71	06-15-98	06-15-18	125	3,630	2,565
Multi-family revenue bonds	Herndon Harbor II - rental property	4.875-5.50	05-01-99	05-01-29	30-40	2,000	1,856
Total mortgage bonds payable - FCRHA						16,545	11,510

Series	Secured By	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments (000)	Original Issue (000)	Total Principal Outstanding (000)
Mortgage Notes Payable:							
United Bank	One University Plaza office building	5.00	02-01-04	02-01-14	13-18	363	216
Sun Trust Bank	United Community Ministries	4.71	08-25-98	04-01-13	20-35	400	221
	Creighton Square	7.10	06-25-99	07-01-12	30-40	550	318
	Leland Road Group Home property	5.55	10-06-99	04-01-17	21-31	615	447
	Hopkins Glen rental property	4.33	12-02-02	10-01-16	8	475	446
Bank of America	Various properties - interim financing	60.45% of 30 day LIBOR	varies	varies	Int. only	4,259	4,259
	McLean Hills and Springfield Green rental properties	4.54	04-01-95	04-01-15	53-68	1,072	637
U.S. Dept. of Housing and Urban Development	Various FCRHA rental properties	6.45-9.15	02-01-92	varies	285	5,690	1,700
	Various FCRHA rental properties	3.73-7.90	02-01-93	varies	110-115	3,100	910
	Various FCRHA rental properties	4.75-7.18	08-01-94	varies	195-205	3,775	1,805
	Cedar Ridge rental property	1.00	05-24-95	varies	-	1,510	1,318
	Various FCRHA rental properties	5.36-7.66	08-01-96	varies	5-50	1,080	280
	Hopkins Glen rental property	3.00	07-12-98	04-01-10	35-49	1,112	177
	Various FCRHA rental properties	1.21-5.29	08-07-03	varies	35	500	430
Virginia Housing Development Authority	Minerva Fisher-Hall Group Home property	8.07	07-01-79	06-01-19	2-16	437	295
	Penderbrook rental property	7.17	09-01-88	10-01-18	16-25	770	576
	West Ox Group Home property	8.00	01-01-92	10-01-22	15-20	842	674
	First Stop Group Home property	8.00	01-01-93	04-01-22	5-15	246	387
	Rolling Road Group Home property	8.00	09-21-00	09-01-20	5-20	234	199
	Patrick Street Group Home property	8.00	06-01-02	05-01-22	3-22	239	216
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	9,375
WMF Huntoon Palge	Cedar Ridge rental property	3.00	11-01-70	09-01-10	90-100	2,850	488
Federal Financing Bank	Property, plant, and equipment	6.60	07-09-82	11-01-12	40-55	1,143	458
Total mortgage notes payable - FCRHA						41,458	25,876
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	1,056
Public housing bonds	Declaration of Trust	5.00	04-01-68	04-01-09	50-60	1,260	195
Total public housing loans payable - FCRHA						3,608	1,251
Total public housing bonds, notes, and loans payable - FCRHA primary government						\$ 61,611	38,637

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, 2006, 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
2007	\$ 368,305	656,784	5,557,670	1,274,768	160,615	79,710	6,086,590	2,011,262
2008	393,143	637,236	1,375,776	1,202,987	166,926	70,149	1,935,845	1,910,372
2009	418,383	615,444	1,373,749	1,126,791	173,497	60,327	1,965,629	1,802,562
2010	438,954	592,321	1,403,568	1,046,362	115,814	49,511	1,958,336	1,688,194
2011	464,876	567,812	1,353,955	963,287	123,457	41,868	1,942,288	1,572,967
2012-2016	2,742,141	2,421,527	4,345,003	3,815,012	510,901	88,428	7,598,045	6,324,967
2017-2021	2,707,445	1,614,345	2,151,504	2,854,214	-	-	4,858,949	4,468,559
2022-2026	2,954,794	817,160	1,943,530	2,129,061	-	-	4,898,324	2,946,221
2027-2031	1,022,277	56,235	2,411,307	1,388,217	-	-	3,433,584	1,444,452
2032-2036	-	-	3,959,534	397,621	-	-	3,959,534	397,621
Totals	\$ 11,510,318	7,978,864	25,875,596	16,198,320	1,251,210	389,993	38,637,124	24,567,177

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. The bonds 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.

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 loan is solely the obligation of the Park Authority and is 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 loan at June 30, 2006, are as follows:

Fiscal Year	Component Unit - Park Authority							
	Revenue Bonds			Loan from Primary Government			Total	
	Int. Rate	Principal	Interest	Int. Rate	Principal	Interest	Principal	Interest
2007	3.20 %	\$ 585,000	480,592	2.00 %	\$ 75,000	687,362	660,000	1,167,954
2008	3.40	605,000	460,948	2.25	80,000	685,863	685,000	1,146,811
2009	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	3.80	670,000	391,058	3.00	150,000	677,813	820,000	1,068,871
2012-2016	4.00-4.40	3,770,000	1,515,188	4.00-5.00	1,250,000	3,267,513	5,020,000	4,782,701
2017-2021	4.50-4.75	4,670,000	573,206	5.00	2,395,000	2,850,313	7,065,000	3,423,519
2022-2026	n/a	-	-	5.00-4.25	3,915,000	2,122,613	3,915,000	2,122,613
2027-2031	n/a	-	-	4.25	5,090,000	1,166,412	5,090,000	1,166,412
2032-2033	n/a	-	-	4.25	2,350,000	150,875	2,350,000	150,875
Totals		<u>\$ 11,575,000</u>	<u>4,276,381</u>		<u>\$ 15,530,000</u>	<u>12,974,388</u>	<u>27,105,000</u>	<u>17,250,769</u>

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, 2006, approximately \$90.0 million of such tax-exempt bonds that are still 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, 2006, the principal amounts outstanding on these IRBs total approximately \$926.7 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, 2006, the principal amount of transportation contract revenue bonds outstanding was approximately \$87.7 million.

In December 2005, the Park Authority issued two notes totaling \$12,900,000 to finance the acquisition of a permanent conservation easement. As the County is responsible, under the related documents and subject to appropriation, to pay the principal and interest on the notes, the related transactions, including the liability for the notes, have been recorded in the County's financial statements and not in those of the Park Authority. The notes are not general obligation debt of the County, and the full faith and credit of the County is not pledged to the notes. As of June 30, 2006, \$12.6 million of these notes are outstanding.

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, 2006, the amount of general obligation bonds that are outstanding but considered defeased is \$362.2 million.

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 41 percent of the capacity used to date. Closure expenditures have been incurred for approximately 60 percent of the total area involved. The County holds permits that allow it to continue using the landfill until approximately 2020.

The \$62.2 million reported as the landfill closure and postclosure obligation at June 30, 2006, 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 2007. 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, 2006, are as follows:

Asset Class	Primary Government - Governmental Activities	Component Unit - Public Schools
Land	\$ 3,261,336	6,000,000
Buildings	25,868,327	53,111,217
Improvements	5,860,380	15,922,101
Equipment	41,297,425	60,622,733
Total assets, at cost	76,287,468	135,656,051
Accumulated depreciation	(34,280,513)	(25,236,131)
Total assets, net	\$ 42,006,955	110,419,920
Fiscal Year	Minimum Obligations	Minimum Obligations
2007	\$ 7,428,236	21,877,621
2008	6,364,452	18,117,583
2009	4,763,713	13,227,299
2010	3,710,046	9,186,075
2011	3,698,395	5,677,976
2012-2016	12,571,384	25,826,434
2017-2021	10,688,218	18,880,613
2022-2026	10,566,684	18,879,930
2027-2031	10,353,293	18,871,850
2032-2035	2,071,042	15,102,525
Total minimum obligations	72,215,463	165,647,906
Portion representing interest	(28,686,546)	(55,268,078)
Present value of minimum obligations	\$ 43,528,917	110,379,828

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 J-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 \$60.07 million and deferred revenue in the amount of \$60.07 million is reported. Minimum lease payments for each of the five succeeding fiscal years are \$1,115,000, \$1,150,000, \$1,185,000, \$1,220,000, and \$1,255,000 respectively.

K. 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 \$22.6 million for fiscal year 2006 was funded with \$4.2 million of County general obligation bond proceeds, \$13.9 million of Virginia Transportation Act (VTA) 2000 funds, and \$4.5 million of state aid provided through the NVTC. It is anticipated that the County's obligation for fiscal year 2007 will amount to \$23.3 million and be funded with \$4.6 million of state aid provided through the NVTC, \$0.5 million of VTA 2000 funds, and \$18.2 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 2006, the County's obligation of approximately \$56.4 million for operating subsidies was funded with \$17.4 million from the County's Metro Operations and Construction Fund, \$39.0 million from state aid and regional gasoline tax receipts provided through the NVTC. It is anticipated that the County's obligation for fiscal year 2007 will amount to \$60.6 million and be funded with \$40.2 million of state aid and regional gasoline tax receipts provided through the NVTC and \$20.4 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, and the County's fiscal year 2006 contribution to VRE was \$3.4 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, 2006, 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 2006, the County’s, Public Schools’, and EDA’s total expenditures for these operating leases were \$14.6 million, \$6.7 million, and \$0.9 million, respectively. At June 30, 2006, 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
2007	\$ 13,977,667	4,996,424	958,750
2008	11,360,791	3,570,179	855,648
2009	9,122,485	2,468,137	834,922
2010	8,189,803	1,018,582	-
2011	7,051,743	92,168	-
2012-2016	7,076,444	-	-
2017-2021	4,256,068	-	-
2022-2026	4,243,989	-	-
2027-2031	6,326,891	-	-
2032-2036	9,396,389	-	-
Total	\$ 81,002,270	12,145,490	2,649,320

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 \$4,734,196 in fiscal year 2006 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be \$71,169,000, of which \$12,351,000 is expected to be incurred in fiscal year 2007 and the balance over fiscal years 2008 to 2015. In addition, the Sewer System made payments of \$13,595,553 to the ASA during fiscal year 2006 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 \$5,954,955 during fiscal year 2006 to fund its share of construction costs, and it estimates its share of the remaining construction costs to be \$119,971,000, of which \$8,743,000 is expected to be incurred in fiscal year 2007 and the balance over fiscal years 2008 to 2015. In addition, the Sewer System made payments of \$9,051,453 to WASA during fiscal year 2006 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 2006 of \$11,015,818 to pay its share of UOSA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2005, and 2004 (the most recent audited financial information available), is shown below.

	2005	2004
Total assets	\$ 504,963,816	500,704,056
Total liabilities	(384,585,092)	(392,310,266)
Total net assets	\$ 120,378,724	108,393,790
Operating revenues	\$ 19,490,853	18,354,818
Operating expenses	(30,111,988)	(30,368,330)
Nonoperating revenues, net	15,384,045	15,266,107
Capital contributions	7,222,024	6,878,659
Increase in net assets	\$ 11,984,934	10,131,254

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 \$154,026 in fiscal year 2006 to fund its share of the construction costs, and it estimates its share of the remaining construction costs to be \$37,000,000, of which \$6,750,000 is expected to be incurred in fiscal year 2007 and the balance over fiscal years 2008 to 2015. In addition, the Sewer System made payments of \$1,391,823 to Arlington County during fiscal year 2006 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, 2006, \$107,960,000 of the Series 1998A refunding bonds are outstanding. Unspent bond proceeds in the amount of \$31,363,264, 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, 2006, the primary government had contractual commitments of \$120,280,613 in the capital projects funds and \$38,470,000 in the Sewer System for construction of various sewer projects. At June 30, 2006, the component units had contractual commitments of \$86,522,162 and \$7,585,932 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. For fiscal year 2006 only, the County added an additional supplement, ranging from \$5 per month to \$45 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 2,409 participants currently receiving benefits in the program. For fiscal year 2006, the cost of this program to the County was \$4,246,529, 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 2,841 participating retirees, and the cost of this program to the County for fiscal year 2006 was approximately \$304,300, which is reported in the General Fund.

L. 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.

During the last week of June 2006, heavy rainstorms caused flooding in certain areas of the County. In certain instances, the County is contingently liable for property losses incurred by County residents resulting from this flooding. Management is not presently able to reasonably estimate either the total amount of these losses or a monetary range for the total amount of these losses.



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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,517,019,633	2,556,356,143	2,571,663,535	15,307,392
Permits, privilege fees, and regulatory licenses	32,543,251	32,108,389	31,621,985	(486,404)
Intergovernmental	326,752,015	327,257,443	345,774,761	18,517,318
Charges for services	49,460,048	53,590,303	57,563,873	3,973,570
Fines and forfeitures	12,276,152	14,972,768	15,107,451	134,683
Revenue from the use of money and property	42,691,083	67,537,294	75,766,073	8,228,779
Recovered costs	6,589,931	7,746,261	7,693,205	(53,056)
Total revenues	2,987,332,113	3,059,568,601	3,105,190,883	45,622,282
EXPENDITURES				
General government administration	93,353,576	96,186,910	90,528,887	5,658,023
Judicial administration	28,576,666	31,085,607	29,838,348	1,247,259
Public safety	373,565,443	383,721,886	370,072,348	13,649,538
Public works	56,988,576	60,103,467	57,970,292	2,133,175
Health and welfare	241,224,480	253,454,359	238,939,414	14,514,945
Community development	43,764,289	47,680,825	41,773,051	5,907,774
Parks, recreation, and cultural	68,328,537	78,618,620	71,411,377	7,207,243
Nondepartmental	178,165,308	176,157,150	166,599,244	9,557,906
Total expenditures	1,083,966,875	1,127,008,824	1,067,132,961	59,875,863
Excess of revenues over expenditures	1,903,365,238	1,932,559,777	2,038,057,922	105,498,145
OTHER FINANCING SOURCES (USES)				
Transfers in from other primary government funds	2,604,307	2,604,307	2,604,307	-
Transfers out to other primary government funds	(504,436,290)	(567,748,784)	(567,748,784)	-
Transfers out to component units	(1,432,727,241)	(1,434,209,839)	(1,434,209,839)	-
Total other financing sources (uses)	(1,934,559,224)	(1,999,354,316)	(1,999,354,316)	-
Net change in fund balance	\$ (31,193,986)	(66,794,539)	38,703,606	105,498,145

See accompanying notes to required supplementary information.

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Funding Progress
For the fiscal year ended June 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (000) (a)	Actuarial Accrued 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:						
7/1/2000	\$ 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
7/1/2005	2,202,515	2,676,418	473,903	82.29	565,063	83.87
Police Officers Retirement System:						
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
7/1/2005	732,582	828,702	96,120	88.40	83,939	114.51
Uniformed Retirement System:						
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
7/1/2005	830,702	974,106	143,404	85.28	109,067	131.48
Component Unit - Public Schools						
Educational Employees' Supplementary Retirement System:						
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
12/31/2005	1,718,399	2,022,962	304,563	84.94	1,050,217	29.00

See accompanying notes to required supplementary information.

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Employer Contributions
For the fiscal year ended June 30, 2006

Fiscal Year Ended June 30	Primary Government					
	Employees' Retirement		Police Officers Retirement		Uniformed Retirement	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2001	\$29,960,984	* 100.00 %	\$ 17,149,427	* 100.00 %	\$ 18,818,351	* 100.00 %
2002	31,083,805	* 100.00	15,077,920	* 100.00	16,834,252	* 111.55
2003	36,408,121	87.85	14,918,405	* 86.63	21,548,814	106.86
2004	51,992,031	66.20	17,356,995	84.59	25,186,003	98.56
2005	67,996,277	69.06	20,744,793	71.83	32,320,929	84.13
2006	74,548,973	66.31	22,641,707	73.88	38,629,304	83.19

Fiscal Year Ended June 30	Component Unit - Public Schools	
	Educational Employees' Supplementary Retirement	
	Annual Required Contribution	Percentage Contributed
2001	\$ 29,145,883	* 100.00 %
2002	30,849,037	* 100.00
2003	34,506,630	* 100.00
2004	37,331,203	* 100.00
2005	32,198,596	* 100.00
2006	34,648,918	* 100.00

* 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, 2006

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.
 - 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.
- Tax revenues for the Stormwater Management Program and The Penny for Affordable Housing capital projects funds are budgeted as transfers out in the General Fund.
- 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)	\$ 38,703,606
Basis difference - Revenue from investments	(2,269,782)
Perspective differences:	
The Gift Fund is treated as an agency fund for budget purposes	492,332
The Consolidated Community Funding Pool Fund is treated as a special revenue fund for budget purposes	(214,382)
The Contributory Fund is treated as a special revenue fund for budget purposes	1,095,255
Net change in fund balance (GAAP basis)	<u>\$ 37,807,029</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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Real property	\$ 1,776,082,251	1,770,769,093	1,783,844,578	13,075,485
Personal property	279,834,310	295,455,540	289,713,506	(5,742,034)
Business licenses	114,528,190	121,873,307	127,179,068	5,305,761
Local sales and use	160,488,525	154,878,745	155,456,180	577,435
Consumers utility	96,752,983	99,051,541	103,271,085	4,219,544
Motor vehicle decals	20,250,310	20,250,310	19,572,404	(677,906)
Recordation	34,907,252	53,849,334	51,431,631	(2,417,703)
Occupancy, tobacco, and other	34,175,812	40,228,273	41,195,083	966,810
Total taxes	2,517,019,633	2,556,356,143	2,571,663,535	15,307,392
Permits, privilege fees, and regulatory licenses	32,543,251	32,108,389	31,621,985	(486,404)
Intergovernmental	326,752,015	327,257,443	345,774,761	18,517,318
Charges for services	49,460,048	53,590,303	57,563,873	3,973,570
Fines and forfeitures	12,276,152	14,972,768	15,107,451	134,683
Revenue from the use of money and property	42,691,083	67,537,294	75,766,073	8,228,779
Recovered costs	6,589,931	7,746,261	7,693,205	(53,056)
Total revenues	2,987,332,113	3,059,568,601	3,105,190,883	45,622,282
EXPENDITURES				
General government administration:				
Board of Supervisors	4,457,350	4,457,350	4,025,655	431,695
Financial and Program Auditor	215,851	215,851	195,101	20,750
County Executive	7,607,007	7,750,982	7,261,738	489,244
Tax Administration	22,291,127	22,867,985	21,858,560	1,009,425
Finance	8,306,428	8,328,149	8,086,426	241,723
Cable Communications and Consumer Protection	1,353,776	1,439,137	1,227,164	211,973
Human Resources	6,290,617	6,656,144	6,508,359	147,785
Purchasing and Supply Management	4,620,740	4,690,425	4,500,836	189,589
Public Affairs	1,120,157	1,264,660	1,208,726	55,934
Electoral Board and General Registrar	2,964,770	2,976,069	2,836,613	139,456
County Attorney	5,722,450	5,872,202	5,654,441	217,761
Information Technology	25,095,856	26,243,585	24,174,830	2,068,755
Management and Budget	3,093,938	3,184,422	2,767,381	417,041
Civil Service Commission	213,509	239,949	223,057	16,892
Total general government administration	93,353,576	96,186,910	90,528,887	5,658,023
Judicial administration:				
Circuit Court and Records	9,737,048	10,011,893	9,556,911	454,982
Commonwealth Attorney	2,067,546	2,073,881	1,897,173	176,708
General District Court	1,986,031	2,172,762	2,003,105	169,657
Sheriff	14,786,041	16,827,071	16,381,159	445,912
Total judicial administration	28,576,666	31,085,607	29,838,348	1,247,259
Public safety:				
Cable Communications and Consumer Protection	913,448	1,039,172	1,036,111	3,061
Land Development Services	9,685,856	10,447,136	10,120,541	326,595
Juvenile and Domestic Relations Court	19,218,188	19,606,367	18,832,842	773,525
Police Department	154,027,859	159,418,021	152,189,837	7,228,184
Sheriff	38,612,169	36,869,325	36,802,548	66,777
Fire and Rescue	150,303,257	155,537,199	150,327,475	5,209,724
Emergency Management	804,666	804,666	762,994	41,672
Total public safety	\$ 373,565,443	383,721,886	370,072,348	13,649,538

continued

EXHIBIT B

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Public works:				
Facilities Management	\$ 37,817,570	39,863,539	38,941,037	922,502
Business Planning and Support	381,183	381,183	373,675	7,508
Capital Facilities	9,054,165	9,270,029	9,188,293	81,736
Stormwater Management	9,504,928	10,357,986	9,236,578	1,121,408
Unclassified Administrative Expenses	230,730	230,730	230,709	21
Total public works	56,988,576	60,103,467	57,970,292	2,133,175
Health and welfare:				
Family Services	183,164,839	192,212,761	182,229,029	9,983,732
Health Department	42,092,402	44,737,127	40,967,673	3,769,454
Human Services Administration	10,431,014	10,681,458	10,510,249	171,209
Human Services Systems Management	5,536,225	5,823,013	5,232,463	590,550
Total health and welfare	241,224,480	253,454,359	238,939,414	14,514,945
Community development:				
Economic Development Authority	6,413,385	6,413,385	6,413,384	1
Land Development Services	14,019,412	14,291,952	13,063,348	1,228,604
Planning and Zoning	9,638,998	10,026,878	9,054,187	972,691
Planning Commission	704,590	704,590	659,603	44,987
Housing and Community Development	5,775,045	6,229,826	5,978,804	251,022
Human Rights	1,252,319	1,263,001	1,120,128	142,873
Transportation	5,960,540	8,751,193	5,483,597	3,267,596
Total community development	43,764,289	47,680,825	41,773,051	5,907,774
Parks, recreation, and cultural:				
Community and Recreation Services	14,491,205	16,200,754	14,641,280	1,559,474
Park Authority	24,387,617	24,627,017	24,348,931	278,086
Public Library	29,449,715	37,790,849	32,421,166	5,369,683
Total parks, recreation, and cultural	68,328,537	78,618,620	71,411,377	7,207,243
Nondepartmental:				
Unclassified Administrative Expenses	-	536,538	50,179	486,359
Employee Benefits	178,165,308	175,620,612	166,549,065	9,071,547
Total nondepartmental	178,165,308	176,157,150	166,599,244	9,557,906
Total expenditures	1,083,966,875	1,127,008,824	1,067,132,961	59,875,863
Excess of revenues over expenditures	\$ 1,903,365,238	1,932,559,777	2,038,057,922	105,498,145

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	2,104,307	2,104,307	2,104,307	-
Internal Service Fund - Vehicle Services	500,000	500,000	500,000	-
Total transfers in from other primary government funds	<u>2,604,307</u>	<u>2,604,307</u>	<u>2,604,307</u>	<u>-</u>
Transfers out:				
To other primary government funds:				
Special Revenue Funds:				
Fairfax-Falls Church Community Services Board	(90,977,221)	(90,977,221)	(90,977,221)	-
County Transit Systems	(24,145,192)	(26,387,571)	(26,387,571)	-
Federal/State Grants	(5,321,507)	(9,491,657)	(9,491,657)	-
Aging Grants and Programs	(2,558,613)	(2,692,414)	(2,692,414)	-
Information Technology	(13,406,574)	(19,160,911)	(19,160,911)	-
Energy Resource Recovery Facility	-	(1,578,057)	(1,578,057)	-
Refuse Disposal	(2,500,000)	(2,500,000)	(2,500,000)	-
Refuse Collection and Recycling Operations	-	(210,000)	(210,000)	-
Consolidated Community Funding Pool	(7,470,111)	(7,470,111)	(7,470,111)	-
Contributory Fund	(10,528,301)	(12,103,301)	(12,103,301)	-
E-911	(13,745,258)	(13,745,258)	(13,745,258)	-
Debt Service Fund	(228,996,600)	(228,996,600)	(228,996,600)	-
Capital Projects Funds:				
County Construction	(10,819,271)	(28,417,771)	(28,417,771)	-
Capital Facilities Renewal Construction	(650,059)	(11,394,059)	(11,394,059)	-
Public Works Construction	-	(330,844)	(330,844)	-
Public Safety Construction	(15,000,000)	(19,445,000)	(19,445,000)	-
Metro Operations and Construction	(21,316,309)	(21,316,309)	(21,316,309)	-
Housing Assistance Program	(935,000)	(935,000)	(935,000)	-
Library Construction	(683,882)	(3,568,882)	(3,568,882)	-
Primary and Secondary Road Bond Construction	(1,000,000)	(1,000,000)	(1,000,000)	-
Stormwater Management Program	(17,900,000)	(17,900,000)	(17,900,000)	-
The Penny for Affordable Housing	(17,900,000)	(17,900,000)	(17,900,000)	-
Internal Service Funds:				
Retiree Health Benefits	(3,818,110)	(3,818,110)	(3,818,110)	-
Self-Insurance	(11,547,991)	(18,243,417)	(18,243,417)	-
Technology Infrastructure Services	(316,291)	(5,016,291)	(5,016,291)	-
Document Services	(2,900,000)	(3,150,000)	(3,150,000)	-
Total transfers out to other primary government funds	<u>(504,436,290)</u>	<u>(567,748,784)</u>	<u>(567,748,784)</u>	<u>-</u>
To component units:				
Public Schools:				
General Fund	(1,431,337,820)	(1,431,337,820)	(1,431,337,820)	-
Grants and Self-Supporting Programs	-	(1,482,598)	(1,482,598)	-
FCRHA - Elderly Housing Program	(1,389,421)	(1,389,421)	(1,389,421)	-
Total transfers out to component units	<u>(1,432,727,241)</u>	<u>(1,434,209,839)</u>	<u>(1,434,209,839)</u>	<u>-</u>
Total transfers out	<u>(1,937,163,531)</u>	<u>(2,001,958,623)</u>	<u>(2,001,958,623)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,934,559,224)</u>	<u>(1,999,354,316)</u>	<u>(1,999,354,316)</u>	<u>-</u>
Net change in fund balance	<u>\$ (31,193,986)</u>	<u>(66,794,539)</u>	<u>38,703,606</u>	<u>105,498,145</u>

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, 2006

EXHIBIT C

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and temporary investments	\$ 271,460,205	8,361,379	290,113,234	569,934,818
Receivables (net of allowances):				
Accounts	9,146,514	-	-	9,146,514
Accrued interest	794,669	-	145,542	940,211
Loans	11,777,105	-	3,350,000	15,127,105
Due from intergovernmental units	34,940,603	-	2,322,429	37,263,032
Due from component units	-	-	1,173,933	1,173,933
Loan to component unit	-	15,530,000	-	15,530,000
Lease to component unit	-	60,070,000	-	60,070,000
Prepaid and other assets	2,004,299	-	9,770,075	11,774,374
Restricted assets:				
Equity in pooled cash and temporary investments	-	-	45,897,952	45,897,952
Cash with fiscal agents	-	84,018	238,231	322,249
Total assets	\$ 330,123,395	84,045,397	353,011,396	767,180,188
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 26,876,079	2,694	16,285,461	43,164,234
Accrued salaries and benefits	6,761,599	-	-	6,761,599
Contract retainages	518,002	-	4,157,289	4,675,291
Accrued interest payable	-	-	1,777,237	1,777,237
Due to component units	-	-	7,304,045	7,304,045
Interfund payables	3,240,813	-	550,000	3,790,813
Short-term notes payable	-	-	40,600,000	40,600,000
Matured bond principal and interest payable	-	81,638	-	81,638
Deferred revenue	28,019,707	60,070,000	34,441,712	122,531,419
Performance and other deposits	-	-	5,703,936	5,703,936
Total liabilities	65,416,200	60,154,332	110,819,680	236,390,212
Fund balances:				
Reserved for:				
Encumbrances	68,621,905	-	120,280,613	188,902,518
Long-term loans	11,777,105	15,530,000	3,350,000	30,657,105
Certain capital projects	-	-	16,678,547	16,678,547
Unreserved	184,308,185	8,361,065	101,882,556	294,551,806
Total fund balances	264,707,195	23,891,065	242,191,716	530,789,976
Total liabilities and fund balances	\$ 330,123,395	84,045,397	353,011,396	767,180,188

COUNTY OF FAIRFAX, VIRGINIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2006

EXHIBIT C-1

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 19,947,399	-	35,800,000	55,747,399
Permits, privilege fees, and regulatory licenses	13,713,420	-	-	13,713,420
Intergovernmental	123,279,266	89,230	15,679,146	139,047,642
Charges for services	144,141,948	-	1,001,469	145,143,417
Fines and forfeitures	800	-	-	800
Developers' contributions	2,268,962	-	2,410,627	4,679,589
Revenue from the use of money and property	11,976,427	3,917,823	2,000,740	17,894,990
Recovered costs	2,052,387	-	6,130,688	8,183,075
Gifts, donations, and contributions	993,603	-	-	993,603
Total revenues	318,374,212	4,007,053	63,022,670	385,403,935
EXPENDITURES				
Current:				
General government administration	12,319,830	-	2,431,553	14,751,383
Judicial administration	770,458	-	10,322	780,780
Public safety	65,861,319	-	892,891	66,754,210
Public works	120,763,804	-	8,252,165	129,015,969
Health and welfare	162,728,562	-	914,181	163,642,743
Community development	63,610,266	-	29,421,462	93,031,728
Parks, recreation, and cultural	10,116,629	-	4,894,027	15,010,656
Intergovernmental:				
Community development	3,416,775	-	24,595,745	28,012,520
Parks, recreation, and cultural	-	-	36,677,797	36,677,797
Education - for Public Schools	2,118,159	-	113,620,847	115,739,006
Capital outlay:				
General government administration	874,194	-	1,885,463	2,759,657
Judicial administration	-	-	232,966	232,966
Public safety	1,741,940	-	56,560,179	58,302,119
Public works	3,947,219	-	6,065,276	10,012,495
Health and welfare	185,135	-	2,389,811	2,574,946
Community development	4,619,414	-	60,118,258	64,737,672
Parks, recreation, and cultural	915,565	-	8,338,755	9,254,320
Debt service:				
Principal retirement	3,877,703	149,176,064	1,188,946	154,242,713
Interest and other charges	597,254	91,881,181	1,164,644	93,643,079
Total expenditures	458,464,226	241,057,245	359,655,288	1,059,176,759
Deficiency of revenues under expenditures	(140,090,014)	(237,050,192)	(296,632,618)	(673,772,824)
OTHER FINANCING SOURCES (USES)				
Transfers in	174,216,565	229,526,069	88,257,633	492,000,267
Transfers out	(2,104,307)	-	(4,063,308)	(6,167,615)
General obligation bonds issued	-	-	190,340,000	190,340,000
Premium on general obligation bonds issued	-	-	9,624,050	9,624,050
General obligation refunding bonds issued	-	353,245,000	-	353,245,000
Premium on general obligation refunding bonds issued	-	28,737,418	-	28,737,418
Payments to refunded bonds escrow agent	-	(381,019,900)	-	(381,019,900)
Notes issued	-	-	12,900,000	12,900,000
Lease principal payments from component unit	-	620,000	-	620,000
Total other financing sources (uses)	172,112,258	231,108,587	297,058,375	700,279,220
Net change in fund balances	32,022,244	(5,941,605)	425,757	26,506,396
Fund balances, July 1, 2005	232,684,951	29,832,670	241,765,959	504,283,580
Fund balances, June 30, 2006	\$ 264,707,195	23,891,065	242,191,716	530,789,976



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, 2006

	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	\$ 25,493,809	26,200,618	263,447	1,528,987	31,635,307	24,474,691
Receivables (net of allowances):						
Accounts	-	-	432,901	-	-	3,347,094
Accrued interest	-	67,968	-	-	84,762	-
Loans	-	-	-	-	-	-
Due from intergovernmental units	3,320,000	-	27,776,772	-	1,388,432	-
Prepaid and other assets	1,967,868	-	7,559	-	6,611	370
Total assets	\$ 30,781,677	26,268,586	28,480,679	1,528,987	33,115,112	27,822,155
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 4,677,366	7,873	2,971,303	188,012	2,093,396	411,597
Accrued salaries and benefits	-	-	1,015,152	128,947	-	146,397
Contract retainages	-	-	60,922	-	-	-
Interfund payables	-	-	978,774	31,837	-	36,896
Deferred revenue	-	25,298,004	216,564	-	-	-
Total liabilities	4,677,366	25,305,877	5,242,715	348,796	2,093,396	594,890
Fund balances:						
Reserved for:						
Encumbrances	25,702,418	-	11,770,144	359,147	11,561,249	3,356,712
Long-term loans	-	-	-	-	-	-
Unreserved	401,893	962,709	11,467,820	821,044	19,460,467	23,870,553
Total fund balances	26,104,311	962,709	23,237,964	1,180,191	31,021,716	27,227,265
Total liabilities and fund balances	\$ 30,781,677	26,268,586	28,480,679	1,528,987	33,115,112	27,822,155

EXHIBIT D

Fairfax- Falls Church Community Services Board	Reston Community Center	McLean Community Center	Burgundy Village Community Center	Integrated Pest Management Program	E-911	
ASSETS						
11,733,365	5,326,451	5,954,814	132,074	2,629,162	13,358,672	Equity in pooled cash and temporary investments
-	36,029	26,679	3,095	12,246	1,793,633	Receivables (net of allowances):
-	15,501	16,689	391	7,554	35,156	Accounts
-	-	-	-	-	-	Accrued interest
218,566	-	-	-	-	-	Loans
143	2,353	-	-	239	-	Due from intergovernmental units
11,952,074	5,380,334	5,998,182	135,560	2,649,201	15,187,461	Prepaid and other assets
Total assets						
LIABILITIES AND FUND BALANCES						
Liabilities:						
3,096,797	67,037	43,358	45	14,699	2,777,067	Accounts payable and accrued liabilities
3,517,062	145,883	87,213	1,163	36,194	654,940	Accrued salaries and benefits
-	-	-	-	-	-	Contract retainages
857,212	31,015	23,649	134	7,135	211,878	Interfund payables
1,993,428	222,237	83,809	300	12,246	-	Deferred revenue
9,464,499	466,172	238,029	1,642	70,274	3,643,885	Total liabilities
Fund balances:						
Reserved for:						
1,288,807	194,990	428,704	-	198,693	1,082,228	Encumbrances
-	-	-	-	-	-	Long-term loans
1,198,768	4,719,172	5,331,449	133,918	2,380,234	10,461,348	Unreserved
2,487,575	4,914,162	5,760,153	133,918	2,578,927	11,543,576	Total fund balances
11,952,074	5,380,334	5,998,182	135,560	2,649,201	15,187,461	Total liabilities and fund balances

continued

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	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	\$ 2,001,792	6,221,775	8,459,482	19,473,504	67,530,399
Receivables (net of allowances):					
Accounts	16,191	195,454	1,584,736	1,376,163	322,293
Accrued interest	5,804	19,516	28,855	49,551	182,183
Loans	-	-	-	-	-
Due from intergovernmental units	-	110,987	864,720	6,930	-
Prepaid and other assets	-	-	157	-	157
Total assets	\$ 2,023,787	6,547,732	10,937,950	20,906,148	68,035,032
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 672	262,055	1,077,151	125,926	1,194,311
Accrued salaries and benefits	-	328,872	387,027	24,516	121,787
Contract retainages	-	-	-	-	428,591
Interfund payables	-	97,501	115,668	7,036	32,653
Deferred revenue	16,191	148,928	28,000	-	-
Total liabilities	16,863	837,356	1,607,846	157,478	1,777,342
Fund balances:					
Reserved for:					
Encumbrances	-	1,538,590	132,594	12,028	5,168,024
Long-term loans	-	-	-	-	-
Unreserved	2,006,924	4,171,786	9,197,510	20,736,642	61,089,666
Total fund balances	2,006,924	5,710,376	9,330,104	20,748,670	66,257,690
Total liabilities and fund balances	\$ 2,023,787	6,547,732	10,937,950	20,906,148	68,035,032

EXHIBIT D
concluded

Alcohol Safety Action Program	Community Development Block Grant	Housing Trust	HOME Investment Partnership Grant	Total Special Revenue Funds	
					ASSETS
155,199	125,210	18,524,127	237,320	271,460,205	Equity in pooled cash and temporary investments
-	-	-	-	9,146,514	Receivables (net of allowances):
215	1,569	278,955	-	794,669	Accounts
-	3,445,391	8,177,348	154,366	11,777,105	Accrued interest
-	414,185	63,473	776,538	34,940,603	Loans
-	-	-	18,842	2,004,299	Due from intergovernmental units
155,414	3,986,355	27,043,903	1,187,066	330,123,395	Prepaid and other assets
					Total assets
					LIABILITIES AND FUND BALANCES
					Liabilities:
113	31,036	7,685,722	150,543	26,876,079	Accounts payable and accrued liabilities
73,191	86,018	-	7,237	6,761,599	Accrued salaries and benefits
-	28,489	-	-	518,002	Contract retainages
13,891	17,266	-	778,268	3,240,813	Interfund payables
-	-	-	-	28,019,707	Deferred revenue
87,195	162,809	7,685,722	936,048	65,416,200	Total liabilities
					Fund balances:
					Reserved for:
-	1,210,776	3,966,452	650,349	68,621,905	Encumbrances
-	3,445,391	8,177,348	154,366	11,777,105	Long-term loans
68,219	(832,621)	7,214,381	(553,697)	184,308,185	Unreserved
68,219	3,823,546	19,358,181	251,018	264,707,195	Total fund balances
155,414	3,986,355	27,043,903	1,187,066	330,123,395	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, 2006

	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	-	-	-	-	-	13,664,620
Intergovernmental	18,766,000	-	61,981,352	2,141,727	1,388,432	-
Charges for services	5,652,711	-	55,577	120,203	-	1,971
Fines and forfeitures	-	-	-	-	-	800
Developers' contributions	284,000	-	-	-	-	-
Revenue from the use of money and property	323,152	872,639	289,615	-	1,320,711	1,973
Recovered costs	-	-	1,605,045	88,094	-	-
Gifts, donations, and contributions	-	-	525,247	468,356	-	-
Total revenues	25,025,863	872,639	64,456,836	2,818,380	2,709,143	13,669,364
EXPENDITURES						
Current:						
General government administration	-	-	880,808	-	11,439,022	-
Judicial administration	-	-	770,458	-	-	-
Public safety	-	-	34,500,152	-	-	-
Public works	-	-	2,147,301	-	-	-
Health and welfare	-	-	27,289,917	3,486,682	-	-
Community development	36,747,188	-	74,086	684,325	-	5,813,630
Parks, recreation, and cultural	-	-	442,642	1,023,094	-	-
Intergovernmental:						
Community development	3,416,775	-	-	-	-	-
Education - for Public Schools	-	-	-	-	-	2,118,159
Capital outlay:						
General government administration	-	-	69,974	-	804,220	-
Public safety	-	-	1,576,908	-	-	-
Public works	-	-	6,794	-	-	-
Health and welfare	-	-	-	-	-	-
Community development	407,080	-	1,959,264	-	-	1,566,515
Parks, recreation, and cultural	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	518,730	-	700,703	-
Interest and other charges	-	-	28,546	-	164,141	-
Total expenditures	40,571,043	-	70,265,580	5,194,101	13,108,086	9,498,304
Excess (deficiency) of revenues over (under) expenditures	(15,545,180)	872,639	(5,808,744)	(2,375,721)	(10,398,943)	4,171,060
OTHER FINANCING SOURCES (USES)						
Transfers in	28,071,642	-	15,281,062	2,692,414	19,160,911	-
Transfers out	-	-	-	-	-	(2,104,307)
Total other financing sources (uses)	28,071,642	-	15,281,062	2,692,414	19,160,911	(2,104,307)
Net change in fund balances	12,526,462	872,639	9,472,318	316,693	8,761,968	2,066,753
Fund balances, July 1, 2005	13,577,849	90,070	13,765,646	863,498	22,259,748	25,160,512
Fund balances, June 30, 2006	\$ 26,104,311	962,709	23,237,964	1,180,191	31,021,716	27,227,265

EXHIBIT D-1

Fairfax-Falls Church Community Services Board	Reston Community Center	McLean Community Center	Burgundy Village Community Center	Integrated Pest Management Program	E-911	
						REVENUES
-	-	-	-	-	19,947,399	Local sales and use taxes
-	-	-	-	-	-	Permits, privilege fees, and regulatory licenses
23,837,059	-	6,270	-	42,801	3,838,306	Intergovernmental
14,061,947	6,824,422	4,882,339	20,484	1,774,634	-	Charges for services
-	-	-	-	-	-	Fines and forfeitures
-	-	-	-	-	-	Developers' contributions
-	354,105	321,498	24,639	115,767	618,687	Revenue from the use of money and property
104,715	-	-	-	-	-	Recovered costs
-	-	-	-	-	-	Gifts, donations, and contributions
38,003,721	7,178,527	5,210,107	45,123	1,933,202	24,404,392	Total revenues
						EXPENDITURES
						Current:
-	-	-	-	-	-	General government administration
-	-	-	-	-	-	Judicial administration
-	-	-	-	-	31,361,167	Public safety
-	-	-	-	-	-	Public works
129,206,110	-	-	-	1,028,414	-	Health and welfare
-	-	-	-	542,869	-	Community development
-	5,385,382	3,226,983	38,528	-	-	Parks, recreation, and cultural
						Intergovernmental:
-	-	-	-	-	-	Community development
-	-	-	-	-	-	Education - for Public Schools
						Capital outlay:
-	-	-	-	-	-	General government administration
-	-	-	-	-	165,032	Public safety
-	-	-	-	-	-	Public works
185,135	-	-	-	-	-	Health and welfare
-	-	-	-	11,969	-	Community development
-	581,733	333,832	-	-	-	Parks, recreation, and cultural
						Debt service:
-	17,847	-	-	-	2,410,423	Principal retirement
-	47,625	-	-	-	134,089	Interest and other charges
129,391,245	6,032,587	3,560,815	38,528	1,583,252	34,070,711	Total expenditures
(91,387,524)	1,145,940	1,649,292	6,595	349,950	(9,666,319)	Excess (deficiency) of revenues over (under) expenditures
						OTHER FINANCING SOURCES (USES)
90,977,221	-	-	-	-	13,745,258	Transfers in
-	-	-	-	-	-	Transfers out
90,977,221	-	-	-	-	13,745,258	Total other financing sources (uses)
(410,303)	1,145,940	1,649,292	6,595	349,950	4,078,939	Net change in fund balances
2,897,878	3,768,222	4,110,861	127,323	2,228,977	7,464,637	Fund balances, July 1, 2005
2,487,575	4,914,162	5,760,153	133,918	2,578,927	11,543,576	Fund balances, June 30, 2006

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, 2006

	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	-	-	45,200	-	3,600
Intergovernmental	-	126,362	-	-	-
Charges for services	1,902,974	14,862,754	53,333,466	34,160,893	4,838,528
Fines and forfeitures	-	-	-	-	-
Developers' contributions	-	-	-	-	-
Revenue from the use of money and property	150,443	941,374	1,575,777	750,755	3,176,248
Recovered costs	-	14,149	225,036	-	15,348
Gifts, donations, and contributions	-	-	-	-	-
Total revenues	2,053,417	15,944,639	55,179,479	34,911,648	8,033,724
EXPENDITURES					
Current:					
General government administration	-	-	-	-	-
Judicial administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,750,168	15,218,954	54,966,241	35,669,957	11,011,183
Health and welfare	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Intergovernmental:					
Community development	-	-	-	-	-
Education - for Public Schools	-	-	-	-	-
Capital outlay:					
General government administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	15,352	332,936	2,658,795	-	933,342
Health and welfare	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	1,765,520	15,551,890	57,625,036	35,669,957	11,944,525
Excess (deficiency) of revenues over (under) expenditures	287,897	392,749	(2,445,557)	(758,309)	(3,910,801)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	210,000	2,500,000	1,578,057	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	210,000	2,500,000	1,578,057	-
Net change in fund balances	287,897	602,749	54,443	819,748	(3,910,801)
Fund balances, July 1, 2005	1,719,027	5,107,627	9,275,661	19,928,922	70,168,491
Fund balances, June 30, 2006	\$ 2,006,924	5,710,376	9,330,104	20,748,670	66,257,690

EXHIBIT D-1
concluded

Alcohol Safety Action Program	Community Development Block Grant	Housing Trust	HOME Investment Partnership Grant	Total Special Revenue Funds	
REVENUES					
-	-	-	-	19,947,399	Local sales and use taxes
-	-	-	-	13,713,420	Permits, privilege fees, and regulatory licenses
1,649,045	8,434,951	-	2,716,006	123,279,266	Intergovernmental
-	-	-	-	144,141,948	Charges for services
-	-	-	-	800	Fines and forfeitures
-	-	1,984,962	-	2,268,962	Developers' contributions
2,203	107,672	966,945	62,224	11,976,427	Revenue from the use of money and property
-	-	-	-	2,052,387	Recovered costs
-	-	-	-	993,603	Gifts, donations, and contributions
1,651,248	8,542,623	2,951,907	2,778,230	318,374,212	Total revenues
EXPENDITURES					
Current:					
-	-	-	-	12,319,830	General government administration
-	-	-	-	770,458	Judicial administration
-	-	-	-	65,861,319	Public safety
-	-	-	-	120,763,804	Public works
1,717,439	-	-	-	162,728,562	Health and welfare
-	8,136,750	8,952,413	2,659,005	63,610,266	Community development
-	-	-	-	10,116,629	Parks, recreation, and cultural
Intergovernmental:					
-	-	-	-	3,416,775	Community development
-	-	-	-	2,118,159	Education - for Public Schools
Capital outlay:					
-	-	-	-	874,194	General government administration
-	-	-	-	1,741,940	Public safety
-	-	-	-	3,947,219	Public works
-	-	-	-	185,135	Health and welfare
-	-	666,646	7,940	4,619,414	Community development
-	-	-	-	915,565	Parks, recreation, and cultural
Debt service:					
-	230,000	-	-	3,877,703	Principal retirement
-	222,853	-	-	597,254	Interest and other charges
1,717,439	8,589,603	9,619,059	2,666,945	458,464,226	Total expenditures
(66,191)	(46,980)	(6,667,152)	111,285	(140,090,014)	Excess (deficiency) of revenues over (under) expenditures
OTHER FINANCING SOURCES (USES)					
-	-	-	-	174,216,565	Transfers in
-	-	-	-	(2,104,307)	Transfers out
-	-	-	-	172,112,258	Total other financing sources (uses)
(66,191)	(46,980)	(6,667,152)	111,285	32,022,244	Net change in fund balances
134,410	3,870,526	26,025,333	139,733	232,684,951	Fund balances, July 1, 2005
68,219	3,823,546	19,358,181	251,018	264,707,195	Fund balances, June 30, 2006

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - County Transit Systems Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2A

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 8,244,534	19,571,000	18,766,000	(805,000)
Charges for services	770,000	470,000	339,019	(130,981)
Developers' contributions	-	284,000	284,000	-
Revenue from the use of money and property	-	300,000	330,216	30,216
Total revenues	9,014,534	20,625,000	19,719,235	(905,765)
EXPENDITURES				
Community development	35,492,886	61,983,422	35,264,415	26,719,007
Total expenditures	35,492,886	61,983,422	35,264,415	26,719,007
Excess (deficiency) of revenues over (under) expenditures	(26,478,352)	(41,358,422)	(15,545,180)	25,813,242
OTHER FINANCING SOURCES				
Transfers in	25,829,263	28,071,642	28,071,642	-
Total other financing sources	25,829,263	28,071,642	28,071,642	-
Net change in fund balance	\$ (649,089)	(13,286,780)	12,526,462	25,813,242

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 16,866,693	16,866,693	17,849,885	983,192
Revenue from the use of money and property	403,273	403,273	823,783	420,510
Total revenues	17,269,966	17,269,966	18,673,668	1,403,702
EXPENDITURES				
Net change in fund balance	\$ 17,269,966	17,269,966	18,673,668	1,403,702

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Federal/State Grant Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2C

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 57,875,837	131,780,755	61,981,352	(69,799,403)
Charges for services	-	-	55,577	55,577
Revenue from the use of money and property	-	-	289,615	289,615
Recovered costs	-	796,619	1,605,045	808,426
Gifts, donations, and contributions	6,600,566	15,288,716	6,314,652	(8,974,064)
Total revenues	64,476,403	147,866,090	70,246,241	(77,619,849)
EXPENDITURES				
General government administration	62,983,324	15,796,994	950,782	14,846,212
Judicial administration	-	1,096,242	770,458	325,784
Public safety	6,814,586	73,862,847	36,625,091	37,237,756
Public works	-	30,233,761	2,154,095	28,079,666
Health and welfare	-	43,585,632	27,289,918	16,295,714
Community development	-	5,560,337	2,033,349	3,526,988
Parks, recreation, and cultural	-	749,232	442,642	306,590
Total expenditures	69,797,910	170,885,045	70,266,335	100,618,710
Excess (deficiency) of revenues over (under) expenditures	(5,321,507)	(23,018,955)	(20,094)	22,998,861
OTHER FINANCING SOURCES				
Transfers in	5,321,507	9,491,657	9,491,657	-
Total other financing sources	5,321,507	9,491,657	9,491,657	-
Net change in fund balance	\$ -	(13,527,298)	9,471,563	22,998,861

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,083,550	2,595,480	2,141,727	(453,753)
Charges for services	111,076	120,203	120,203	-
Recovered costs	76,656	92,356	88,094	(4,262)
Gifts, donations, and contributions	369,681	526,816	468,356	(58,460)
Total revenues	2,640,963	3,334,855	2,818,380	(516,475)
EXPENDITURES				
Health and welfare	3,522,444	4,554,942	3,486,682	1,068,260
Community development	717,828	967,559	684,325	283,234
Parks, recreation, and cultural	959,304	1,368,266	1,023,094	345,172
Total expenditures	5,199,576	6,890,767	5,194,101	1,696,666
Excess (deficiency) of revenues over (under) expenditures	(2,558,613)	(3,555,912)	(2,375,721)	1,180,191
OTHER FINANCING SOURCES				
Transfers in	2,558,613	2,692,414	2,692,414	-
Total other financing sources	2,558,613	2,692,414	2,692,414	-
Net change in fund balance	\$ -	(863,498)	316,693	1,180,191

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Information Technology Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2E

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	914,744	1,388,432	473,688
Revenue from the use of money and property	205,000	826,069	1,324,210	498,141
Total revenues	205,000	1,740,813	2,712,642	971,829
EXPENDITURES				
General government administration	13,611,574	43,065,099	13,108,086	29,957,013
Total expenditures	13,611,574	43,065,099	13,108,086	29,957,013
Excess (deficiency) of revenues over (under) expenditures	(13,406,574)	(41,324,286)	(10,395,444)	30,928,842
OTHER FINANCING SOURCES				
Transfers in	13,406,574	19,160,911	19,160,911	-
Total other financing sources	13,406,574	19,160,911	19,160,911	-
Net change in fund balance	\$ -	(22,163,375)	8,765,467	30,928,842

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Permits, privilege fees, and regulatory licenses \$	12,139,634	12,139,634	13,664,620	1,524,986
Charges for services	2,800	2,800	1,971	(829)
Fines and forfeitures	-	-	800	800
Revenue from the use of money and property	-	-	1,973	1,973
Total revenues	12,142,434	12,142,434	13,669,364	1,526,930
EXPENDITURES				
Community development	8,207,102	26,010,900	7,380,144	18,630,756
Total expenditures	8,207,102	26,010,900	7,380,144	18,630,756
Excess (deficiency) of revenues over (under) expenditures	3,935,332	(13,868,466)	6,289,220	20,157,686
OTHER FINANCING USES				
Transfers out	(2,104,307)	(2,104,307)	(2,104,307)	-
Transfers out to component units	(2,118,159)	(2,118,159)	(2,118,159)	-
Total other financing uses	(4,222,466)	(4,222,466)	(4,222,466)	-
Net change in fund balance	\$ (287,134)	(18,090,932)	2,066,754	20,157,686

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund

EXHIBIT D-2G

Budgetary Comparison Schedule - Fairfax-Falls Church Community Services Board Fund (Budget Basis)
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 23,107,832	25,766,286	23,837,059	(1,929,227)
Charges for services	12,558,592	13,623,857	14,166,662	542,805
Total revenues	35,666,424	39,390,143	38,003,721	(1,386,422)
EXPENDITURES				
Health and welfare	126,643,645	132,306,299	129,391,506	2,914,793
Total expenditures	126,643,645	132,306,299	129,391,506	2,914,793
Excess (deficiency) of revenues over (under) expenditures	(90,977,221)	(92,916,156)	(91,387,785)	1,528,371
OTHER FINANCING SOURCES				
Transfers in	90,977,221	90,977,221	90,977,221	-
Total other financing sources	90,977,221	90,977,221	90,977,221	-
Net change in fund balance	\$ -	(1,938,935)	(410,564)	1,528,371

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 6,064,038	6,064,038	6,824,422	760,384
Revenue from the use of money and property	116,228	116,228	354,801	238,573
Total revenues	6,180,266	6,180,266	7,179,223	998,957
EXPENDITURES				
Parks, recreation, and cultural	6,210,922	7,933,193	6,032,587	1,900,606
Total expenditures	6,210,922	7,933,193	6,032,587	1,900,606
Net change in fund balance	\$ (30,656)	(1,752,927)	1,146,636	2,899,563

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - McLean Community Center Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2I

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,150	10,150	6,270	(3,880)
Charges for services	4,322,843	4,322,843	4,882,339	559,496
Revenue from the use of money and property	131,858	131,858	320,953	189,095
Total revenues	4,464,851	4,464,851	5,209,562	744,711
EXPENDITURES				
Parks, recreation, and cultural	3,748,474	4,833,563	3,560,815	1,272,748
Total expenditures	3,748,474	4,833,563	3,560,815	1,272,748
Net change in fund balance	\$ 716,377	(368,712)	1,648,747	2,017,459

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 17,471	17,471	20,484	3,013
Revenue from the use of money and property	25,316	25,316	24,724	(592)
Total revenues	42,787	42,787	45,208	2,421
EXPENDITURES				
Parks, recreation, and cultural	43,092	50,092	38,528	11,564
Total expenditures	43,092	50,092	38,528	11,564
Net change in fund balance	\$ (305)	(7,305)	6,680	13,985

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	-	42,801	42,801
Charges for services	1,441,816	1,441,816	1,774,634	332,818
Revenue from the use of money and property	30,890	30,890	117,539	86,649
Total revenues	1,472,706	1,472,706	1,934,974	462,268
EXPENDITURES				
Health and welfare	1,501,574	1,612,630	1,028,414	584,216
Community development	932,212	941,990	554,838	387,152
Total expenditures	2,433,786	2,554,620	1,583,252	971,368
Net change in fund balance	\$ (961,080)	(1,081,914)	351,722	1,433,636

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT D-2L

Special Revenue Fund

Budgetary Comparison Schedule - Consolidated Community Funding Pool Fund (Budget Basis)

For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	-	-	-
EXPENDITURES				
Health and welfare	7,470,111	7,733,636	7,684,493	49,143
Total expenditures	7,470,111	7,733,636	7,684,493	49,143
Excess (deficiency) of revenues over (under) expenditures	(7,470,111)	(7,733,636)	(7,684,493)	49,143
OTHER FINANCING SOURCES				
Transfers in	7,470,111	7,470,111	7,470,111	-
Total other financing sources	7,470,111	7,470,111	7,470,111	-
Net change in fund balance	\$ -	(263,525)	(214,382)	49,143

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Contributory Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2M

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	-	-	-
EXPENDITURES				
General government administration	1,882,921	1,882,921	1,787,682	95,239
Public safety	451,328	451,328	451,328	-
Health and welfare	1,483,303	1,483,303	1,483,303	-
Community development	3,435,112	3,460,112	3,460,096	16
Parks, recreation, and cultural	3,275,637	4,825,637	3,825,637	1,000,000
Total expenditures	10,528,301	12,103,301	11,008,046	1,095,255
Excess (deficiency) of revenues over (under) expenditures	(10,528,301)	(12,103,301)	(11,008,046)	1,095,255
OTHER FINANCING SOURCES				
Transfers in	10,528,301	12,103,301	12,103,301	-
Total other financing sources	10,528,301	12,103,301	12,103,301	-
Net change in fund balance	\$ -	-	1,095,255	1,095,255

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - E-911 Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2N

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sales and use taxes	\$ 19,855,915	19,855,915	19,187,176	(668,739)
Intergovernmental	2,848,448	2,848,448	3,838,306	989,858
Revenue from the use of money and property	51,103	51,103	618,467	567,364
Total revenues	22,755,466	22,755,466	23,643,949	888,483
EXPENDITURES				
Public safety	36,500,724	42,357,339	34,070,711	8,286,628
Total expenditures	36,500,724	42,357,339	34,070,711	8,286,628
Excess (deficiency) of revenues over (under) expenditures	(13,745,258)	(19,601,873)	(10,426,762)	9,175,111
OTHER FINANCING SOURCES				
Transfers in	13,745,258	13,745,258	13,745,258	-
Total other financing sources	13,745,258	13,745,258	13,745,258	-
Net change in fund balance	\$ -	(5,856,615)	3,318,496	9,175,111

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Leaf Collection Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2o

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,581,117	1,882,825	1,902,974	20,149
Revenue from the use of money and property	72,085	118,795	151,226	32,431
Total revenues	1,653,202	2,001,620	2,054,200	52,580
EXPENDITURES				
Public works	1,670,108	1,908,555	1,765,520	143,035
Total expenditures	1,670,108	1,908,555	1,765,520	143,035
Net change in fund balance	\$ (16,906)	93,065	288,680	195,615

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ -	126,362	126,362	-
Charges for services	15,167,749	15,178,796	14,862,754	(316,042)
Revenue from the use of money and property	405,481	597,710	949,176	351,466
Recovered costs	-	-	14,149	14,149
Total revenues	15,573,230	15,902,868	15,952,441	49,573
EXPENDITURES				
Public works	17,489,150	18,638,156	15,551,890	3,086,266
Total expenditures	17,489,150	18,638,156	15,551,890	3,086,266
Excess (deficiency) of revenues over (under) expenditures	(1,915,920)	(2,735,288)	400,551	3,135,839
OTHER FINANCING SOURCES				
Transfers in	-	210,000	210,000	-
Total other financing sources	-	210,000	210,000	-
Net change in fund balance	\$ (1,915,920)	(2,525,288)	610,551	3,135,839

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Refuse Disposal Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2Q

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Permits, privilege fees, and regulatory licenses \$	42,000	42,000	45,200	3,200
Charges for services	56,544,657	56,544,657	53,333,466	(3,211,191)
Revenue from the use of money and property	1,386,470	1,386,470	1,590,553	204,083
Recovered costs	137,500	137,500	225,036	87,536
Total revenues	58,110,627	58,110,627	55,194,255	(2,916,372)
EXPENDITURES				
Public works	61,725,708	64,117,449	57,625,036	6,492,413
Total expenditures	61,725,708	64,117,449	57,625,036	6,492,413
Excess (deficiency) of revenues over (under) expenditures	(3,615,081)	(6,006,822)	(2,430,781)	3,576,041
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	\$ (1,115,081)	(3,506,822)	69,219	3,576,041

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 36,257,890	36,257,890	34,160,893	(2,096,997)
Revenue from the use of money and property	286,705	656,415	764,692	108,277
Total revenues	36,544,595	36,914,305	34,925,585	(1,988,720)
EXPENDITURES				
Public works	36,414,668	38,136,219	37,046,439	1,089,780
Total expenditures	36,414,668	38,136,219	37,046,439	1,089,780
Excess (deficiency) of revenues over (under) expenditures	129,927	(1,221,914)	(2,120,854)	(898,940)
OTHER FINANCING SOURCES				
Transfers in	-	1,578,057	1,578,057	-
Total other financing sources	-	1,578,057	1,578,057	-
Net change in fund balance	\$ 129,927	(1,221,914)	(2,120,854)	(898,940)

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, 2006

	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	3,600	(3,600)
Charges for services	5,107,355	5,107,355	4,838,528	(268,827)
Revenue from the use of money and property	1,138,787	1,138,787	3,253,034	2,114,247
Recovered costs	17,522	17,522	15,348	(2,174)
Total revenues	6,270,864	6,270,864	8,110,510	1,839,646
EXPENDITURES				
Public works	7,501,799	39,143,298	11,944,525	27,198,773
Total expenditures	7,501,799	39,143,298	11,944,525	27,198,773
Net change in fund balance	\$ (1,230,935)	(32,872,434)	(3,834,015)	29,038,419

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,310,000	16,020,622	8,434,951	(7,585,671)
Revenue from the use of money and property	-	-	646,740	646,740
Total revenues	7,310,000	16,020,622	9,081,691	(6,938,931)
EXPENDITURES				
Community development	7,310,000	16,898,006	9,593,276	7,304,730
Total expenditures	7,310,000	16,898,006	9,593,276	7,304,730
Net change in fund balance	\$ -	(877,384)	(511,585)	365,799

COUNTY OF FAIRFAX, VIRGINIA
Special Revenue Fund
Budgetary Comparison Schedule - Housing Trust Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT D-2U

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Developers' contributions	\$ 1,400,000	1,400,000	1,984,962	584,962
Revenue from the use of money and property	285,061	285,061	1,119,447	834,386
Total revenues	1,685,061	1,685,061	3,104,409	1,419,348
EXPENDITURES				
Community development	1,685,061	25,033,642	16,188,303	8,845,339
Total expenditures	1,685,061	25,033,642	16,188,303	8,845,339
Net change in fund balance	\$ -	(23,348,581)	(13,083,894)	10,264,687

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,616,315	11,125,669	2,716,006	(8,409,663)
Revenue from the use of money and property	-	40,864	62,224	21,360
Total revenues	2,616,315	11,166,533	2,778,230	(8,388,303)
EXPENDITURES				
Community development	2,616,315	11,199,902	2,714,645	8,485,257
Total expenditures	2,616,315	11,199,902	2,714,645	8,485,257
Net change in fund balance	\$ -	(33,369)	63,585	96,954



The **Debt Service Fund** is used to account for the accumulation of resources for and the payments of bond principal, interest, and related expenses. The Debt Service Fund is used to account for the funds accumulated and expended for the payment of principal, interest, and other costs applicable to general obligation bond issues, certain lease revenue bonds, and loans received from the Literary Fund of Virginia. Prior to FY 2006, the Debt Service Fund was reported as two separate funds: the County Debt Service Fund and the School Debt Service Fund. Effective FY 2006, the funds were consolidated into a single fund to improve efficiency for budgeting, payment, and accounting for debt service.

COUNTY OF FAIRFAX, VIRGINIA
Debt Service Fund
Balance Sheet
June 30, 2006

EXHIBIT E

ASSETS	
Equity in pooled cash and temporary investments	\$ 8,361,379
Loan to component unit	15,530,000
Lease to component unit	60,070,000
Restricted assets - Cash with fiscal agents	84,018
Total assets	\$ 84,045,397
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 2,694
Matured bond principal and interest payable	81,638
Deferred revenue	60,070,000
Total liabilities	60,154,332
Fund balances:	
Reserved for long-term loan	15,530,000
Unreserved	8,361,065
Total fund balances	23,891,065
Total liabilities and fund balances	\$ 84,045,397

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT E-1

Debt Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the fiscal year ended June 30, 2006

REVENUES	
Intergovernmental	\$ 89,230
Revenue from the use of money and property	3,917,823
Total revenues	4,007,053
EXPENDITURES	
Principal retirement:	
County	67,748,381
Schools	81,427,683
Interest:	
County	39,670,925
Schools	50,478,712
Bond issuance costs and other	1,731,544
Total expenditures	241,057,245
Deficiency of revenues under expenditures	(237,050,192)
OTHER FINANCING SOURCES (USES)	
Transfers in from:	
General Fund	228,996,600
Capital projects funds	529,469
General obligation refunding bonds issued	353,245,000
Premium on general obligation refunding bonds issued	28,737,418
Payments to refunded bonds escrow agent	(381,019,900)
Lease principal payments from component unit	620,000
Total other financing sources (uses)	231,108,587
Net change in fund balances	(5,941,605)
Fund balances, July 1, 2005	29,832,670
Fund balances, June 30, 2006	\$ 23,891,065

COUNTY OF FAIRFAX, VIRGINIA
Debt Service Fund
Budgetary Comparison Schedule (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT E-2

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 85,345	85,345	60,619	(24,726)
Total revenues	85,345	85,345	60,619	(24,726)
EXPENDITURES				
Principal retirement:				
County	66,891,381	66,891,381	67,748,381	(857,000)
Schools	81,469,683	81,469,683	81,427,683	42,000
Interest:				
County	38,657,798	38,657,798	36,552,775	2,105,023
Schools	52,157,295	52,157,295	48,664,015	3,493,280
Bond issuance costs and other	878,000	878,000	845,501	32,499
Total expenditures	240,054,157	240,054,157	235,238,355	4,815,802
Excess (deficiency) of revenues over (under) expenditures	(239,968,812)	(239,968,812)	(235,177,736)	4,791,076
OTHER FINANCING SOURCES				
General obligation bonds issued	307,300	307,300	208,796	(98,504)
General obligation refunding bonds issued	570,700	570,700	386,728	(183,972)
Transfers in from:				
General Fund	228,996,600	228,996,600	228,996,600	-
Other funds	1,958,711	1,958,711	1,958,711	-
Total other financing sources	231,833,311	231,833,311	231,550,835	(282,476)
Net change in fund balance	\$ (8,135,501)	(8,135,501)	(3,626,901)	4,508,600

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.

Capital Facilities Renewal Construction Fund is used to account for the planned replacement of County government building subsystems such as roofs, electrical systems, HVAC systems, and plumbing systems that have reached the end of their useful life cycle. Projects are funded by the General Fund.

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.

Stormwater Management Program Fund is used to account for the planned allocation of funding by the Board of Supervisors to prioritize and implement stormwater improvement projects. Projects are funded by the dedication of the value of one penny of the real estate tax rate and the General Fund, as necessary.

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 Program 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.

The Penny for Affordable Housing Fund is used to account for the planned allocation of funding by the Board of Supervisors to prioritize and monitor affordable housing preservation initiatives. Projects are funded by the dedication of the value of one penny of the real estate tax rate.

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, 2006

	Countywide Roadway Improvement	Contributed Roadway Improvement	Library Construction	County Construction	Capital Facilities Renewal Construction
ASSETS					
Equity in pooled cash and temporary investments	\$ 1,045,809	40,242,384	4,477,733	44,917,322	11,365,960
Receivables:					
Accrued interest	-	107,728	-	-	-
Loans	-	-	-	-	-
Due from intergovernmental units	-	-	12,018	-	-
Due from component units	-	-	-	-	-
Prepaid and other assets	-	-	-	-	-
Restricted assets:					
Equity in pooled cash and temporary investments	-	-	6,159,256	-	-
Cash with fiscal agents	-	-	-	238,231	-
Total assets	\$ 1,045,809	40,350,112	10,649,007	45,155,553	11,365,960
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 18,000	183,478	883,689	417,204	415,715
Contract retainages	21,898	195,352	49,382	27,443	-
Accrued interest payable	-	-	-	-	-
Due to component units	-	-	-	222,593	-
Interfund payables	-	-	-	-	-
Short-term notes payable	-	-	-	-	-
Deferred revenue	-	8,556,452	-	-	-
Performance and other deposits	-	-	-	27,762	-
Total liabilities	39,898	8,935,282	933,071	695,002	415,715
Fund balances:					
Reserved for:					
Encumbrances	160,202	1,495,647	6,894,737	7,048,980	1,090,067
Long-term loans	-	-	-	-	-
Certain capital projects	-	-	-	-	-
Unreserved (deficits)	845,709	29,919,183	2,821,199	37,411,571	9,860,178
Total fund balances	1,005,911	31,414,830	9,715,936	44,460,551	10,950,245
Total liabilities and fund balances	\$ 1,045,809	40,350,112	10,649,007	45,155,553	11,365,960

EXHIBIT F

Primary and Secondary Road Bond Construction	Sidewalk Construction	Public Works Construction	Metro Operations and Construction	Stormwater Management Program	Storm Drainage Bond Construction	
ASSETS						
7,143,230	1,946,874	7,427,471	3,003,676	14,339,155	1,019	Equity in pooled cash and temporary investments
-	-	-	-	-	-	Receivables:
-	-	-	-	-	-	Accrued interest
454,261	-	-	-	-	-	Loans
-	-	-	-	-	-	Due from intergovernmental units
-	-	-	-	-	-	Due from component units
-	-	-	9,770,075	-	-	Prepaid and other assets
Restricted assets:						
14,474,083	-	4,746,923	5,293,327	-	1,503,119	Equity in pooled cash and temporary investments
-	-	-	-	-	-	Cash with fiscal agents
22,071,574	1,946,874	12,174,394	18,067,078	14,339,155	1,504,138	Total assets
LIABILITIES AND FUND BALANCES						
Liabilities:						
2,443,179	94,455	163,653	-	760,134	150,179	Accounts payable and accrued liabilities
135,288	12,766	20,228	-	7,224	53,731	Contract retainages
-	-	1,026,351	-	-	1,816	Accrued interest payable
-	-	-	-	-	-	Due to component units
-	-	-	-	-	-	Interfund payables
-	-	-	-	-	-	Short-term notes payable
-	-	-	-	-	-	Deferred revenue
12,420	376,133	4,934,357	-	-	-	Performance and other deposits
2,590,887	483,354	6,144,589	-	767,358	205,726	Total liabilities
Fund balances:						
Reserved for:						
22,038,724	443,311	2,303,829	-	7,704,480	862,390	Encumbrances
-	-	-	-	-	-	Long-term loans
-	-	-	5,293,327	-	640,729	Certain capital projects
(2,558,037)	1,020,209	3,725,976	12,773,751	5,867,317	(204,707)	Unreserved (deficits)
19,480,687	1,463,520	6,029,805	18,067,078	13,571,797	1,298,412	Total fund balances
22,071,574	1,946,874	12,174,394	18,067,078	14,339,155	1,504,138	Total liabilities and fund balances

continued

COUNTY OF FAIRFAX, VIRGINIA
Capital Projects Funds
Combining Balance Sheet
June 30, 2006

	County Bond Construction	Public Safety Construction	Trail Construction	Neighborhood Improvement Program	Commercial Revitalization Program
ASSETS					
Equity in pooled cash and temporary investments	\$ 2,389,075	123,836,167	37,354	221,659	793,995
Receivables:					
Accrued interest	-	-	-	-	-
Loans	-	-	-	-	-
Due from intergovernmental units	1,856,150	-	-	-	-
Due from component units	1,173,933	-	-	-	-
Prepaid and other assets	-	-	-	-	-
Restricted assets:					
Equity in pooled cash and temporary investments	12,196,129	933,274	-	210,651	353,264
Cash with fiscal agents	-	-	-	-	-
Total assets	\$ 17,615,287	124,769,441	37,354	432,310	1,147,259
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 320,410	9,597,334	-	-	-
Contract retainages	187,621	3,354,545	399	-	-
Accrued interest payable	-	-	-	-	-
Due to component units	7,081,452	-	-	-	-
Interfund payables	-	-	-	-	-
Short-term notes payable	-	-	-	-	-
Deferred revenue	2,642,000	-	-	-	-
Performance and other deposits	-	-	-	-	353,264
Total liabilities	10,231,483	12,951,879	399	-	353,264
Fund balances:					
Reserved for:					
Encumbrances	2,864,148	59,260,635	-	-	352,555
Long-term loans	-	-	-	-	-
Certain capital projects	10,505,914	-	-	210,651	-
Unreserved (deficits)	(5,986,258)	52,556,927	36,955	221,659	441,440
Total fund balances	7,383,804	111,817,562	36,955	432,310	793,995
Total liabilities and fund balances	\$ 17,615,287	124,769,441	37,354	432,310	1,147,259

EXHIBIT F
concluded

Pro Rata Drainage Construction	Housing Assistance Program	Housing General Obligation Bond Construction	The Penny for Affordable Housing	Total Capital Projects Funds	
					ASSETS
24,007,972	24,458	-	2,891,921	290,113,234	Equity in pooled cash and temporary investments
					Receivables:
-	-	-	37,814	145,542	Accrued interest
-	-	-	3,350,000	3,350,000	Loans
-	-	-	-	2,322,429	Due from intergovernmental units
-	-	-	-	1,173,933	Due from component units
-	-	-	-	9,770,075	Prepaid and other assets
					Restricted assets:
-	-	27,926	-	45,897,952	Equity in pooled cash and temporary investments
-	-	-	-	238,231	Cash with fiscal agents
24,007,972	24,458	27,926	6,279,735	353,011,396	Total assets
					LIABILITIES AND FUND BALANCES
					Liabilities:
795,301	16,730	-	26,000	16,285,461	Accounts payable and accrued liabilities
3,322	73,821	14,269	-	4,157,289	Contract retainages
-	-	-	749,070	1,777,237	Accrued interest payable
-	-	-	-	7,304,045	Due to component units
-	550,000	-	-	550,000	Interfund payables
-	-	-	40,600,000	40,600,000	Short-term notes payable
23,205,446	-	-	37,814	34,441,712	Deferred revenue
-	-	-	-	5,703,936	Performance and other deposits
24,004,069	640,551	14,269	41,412,884	110,819,680	Total liabilities
					Fund balances:
					Reserved for:
3,951,921	1,419,477	-	2,389,510	120,280,613	Encumbrances
-	-	-	3,350,000	3,350,000	Long-term loans
-	-	27,926	-	16,678,547	Certain capital projects
(3,948,018)	(2,035,570)	(14,269)	(40,872,659)	101,882,556	Unreserved (deficits)
3,903	(616,093)	13,657	(35,133,149)	242,191,716	Total fund balances
24,007,972	24,458	27,926	6,279,735	353,011,396	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, 2006

	Countywide Roadway Improvement	Contributed Roadway Improvement	Library Construction	County Construction	Capital Facilities Renewal Construction
REVENUES					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	182,269	-	6,634,997	1,531,941
Charges for services	-	-	-	1,001,469	-
Developers' contributions	-	2,410,627	-	-	-
Revenue from the use of money and property	-	1,654,463	-	283,886	-
Recovered costs	4,809	-	23,851	753,562	-
Total revenues	4,809	4,247,359	23,851	8,673,914	1,531,941
EXPENDITURES					
Current:					
General government administration	-	-	-	425,656	2,002,806
Judicial administration	-	-	-	10,322	-
Public safety	-	-	-	360,824	26,262
Public works	-	-	-	322,654	-
Health and welfare	-	-	-	709,425	-
Community development	879,381	3,083,954	-	3,006,365	-
Parks, recreation, and cultural	-	-	6,979	4,887,048	-
Intergovernmental:					
Community development	-	537,705	-	-	-
Parks, recreation, and cultural	-	-	-	21,677,797	-
Education - for Public Schools	-	-	-	3,930,847	-
Capital outlay:					
General government administration	-	-	-	114,313	1,236,445
Judicial administration	-	-	-	5,373	-
Public safety	-	-	-	55,335	135,022
Public works	-	-	-	130,915	-
Health and welfare	-	-	-	315,002	1,470,080
Community development	47,632	-	-	255,002	-
Parks, recreation, and cultural	-	-	2,927,089	3,115,991	2,295,675
Debt service:					
Principal retirement	-	-	-	1,188,946	-
Interest and other charges	-	-	-	272,574	-
Total expenditures	927,013	3,621,659	2,934,068	40,784,389	7,166,290
Excess (deficiency) of revenues over (under) expenditures	(922,204)	625,700	(2,910,217)	(32,110,475)	(5,634,349)
OTHER FINANCING SOURCES (USES)					
Transfers in	153,279	100,000	3,568,882	29,005,840	12,172,663
Transfers out	(119,816)	(110,000)	-	(778,604)	(588,069)
General obligation bonds issued	-	-	7,360,000	-	5,000,000
Premium on general obligation bonds issued	-	-	740,000	-	-
Notes issued	-	-	-	12,900,000	-
Total other financing sources (uses)	33,463	(10,000)	11,668,882	41,127,236	16,584,594
Net change in fund balances	(888,741)	615,700	8,758,665	9,016,761	10,950,245
Fund balances, July 1, 2005	1,894,652	30,799,130	957,271	35,443,790	-
Fund balances, June 30, 2006	\$ 1,005,911	31,414,830	9,715,936	44,460,551	10,950,245

EXHIBIT F-1

Primary and Secondary Road Bond Construction	Sidewalk Construction	Public Works Construction	Metro Operations and Construction	Stormwater Management Program	Storm Drainage Bond Construction	
						REVENUES
-	-	-	-	17,900,000	-	Taxes
5,016,850	284,024	2,025,000	-	-	-	Intergovernmental
-	-	-	-	-	-	Charges for services
-	-	-	-	-	-	Developers' contributions
13,068	-	-	-	-	-	Revenue from the use of money and property
-	100,875	428,242	-	381	1,019	Recovered costs
5,029,918	384,899	2,453,242	-	17,900,381	1,019	Total revenues
						EXPENDITURES
						Current:
-	-	-	-	-	-	General government administration
-	-	-	-	-	-	Judicial administration
-	-	-	-	-	-	Public safety
-	-	3,180,147	-	1,830,311	636,082	Public works
-	-	-	-	-	-	Health and welfare
13,493,236	2,195,091	-	-	-	-	Community development
-	-	-	-	-	-	Parks, recreation, and cultural
-	-	-	21,558,040	-	-	Intergovernmental:
-	-	-	-	-	-	Community development
-	-	-	-	-	-	Parks, recreation, and cultural
-	-	-	-	-	-	Education - for Public Schools
						Capital outlay:
-	-	-	-	-	-	General government administration
-	-	-	-	-	-	Judicial administration
-	-	-	-	-	-	Public safety
-	-	352,973	-	2,498,273	679,438	Public works
-	-	-	-	-	-	Health and welfare
949,988	200,221	-	-	-	-	Community development
-	-	-	-	-	-	Parks, recreation, and cultural
						Debt service:
-	-	-	-	-	-	Principal retirement
-	-	-	-	-	-	Interest and other charges
14,443,224	2,395,312	3,533,120	21,558,040	4,328,584	1,315,520	Total expenditures
(9,413,306)	(2,010,413)	(1,079,878)	(21,558,040)	13,571,797	(1,314,501)	Excess (deficiency) of revenues over (under) expenditures
						OTHER FINANCING SOURCES (USES)
1,119,816	-	330,844	21,426,309	-	-	Transfers in
(100,000)	(153,279)	-	(1,684,071)	-	-	Transfers out
20,710,000	-	-	18,000,000	-	-	General obligation bonds issued
2,010,000	-	-	-	-	-	Premium on general obligation bonds issued
-	-	-	-	-	-	Notes issued
23,739,816	(153,279)	330,844	37,742,238	-	-	Total other financing sources (uses)
14,326,510	(2,163,692)	(749,034)	16,184,198	13,571,797	(1,314,501)	Net change in fund balances
5,154,177	3,627,212	6,778,839	1,882,880	-	2,612,913	Fund balances, July 1, 2005
19,480,687	1,463,520	6,029,805	18,067,078	13,571,797	1,298,412	Fund balances, June 30, 2006

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, 2006

	County Bond Construction	Public Safety Construction	Trail Construction	Neighborhood Improvement Program	Commercial Revitalization Program
REVENUES					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Developers' contributions	-	-	-	-	-
Revenue from the use of money and property	-	-	-	22,266	3,725
Recovered costs	49,208	1,104	-	-	80,988
Total revenues	49,208	1,104	-	22,266	84,713
EXPENDITURES					
Current:					
General government administration	3,091	-	-	-	-
Judicial administration	-	-	-	-	-
Public safety	103,488	402,317	-	-	-
Public works	-	-	-	-	-
Health and welfare	204,756	-	-	-	-
Community development	210,791	-	4,127	15,242	15,818
Parks, recreation, and cultural	-	-	-	-	-
Intergovernmental:					
Community development	-	-	-	-	-
Parks, recreation, and cultural	15,000,000	-	-	-	-
Education - for Public Schools	109,690,000	-	-	-	-
Capital outlay:					
General government administration	534,705	-	-	-	-
Judicial administration	-	227,593	-	-	-
Public safety	-	56,369,822	-	-	-
Public works	-	-	-	-	-
Health and welfare	604,729	-	-	-	-
Community development	8,434,785	-	-	-	630,920
Parks, recreation, and cultural	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	134,786,345	56,999,732	4,127	15,242	646,738
Excess (deficiency) of revenues over (under) expenditures	(134,737,137)	(56,998,628)	(4,127)	7,024	(562,025)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	19,445,000	-	-	-
Transfers out	(529,469)	-	-	-	-
General obligation bonds issued	128,520,000	5,750,000	-	-	-
Premium on general obligation bonds issued	6,874,050	-	-	-	-
Notes issued	-	-	-	-	-
Total other financing sources (uses)	134,864,581	25,195,000	-	-	-
Net change in fund balances	127,444	(31,803,628)	(4,127)	7,024	(562,025)
Fund balances, July 1, 2005	7,256,360	143,621,190	41,082	425,286	1,356,020
Fund balances, June 30, 2006	\$ 7,383,804	111,817,562	36,955	432,310	793,995

EXHIBIT F-1
concluded

Pro Rata Drainage Construction	Housing Assistance Program	Housing General Obligation Bond Construction	The Penny for Affordable Housing	Northern Virginia Regional Park Authority	Total Capital Projects Funds	
						REVENUES
-	-	-	17,900,000	-	35,800,000	Taxes
-	4,065	-	-	-	15,679,146	Intergovernmental
-	-	-	-	-	1,001,469	Charges for services
-	-	-	-	-	2,410,627	Developers' contributions
524	22,808	-	-	-	2,000,740	Revenue from the use of money and property
4,686,649	-	-	-	-	6,130,688	Recovered costs
4,687,173	26,873	-	17,900,000	-	63,022,670	Total revenues
						EXPENDITURES
						Current:
-	-	-	-	-	2,431,553	General government administration
-	-	-	-	-	10,322	Judicial administration
-	-	-	-	-	892,891	Public safety
2,282,971	-	-	-	-	8,252,165	Public works
-	-	-	-	-	914,181	Health and welfare
-	3,976,088	-	2,541,369	-	29,421,462	Community development
-	-	-	-	-	4,894,027	Parks, recreation, and cultural
						Intergovernmental:
-	-	-	-	2,500,000	24,595,745	Community development
-	-	-	-	-	36,677,797	Parks, recreation, and cultural
-	-	-	-	-	113,620,847	Education - for Public Schools
						Capital outlay:
-	-	-	-	-	1,885,463	General government administration
-	-	-	-	-	232,966	Judicial administration
-	-	-	-	-	56,560,179	Public safety
2,403,677	-	-	-	-	6,065,276	Public works
-	-	-	-	-	2,389,811	Health and welfare
-	-	-	49,599,710	-	60,118,258	Community development
-	-	-	-	-	8,338,755	Parks, recreation, and cultural
						Debt service:
-	-	-	-	-	1,188,946	Principal retirement
-	-	-	892,070	-	1,164,644	Interest and other charges
4,686,648	3,976,088	-	53,033,149	2,500,000	359,655,288	Total expenditures
						Excess (deficiency) of revenues over (under) expenditures
525	(3,949,215)	-	(35,133,149)	(2,500,000)	(296,632,618)	
						OTHER FINANCING SOURCES (USES)
-	935,000	-	-	-	88,257,633	Transfers in
-	-	-	-	-	(4,063,308)	Transfers out
-	-	-	-	5,000,000	190,340,000	General obligation bonds issued
-	-	-	-	-	9,624,050	Premium on general obligation bonds issued
-	-	-	-	-	12,900,000	Notes issued
-	935,000	-	-	5,000,000	297,058,375	Total other financing sources (uses)
525	(3,014,215)	-	(35,133,149)	2,500,000	425,757	Net change in fund balances
3,378	2,398,122	13,657	-	(2,500,000)	241,765,959	Fund balances, July 1, 2005
3,903	(616,093)	13,657	(35,133,149)	-	242,191,716	Fund balances, June 30, 2006



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, 2006

	Vehicle Services	Self- Insurance	Document Services	Technology Infrastructure Services
ASSETS				
Current assets:				
Equity in pooled cash and temporary investments	\$ 39,277,669	35,089,367	2,055,390	12,172,193
Accounts receivable	-	-	5,925	9,092
Accrued interest receivable	-	92,929	-	-
Due from intergovernmental units	-	-	-	-
Interfund receivables	-	-	-	-
Inventories of supplies	1,512,492	-	8,412	72,830
Prepaid and other assets	195,500	232	-	434
Total current assets	40,985,661	35,182,528	2,069,727	12,254,549
Long-term assets:				
Restricted assets - Cash with fiscal agents	-	187,000	-	-
Capital assets:				
Non-depreciable:				
Land	1,938,688	-	-	-
Depreciable:				
Equipment	62,614,860	-	8,625,932	15,671,039
Buildings and improvements	15,586,285	-	-	873,642
Accumulated depreciation	(47,357,939)	-	(3,351,724)	(11,032,485)
Total capital assets, net	32,781,894	-	5,274,208	5,512,196
Total long-term assets	32,781,894	187,000	5,274,208	5,512,196
Total assets	73,767,555	35,369,528	7,343,935	17,766,745
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,276,789	15,078	422,041	3,299,086
Accrued salaries and benefits	735,424	51,111	47,516	280,680
Interfund payables	230,268	12,413	12,430	67,350
Deferred revenue	-	-	-	-
Compensated absences payable	1,152,032	46,693	46,969	474,044
Obligations under capital leases	-	-	2,070,736	-
Insurance and benefit claims payable	-	9,229,044	-	-
Total current liabilities	4,394,513	9,354,339	2,599,692	4,121,160
Long-term liabilities:				
Compensated absences payable	768,022	31,129	31,312	316,030
Obligations under capital leases	-	-	3,048,697	-
Insurance and benefit claims payable	-	14,917,264	-	-
Total long-term liabilities	768,022	14,948,393	3,080,009	316,030
Total liabilities	5,162,535	24,302,732	5,679,701	4,437,190
NET ASSETS				
Invested in capital assets, net of related debt	32,781,894	-	154,775	5,512,196
Unrestricted	35,823,126	11,066,796	1,509,459	7,817,359
Total net assets	\$ 68,605,020	11,066,796	1,664,234	13,329,555

EXHIBIT G

Health Benefits	Retiree Health Benefits	Total Internal Service Funds	
ASSETS			
Current assets:			
54,689,520	94,598	143,378,737	Equity in pooled cash and temporary investments
108,981	-	123,998	Accounts receivable
142,299	-	235,228	Accrued interest receivable
-	229,060	229,060	Due from intergovernmental units
472,678	-	472,678	Interfund receivables
-	-	1,593,734	Inventories of supplies
-	-	196,166	Prepaid and other assets
<u>55,413,478</u>	<u>323,658</u>	<u>146,229,601</u>	Total current assets
Long-term assets:			
-	-	187,000	Restricted assets - Cash with fiscal agents
Capital assets:			
Non-depreciable:			
-	-	1,938,688	Land
Depreciable:			
-	-	86,911,831	Equipment
-	-	16,459,927	Buildings and improvements
-	-	(61,742,148)	Accumulated depreciation
-	-	<u>43,568,298</u>	Total capital assets, net
-	-	<u>43,755,298</u>	Total long-term assets
<u>55,413,478</u>	<u>323,658</u>	<u>189,984,899</u>	Total assets
LIABILITIES			
Current liabilities:			
272,442	-	6,285,436	Accounts payable and accrued liabilities
-	4,180	1,118,911	Accrued salaries and benefits
-	1,512	323,973	Interfund payables
801,888	-	801,888	Deferred revenue
-	-	1,719,739	Compensated absences payable
-	-	2,070,736	Obligations under capital leases
<u>6,131,592</u>	-	<u>15,360,636</u>	Insurance and benefit claims payable
<u>7,205,922</u>	<u>5,692</u>	<u>27,681,319</u>	Total current liabilities
Long-term liabilities:			
-	-	1,146,492	Compensated absences payable
-	-	3,048,697	Obligations under capital leases
-	-	14,917,264	Insurance and benefit claims payable
-	-	<u>19,112,453</u>	Total long-term liabilities
<u>7,205,922</u>	<u>5,692</u>	<u>46,793,772</u>	Total liabilities
NET ASSETS			
-	-	38,448,865	Invested in capital assets, net of related debt
<u>48,207,556</u>	<u>317,966</u>	<u>104,742,262</u>	Unrestricted
<u>48,207,556</u>	<u>317,966</u>	<u>143,191,127</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, 2006

	Vehicle Services	Self- Insurance	Document Services	Technology Infrastructure Services
OPERATING REVENUES:				
Charges for services	\$ 67,191,969	18,888,723	5,362,113	24,299,169
Intergovernmental revenue	85,000	-	-	-
Recovered costs	188,375	-	-	-
Total operating revenues	67,465,344	18,888,723	5,362,113	24,299,169
OPERATING EXPENSES:				
Personnel services	16,612,769	1,050,526	990,795	5,715,342
Materials and supplies	879,415	16,389	943,053	372,482
Equipment operation and maintenance	32,782,459	21,992	1,238,393	12,829,255
Risk financing and benefit payments	-	15,440,519	-	-
Depreciation and amortization	8,783,809	-	2,325,596	1,186,975
Professional consultant and contractual services	260,980	177,543	2,105,075	5,192,182
Other	160,702	43,328	8,881	235,981
Total operating expenses	59,480,134	16,750,297	7,611,793	25,532,217
Operating income (loss)	7,985,210	2,138,426	(2,249,680)	(1,233,048)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	-	1,413,300	-	-
Interest expense	-	-	(186,389)	-
Gain (loss) on disposal of capital assets	484,243	-	-	(28,846)
Total nonoperating revenues (expenses)	484,243	1,413,300	(186,389)	(28,846)
Income (loss) before operating transfers	8,469,453	3,551,726	(2,436,069)	(1,261,894)
Capital contributions	53,386	-	-	19,714
Transfers in	-	-	3,150,000	5,016,291
Transfers out	(500,000)	-	-	-
Change in net assets	8,022,839	3,551,726	713,931	3,774,111
Total net assets, July 1, 2005	60,582,181	7,515,070	950,303	9,555,444
Total net assets, June 30, 2006	68,605,020	11,066,796	1,664,234	13,329,555

EXHIBIT G-1

Health Benefits	Retiree Health Benefits	Total Internal Service Funds	
OPERATING REVENUES:			
78,250,395	3,818,110	197,810,479	Charges for services
-	401,927	486,927	Intergovernmental revenue
-	-	188,375	Recovered costs
<u>78,250,395</u>	<u>4,220,037</u>	<u>198,485,781</u>	<u>Total operating revenues</u>
OPERATING EXPENSES:			
-	94,242	24,463,674	Personnel services
-	-	2,211,339	Materials and supplies
-	-	46,872,099	Equipment operation and maintenance
56,585,751	4,246,529	76,272,799	Risk financing and benefit payments
-	-	12,296,380	Depreciation and amortization
3,388,810	-	11,124,590	Professional consultant and contractual services
-	-	448,892	Other
<u>59,974,561</u>	<u>4,340,771</u>	<u>173,689,773</u>	<u>Total operating expenses</u>
<u>18,275,834</u>	<u>(120,734)</u>	<u>24,796,008</u>	<u>Operating income (loss)</u>
NONOPERATING REVENUES (EXPENSES):			
1,942,964	-	3,356,264	Interest revenue
-	-	(186,389)	Interest expense
-	-	455,397	Gain (loss) on disposal of capital assets
<u>1,942,964</u>	<u>-</u>	<u>3,625,272</u>	<u>Total nonoperating revenues (expenses)</u>
20,218,798	(120,734)	28,421,280	Income (loss) before operating transfers
-	-	73,100	Capital contributions
-	-	8,166,291	Transfers in
-	-	(500,000)	Transfers out
<u>20,218,798</u>	<u>(120,734)</u>	<u>36,160,671</u>	<u>Change in net assets</u>
<u>27,988,758</u>	<u>438,700</u>	<u>107,030,456</u>	<u>Total net assets, July 1, 2005</u>
<u>48,207,556</u>	<u>317,966</u>	<u>143,191,127</u>	<u>Total net assets, June 30, 2006</u>

COUNTY OF FAIRFAX, VIRGINIA
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2006

	Vehicle Services	Self- Insurance	Document Services	Technology Infrastructure Services
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 67,185,333	18,888,807	5,357,929	24,296,695
Payments to suppliers and contractors	(27,603,123)	-	(4,885,193)	(16,315,784)
Payments to employees	(16,511,649)	(1,046,679)	(992,421)	(5,644,609)
Claims and benefits paid	-	(14,156,116)	-	-
Payments for interfund services used	(6,215,478)	(259,251)	-	-
Intergovernmental revenue received	85,000	-	-	-
Net cash provided (used) by operating activities	16,940,083	3,426,761	(519,685)	2,336,302
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(500,000)	-	-	-
Transfers from other funds	-	-	3,150,000	5,016,291
Net cash provided (used) by noncapital financing activities	(500,000)	-	3,150,000	5,016,291
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	878,862	-	-	10,044
Purchase of capital assets	(8,719,681)	-	(8,431)	(3,754,852)
Principal payments on obligations under capital leases	-	-	(2,009,611)	-
Interest payments on obligations under capital leases	-	-	(186,389)	-
Net cash (used) by capital and related financing activities	(7,840,819)	-	(2,204,431)	(3,744,808)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	1,357,243	-	-
Net cash provided by investing activities	-	1,357,243	-	-
Net increase (decrease) in cash and cash equivalents	8,599,264	4,784,004	425,884	3,607,785
Cash and cash equivalents, July 1, 2005	30,678,405	30,492,363	1,629,506	8,564,408
Cash and cash equivalents, June 30, 2006	\$ 39,277,669	35,276,367	2,055,390	12,172,193
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 7,985,210	2,138,426	(2,249,680)	(1,233,048)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	8,783,809	-	2,325,596	1,186,975
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	490	-	(4,183)	(2,800)
(Increase) in intergovernmental receivables	-	-	-	-
(Increase) in interfund receivables	-	-	-	-
Decrease in inventories of supplies	165,688	-	4,662	22,873
(Increase) decrease in other assets	(195,500)	84	-	325
Increase (decrease) in accounts payable and accrued liabilities	99,264	1,284,403	(594,452)	2,291,244
Increase (decrease) in accrued salaries and benefits	76,243	2,897	(1,611)	63,120
Increase (decrease) in interfund payables	24,879	951	(17)	7,613
Total adjustments to operating income (loss)	8,954,873	1,288,335	1,729,995	3,569,350
Net cash provided (used) by operating activities	\$ 16,940,083	3,426,761	(519,685)	2,336,302
Noncash capital and financing activities:				
Capital contributions - equipment	53,386	-	-	19,714

EXHIBIT G-2

Health Benefits	Retiree Health Benefits	Total Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES			
78,117,795	3,818,110	197,664,669	Receipts from interfund services provided
(3,388,810)	-	(52,192,910)	Payments to suppliers and contractors
-	(93,567)	(24,288,925)	Payments to employees
(57,993,303)	(4,246,529)	(76,395,948)	Claims and benefits paid
-	-	(6,474,729)	Payments for interfund services used
-	172,867	257,867	Intergovernmental revenue received
16,735,682	(349,119)	38,570,024	Net cash provided (used) by operating activities
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
-	-	(500,000)	Transfers to other funds
-	-	8,166,291	Transfers from other funds
-	-	7,666,291	Net cash provided (used) by noncapital financing activities
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
-	-	888,906	Proceeds from sale of capital assets
-	-	(12,482,964)	Purchase of capital assets
-	-	(2,009,611)	Principal payments on obligations under capital leases
-	-	(186,389)	Interest payments on obligations under capital leases
-	-	(13,790,058)	Net cash (used) by capital and related financing activities
CASH FLOWS FROM INVESTING ACTIVITIES			
1,871,758	-	3,229,001	Interest received
1,871,758	-	3,229,001	Net cash provided by investing activities
18,607,440	(349,119)	35,675,258	Net increase (decrease) in cash and cash equivalents
36,082,080	443,717	107,890,479	Cash and cash equivalents, July 1, 2005
54,689,520	94,598	143,565,737	Cash and cash equivalents, June 30, 2006
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
18,275,834	(120,734)	24,796,008	Operating income (loss)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
-	-	12,296,380	Depreciation and amortization
Change in assets and liabilities:			
(103,024)	-	(109,517)	(Increase) decrease in accounts receivable
-	(229,060)	(229,060)	(Increase) in intergovernmental receivables
(29,576)	-	(29,576)	(Increase) in interfund receivables
-	-	193,223	Decrease in inventories of supplies
-	-	(195,091)	(Increase) decrease in other assets
(1,407,552)	-	1,672,907	Increase (decrease) in accounts payable and accrued liabilities
-	530	141,179	Increase (decrease) in accrued salaries and benefits
-	145	33,571	Increase (decrease) in interfund payables
(1,540,152)	(228,385)	13,774,016	Total adjustments to operating income (loss)
16,735,682	(349,119)	38,570,024	Net cash provided (used) by operating activities
Noncash capital and financing activities:			
-	-	73,100	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, 2006

EXHIBIT H

	Uniformed Retirement	Employees' Retirement	Police Officers Retirement	Total Pension Trust Funds
ASSETS				
Equity in pooled cash and temporary investments	\$ 3,975,270	2,482,345	1,079,694	7,537,309
Cash collateral for securities lending	72,944,610	286,516,288	80,001,889	439,462,787
Contributions receivable	1,967,470	2,035,096	989,551	4,992,117
Accrued interest and dividends receivable	2,398,473	10,932,974	2,885,567	16,217,014
Receivable from sale of pension investments	41,209,753	180,481,732	1,846,930	223,538,415
Investments, at fair value:				
U.S. Government securities	51,151,738	261,266,996	50,111,852	362,530,586
Asset-backed securities	126,788,381	114,971,952	109,110,439	350,870,772
Corporate and other bonds	37,469,309	221,830,746	57,812,803	317,112,858
Common and preferred stock	290,956,937	953,463,482	364,856,327	1,609,276,746
Pooled and mutual funds	391,386,277	676,247,735	172,643,328	1,240,277,340
Short-term investments	75,528,478	271,058,273	41,391,227	387,977,978
Total assets	1,095,776,696	2,981,287,619	882,729,607	4,959,793,922
LIABILITIES				
Accounts payable and accrued liabilities	1,489,541	3,531,431	1,087,907	6,108,879
Accrued salaries and benefits	-	73,178	-	73,178
Payable for purchase of pension investments	78,694,271	230,196,716	1,215,284	310,106,271
Liabilities for collateral received under securities lending agreements	72,944,610	286,516,288	80,001,889	439,462,787
Interfund payable	-	18,508	-	18,508
Total liabilities	153,128,422	520,336,121	82,305,080	755,769,623
NET ASSETS				
Held in trust for pension benefits	\$ 942,648,274	2,460,951,498	800,424,527	4,204,024,299

COUNTY OF FAIRFAX, VIRGINIA
Pension Trust Funds
Combining Statement of Changes in Plan Net Assets
For the fiscal year ended June 30, 2006

EXHIBIT H-1

	Uniformed Retirement	Employees' Retirement	Police Officers Retirement	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 32,135,984	49,436,463	16,727,287	98,299,734
Plan members	9,860,429	27,605,933	10,899,659	48,366,021
Other	11,750,084	-	-	11,750,084
Total contributions	53,746,497	77,042,396	27,626,946	158,415,839
Investment income:				
From investment activities:				
Net appreciation in fair value of investments	69,094,414	136,756,746	49,503,649	255,354,809
Interest	17,065,915	53,484,168	16,731,172	87,281,255
Dividends	7,292,183	24,643,824	6,952,657	38,888,664
Total income from investment activities	93,452,512	214,884,738	73,187,478	381,524,728
Less investment activities expenses:				
Management fees	4,481,359	10,636,792	3,330,532	18,448,683
Other	442,267	835,944	395,718	1,673,929
Total investment activities expenses	4,923,626	11,472,736	3,726,250	20,122,612
Net income from investment activities	88,528,886	203,412,002	69,461,228	361,402,116
From securities lending activities:				
Securities lending income	3,373,659	12,412,181	4,049,554	19,835,394
Less securities lending expenses:				
Borrower rebates	2,969,026	11,345,516	3,630,377	17,944,919
Management fees	119,398	329,453	124,988	573,839
Total securities lending activities expenses	3,088,424	11,674,969	3,755,365	18,518,758
Net income from securities lending activities	285,235	737,212	294,189	1,316,636
Net investment income	88,814,121	204,149,214	69,755,417	362,718,752
Total additions	142,560,618	281,191,610	97,382,363	521,134,591
DEDUCTIONS				
Benefits	36,023,777	108,735,741	31,302,806	176,062,324
Refunds of contributions	349,572	6,059,597	528,718	6,937,887
Transfer of plan assets for certain plan members	-	11,750,084	-	11,750,084
Administrative expenses	223,840	1,016,293	218,345	1,458,478
Total deductions	36,597,189	127,561,715	32,049,869	196,208,773
Net increase	105,963,429	153,629,895	65,332,494	324,925,818
Net assets, July 1, 2005	836,684,845	2,307,321,603	735,092,033	3,879,098,481
Net assets, June 30, 2006	\$ 942,648,274	2,460,951,498	800,424,527	4,204,024,299



COUNTY OF FAIRFAX, VIRGINIA
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2006

	Sanitary Reimbursement	Special Welfare	Resource Recovery	Vienna/ Huntington Metrorail
ASSETS				
Equity in pooled cash and temporary investments	\$ 1,614,177	570,312	-	-
Accounts receivable	-	-	-	-
Accrued interest and dividends receivable	4,543	44	-	-
Investments, at fair value:				
Asset-backed securities	-	-	29,230,656	-
Money market funds	-	-	2,132,608	3,007,369
Repurchase agreements	-	-	-	1,369,813
Equipment	-	-	-	-
Total assets	1,618,720	570,356	31,363,264	4,377,182
LIABILITIES				
Accounts payable and accrued liabilities	526	733	-	-
Liabilities under reimbursement agreements	1,618,194	569,623	31,363,264	4,377,182
Obligations under capital leases	-	-	-	-
Total liabilities	\$ 1,618,720	570,356	31,363,264	4,377,182

EXHIBIT H-2

State Taxes	Route 28	Lake Barcroft	NOVARIS	Total Agency Funds	
ASSETS					
34,675	1,894	396	25,934	2,247,388	Equity in pooled cash and temporary investments
-	87,813	974	-	88,787	Accounts receivable
-	233	-	184	5,004	Accrued interest and dividends receivable
-	-	-	-	-	Investments, at fair value:
-	-	-	-	29,230,656	Asset-backed securities
-	-	-	-	5,139,977	Money market funds
-	-	-	-	1,369,813	Repurchase agreements
-	-	-	2,372,300	2,372,300	Equipment
34,675	89,940	1,370	2,398,418	40,453,925	Total assets
LIABILITIES					
-	27	-	21	1,307	Accounts payable and accrued liabilities
34,675	89,913	1,370	2,041,813	40,096,034	Liabilities under reimbursement agreements
-	-	-	356,584	356,584	Obligations under capital leases
34,675	89,940	1,370	2,398,418	40,453,925	Total liabilities

COUNTY OF FAIRFAX, VIRGINIA
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2006

	Balances			Balances
	July 1, 2005	Additions	Deductions	June 30, 2006
Sanitary Reimbursement:				
Assets:				
Equity in pooled cash and temporary investments	\$ 1,556,819	560,747	503,389	1,614,177
Accrued interest receivable	3,434	4,543	3,434	4,543
Total assets	<u>1,560,253</u>	<u>565,290</u>	<u>506,823</u>	<u>1,618,720</u>
Liabilities:				
Accounts payable and accrued liabilities	575	526	575	526
Liabilities under reimbursement agreements	1,559,678	557,454	498,938	1,618,194
Total liabilities	<u>1,560,253</u>	<u>557,980</u>	<u>499,513</u>	<u>1,618,720</u>
Special Welfare:				
Assets:				
Equity in pooled cash and temporary investments	584,726	998,944	1,013,358	570,312
Accounts receivable	500	-	500	-
Accrued interest receivable	722	44	722	44
Due from intergovernmental units	-	275,237	275,237	-
Total assets	<u>585,948</u>	<u>1,274,225</u>	<u>1,289,817</u>	<u>570,356</u>
Liabilities:				
Accounts payable and accrued liabilities	311	141,286	140,864	733
Liabilities under reimbursement agreements	585,637	992,764	1,008,778	569,623
Total liabilities	<u>585,948</u>	<u>1,134,050</u>	<u>1,149,642</u>	<u>570,356</u>
Resource Recovery:				
Assets:				
Cash with fiscal agents	-	159,507,254	159,507,254	-
Investments	31,211,553	137,614,529	137,462,818	31,363,264
Total assets	<u>31,211,553</u>	<u>297,121,783</u>	<u>296,970,072</u>	<u>31,363,264</u>
Liabilities:				
Liabilities under reimbursement agreements	31,211,553	22,521,319	22,369,608	31,363,264
Total liabilities	<u>31,211,553</u>	<u>22,521,319</u>	<u>22,369,608</u>	<u>31,363,264</u>
Vienna/Huntington Metrorail:				
Assets:				
Investments	4,483,144	5,167,338	5,273,300	4,377,182
Total assets	<u>4,483,144</u>	<u>5,167,338</u>	<u>5,273,300</u>	<u>4,377,182</u>
Liabilities:				
Liabilities under reimbursement agreements	4,483,144	3,422,980	3,528,942	4,377,182
Total liabilities	<u>4,483,144</u>	<u>3,422,980</u>	<u>3,528,942</u>	<u>4,377,182</u>
State Taxes:				
Assets:				
Equity in pooled cash and temporary investments	26,684	1,010,297	1,002,306	34,675
Total assets	<u>26,684</u>	<u>1,010,297</u>	<u>1,002,306</u>	<u>34,675</u>
Liabilities:				
Liabilities under reimbursement agreements	26,684	1,010,297	1,002,306	34,675
Total liabilities	<u>\$ 26,684</u>	<u>1,010,297</u>	<u>1,002,306</u>	<u>34,675</u>

EXHIBIT H-3

	Balances			Balances
	July 1, 2005	Additions	Deductions	June 30, 2006
Route 28				
Assets:				
Equity in pooled cash and temporary investments	\$ 744	7,541,114	7,539,964	1,894
Accounts receivable	110,772	7,438,203	7,461,162	87,813
Accrued interest receivable	51	233	51	233
Total assets	111,567	14,979,550	15,001,177	89,940
Liabilities:				
Accounts payable and accrued liabilities	14	27	14	27
Liabilities under reimbursement agreements	111,553	7,439,522	7,461,162	89,913
Total liabilities	111,567	7,439,549	7,461,176	89,940
Lake Barcroft				
Assets:				
Equity in pooled cash and temporary investments	3,980	606,126	609,710	396
Accounts receivable	5,094	596,351	600,471	974
Total assets	9,074	1,202,477	1,210,181	1,370
Liabilities:				
Liabilities under reimbursement agreements	9,074	596,350	604,054	1,370
Total liabilities	9,074	596,350	604,054	1,370
NOVARIS				
Assets:				
Equity in pooled cash and temporary investments	20,402	656,107	650,575	25,934
Accrued interest receivable	174	184	174	184
Equipment	2,372,300	-	-	2,372,300
Total assets	2,392,876	656,291	650,749	2,398,418
Liabilities:				
Accounts payable and accrued liabilities	7,546	21	7,546	21
Liabilities under reimbursement agreements	1,759,208	925,499	642,894	2,041,813
Obligations under capital leases	626,122	-	269,538	356,584
Total liabilities	2,392,876	925,520	919,978	2,398,418
Total Agency Funds:				
Assets:				
Equity in pooled cash and temporary investments	2,193,355	11,373,335	11,319,302	2,247,388
Cash with fiscal agent	-	159,507,254	159,507,254	-
Accounts receivable	116,366	8,034,554	8,062,133	88,787
Accrued interest receivable	4,381	5,004	4,381	5,004
Due from intergovernmental units	-	275,237	275,237	-
Investments	35,694,697	142,781,867	142,736,118	35,740,446
Equipment	2,372,300	-	-	2,372,300
Total assets	40,381,099	321,977,251	321,904,425	40,453,925
Liabilities:				
Accounts payable and accrued liabilities	8,446	141,860	148,999	1,307
Liabilities under reimbursement agreements	39,746,531	37,466,185	37,116,682	40,096,034
Interfund payable	-	-	-	-
Obligations under capital leases	626,122	-	269,538	356,584
Total liabilities	\$ 40,381,099	37,608,045	37,535,219	40,453,925



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, 2006

EXHIBIT I

	Governmental Funds
Governmental funds capital assets:	
Land	\$ 372,608,043
Construction in progress	109,870,255
Equipment	176,040,298
Library collections	56,778,471
Buildings	783,942,621
Improvements	65,068,827
Infrastructure	504,604,530
Total governmental funds capital assets	\$ 2,068,913,045
Investments in governmental funds capital assets by source:	
General fund	1,040,538,857
Special revenue funds	165,080,197
Capital projects funds	740,213,828
Gifts and donations	123,080,163
Total governmental funds capital assets	\$ 2,068,913,045

(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, 2006

Function and Activity	Land	Equipment	Library Collections	Buildings
General government administration:				
Legislative	\$ 105,299,839	-	-	77,039,309
General and financial administration	19,610,306	32,097,192	-	127,386,303
Board of Elections	-	130,854	-	-
Total general government administration	124,910,145	32,228,046	-	204,425,612
Judicial administration:				
Courts	-	1,771,306	-	890,612
Commonwealth's Attorney	61,297	649,207	-	39,247,024
Total judicial administration	61,297	2,420,513	-	40,137,636
Public safety:				
Law enforcement	1,425,806	24,511,928	-	45,291,261
Fire and rescue services	8,731,652	24,388,436	-	55,257,076
Correction and detention	-	81,869	-	96,728,704
Inspections	-	1,205,585	-	5,377
Other protection	4,766,000	4,066,323	-	390,055
Total public safety	14,923,458	54,254,141	-	197,672,473
Public works:				
Maintenance of streets, roads, and bridges	958,190	3,023,793	-	119,704,971
Sanitation and waste removal	103,877,170	29,061,296	-	3,536,893
Maintenance of buildings and grounds	958,660	2,488,876	-	42,493
Total public works	105,794,020	34,573,965	-	123,284,357
Health and welfare:				
Health	4,545,842	2,320,928	-	57,739,297
Mental health and mental retardation	1,075,495	891,318	-	18,379,314
Welfare/social services	-	3,689,382	-	2,494,973
Total health and welfare	5,621,337	6,901,628	-	78,613,584
Community development:				
Planning and community development	110,678,082	43,119,180	-	86,245,924
Environmental management	-	353,474	-	-
Cooperative extension program	-	-	-	-
Total community development	110,678,082	43,472,654	-	86,245,924
Parks, recreation, and cultural:				
Parks and recreation	3,600,371	1,438,482	-	7,055,977
Library	7,019,333	750,869	56,778,471	46,507,058
Total parks, recreation, and cultural	10,619,704	2,189,351	56,778,471	53,563,035
Construction in progress				
Total governmental funds capital assets	\$ 372,608,043	176,040,298	56,778,471	783,942,621

(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:			
5,855,023	-	188,194,171	Legislative
2,016,975	350,030	181,460,806	General and financial administration
-	-	130,854	Board of Elections
7,871,998	350,030	369,785,831	Total general government administration
Judicial administration:			
-	-	2,661,918	Courts
131,052	-	40,088,580	Commonwealth's Attorney
131,052	-	42,750,498	Total judicial administration
Public safety:			
566,184	-	71,795,179	Law enforcement
3,141,148	-	91,518,312	Fire and rescue services
3,473,275	20,708,000	120,991,848	Correction and detention
-	-	1,210,962	Inspections
1,650,027	-	10,872,405	Other protection
8,830,634	20,708,000	296,388,706	Total public safety
Public works:			
7,208,975	364,965,228	495,861,157	Maintenance of streets, roads, and bridges
2,743,454	-	139,218,813	Sanitation and waste removal
1,244,404	-	4,734,433	Maintenance of buildings and grounds
11,196,833	364,965,228	639,814,403	Total public works
Health and welfare:			
236,083	-	64,842,150	Health
428,468	-	20,774,595	Mental health and mental retardation
353,114	-	6,537,469	Welfare/social services
1,017,665	-	92,154,214	Total health and welfare
Community development:			
18,697,345	118,461,506	377,202,037	Planning and community development
-	-	353,474	Environmental management
1,299,107	-	1,299,107	Cooperative extension program
19,996,452	118,461,506	378,854,618	Total community development
Parks, recreation, and cultural:			
13,283,989	-	25,378,819	Parks and recreation
2,740,204	119,766	113,915,701	Library
16,024,193	119,766	139,294,520	Total parks, recreation, and cultural
			109,870,255
			Construction in progress
65,068,827	504,604,530	2,068,913,045	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, 2006

EXHIBIT I-2

Function and Activity	Capital Assets			Capital Assets
	July 1, 2005	Additions	Deletions	June 30, 2006
General government administration:				
Legislative	\$ 188,223,483	1,360,529	1,389,841	188,194,171
General and financial administration	180,896,990	1,709,162	1,145,346	181,460,806
Board of Elections	130,854	-	-	130,854
Total general government administration	369,251,327	3,069,691	2,535,187	369,785,831
Judicial administration:				
Courts	2,553,582	157,565	49,229	2,661,918
Commonwealth's Attorney	40,102,880	-	14,300	40,088,580
Total judicial administration	42,656,462	157,565	63,529	42,750,498
Public safety:				
Law enforcement	71,254,453	1,158,600	617,874	71,795,179
Fire and rescue services	82,056,163	10,502,868	1,040,719	91,518,312
Correction and detention	119,404,073	1,587,775	-	120,991,848
Inspections	1,129,410	81,552	-	1,210,962
Other protection	4,531,216	6,365,729	24,540	10,872,405
Total public safety	278,375,315	19,696,524	1,683,133	296,388,706
Public works:				
Maintenance of streets, roads, and bridges	484,568,480	11,510,344	217,667	495,861,157
Sanitation and waste removal	137,237,524	3,613,461	1,632,172	139,218,813
Maintenance of buildings and grounds	4,765,066	14,061	44,694	4,734,433
Total public works	626,571,070	15,137,866	1,894,533	639,814,403
Health and welfare:				
Health	64,476,895	451,448	86,193	64,842,150
Mental health and mental retardation	17,970,397	2,875,916	71,718	20,774,595
Welfare/social services	7,748,083	1,650	1,212,264	6,537,469
Total health and welfare	90,195,375	3,329,014	1,370,175	92,154,214
Community development:				
Planning and community development	318,699,701	58,508,321	5,985	377,202,037
Environmental management	260,733	92,741	-	353,474
Cooperative extension program	1,299,107	-	-	1,299,107
Total community development	320,259,541	58,601,062	5,985	378,854,618
Parks, recreation, and cultural:				
Parks and recreation	25,518,793	50,286	190,260	25,378,819
Library	103,548,744	10,366,957	-	113,915,701
Total parks, recreation, and cultural	129,067,537	10,417,243	190,260	139,294,520
Total general fixed assets allocated to functions	1,856,376,627	110,408,965	7,742,802	1,959,042,790
Construction in progress	56,019,368	79,971,716	26,120,829	109,870,255
Total governmental funds capital assets	\$ 1,912,395,995	190,380,681	33,863,631	2,068,913,045

(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 Public Schools 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, 2006

	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	\$ 186,894,745	3,460,627	7,737,490	735,784
Receivables:				
Accounts	-	-	89,874	-
Accrued interest	154	-	43,476	-
Due from intergovernmental units	16,520,712	-	950,000	20,785,725
Due from primary government	-	-	191,800	3,013
Interfund receivables	11,600,000	-	-	-
Inventories of supplies	-	-	1,517,846	-
Prepaid and other assets	-	-	-	-
Restricted assets - investments	-	594,896	-	-
Total assets	\$ 215,015,611	4,055,523	10,530,486	21,524,522
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 22,009,985	8,308,364	147,037	459,966
Accrued salaries and benefits	90,663,181	22,590	974,579	146,391
Contract retainages	-	7,162,185	-	-
Interfund payables	-	-	-	9,700,000
Deferred revenue	143,457	-	-	3,167,335
Performance and other deposits	350	475,500	86	-
Total liabilities	112,816,973	15,968,639	1,121,702	13,473,692
Fund balances:				
Reserved for:				
Encumbrances	33,116,528	86,522,162	267,492	2,181,000
Inventories of supplies	-	-	1,517,846	-
Certain capital projects	-	594,896	-	-
Unreserved	69,082,110	(99,030,174)	7,623,446	5,869,830
Total fund balances	102,198,638	(11,913,116)	9,408,784	8,050,830
Total liabilities and fund balances	\$ 215,015,611	4,055,523	10,530,486	21,524,522

Reconciliation of the Balance Sheet to the Statement of Net Assets

Fund balances - Total governmental funds	\$ 108,555,994
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 \$2,626,887,369 and accumulated depreciation is \$834,174,876.	1,792,712,493
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.	49,516,953
Compensated absences related to governmental fund activities are not due and payable in the current period, and therefore, are not reported in the funds.	(26,777,184)
Capital lease and installment purchase agreements are not due and payable in the current period and, therefore, are not reported in the funds.	(110,379,828)
Net assets of governmental activities	<u>\$ 1,813,628,428</u>

EXHIBIT J

Funds		
Adult and Community Education	Total Governmental Funds	
ASSETS		
950,749	199,779,395	Equity in pooled cash and temporary investments
		Receivables:
-	89,874	Accounts
4,704	48,334	Accrued interest
43,495	38,299,932	Due from intergovernmental units
-	194,813	Due from primary government
-	11,600,000	Interfund receivables
-	1,517,846	Inventories of supplies
26,727	26,727	Prepaid and other assets
-	594,896	Restricted assets - investments
<u>1,025,675</u>	<u>252,151,817</u>	<u>Total assets</u>
LIABILITIES AND FUND BALANCES		
		Liabilities:
173	30,925,525	Accounts payable and accrued liabilities
24,209	91,830,950	Accrued salaries and benefits
-	7,162,185	Contract retainages
-	9,700,000	Interfund payables
106,696	3,417,488	Deferred revenue
<u>83,739</u>	<u>559,675</u>	<u> Performance and other deposits</u>
<u>214,817</u>	<u>143,595,823</u>	<u> Total liabilities</u>
		Fund balances:
		Reserved for:
247,861	122,335,043	Encumbrances
-	1,517,846	Inventories of supplies
-	594,896	Certain capital projects
<u>562,997</u>	<u>(15,891,791)</u>	Unreserved
<u>810,858</u>	<u>108,555,994</u>	<u> Total fund balances</u>
<u>1,025,675</u>	<u>252,151,817</u>	<u>Total liabilities and fund balances</u>

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, 2006

	General Fund	Major Fund - Capital Projects Fund	Nonmajor Governmental	
			Food and Nutrition Services	Special Revenue Grants and Self-Supporting Programs
REVENUES				
Intergovernmental	\$ 1,848,662,714	110,620,817	20,691,419	42,057,324
Charges for services	6,625,272	-	39,746,738	2,974,532
Revenue from the use of money and property	2,957,707	519,619	340,520	-
Recovered costs	31,376,707	752,528	-	-
Other	6,365,267	1,819,060	-	2,196,253
Total revenues	1,895,987,667	113,712,024	60,778,677	47,228,109
EXPENDITURES				
Current:				
Education	1,857,057,564	32,375,316	61,534,561	69,049,890
Capital outlay	28,722,407	134,495,614	137,508	955,652
Total expenditures	1,885,779,971	166,870,930	61,672,069	70,005,542
Excess (deficiency) of revenues over (under) expenditures	10,207,696	(53,158,906)	(893,392)	(22,777,433)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	15,154,197	-	22,137,707
Transfers out	(38,992,035)	-	-	-
Capital leases and installment purchases	15,959,550	-	-	-
Total other financing sources (uses)	(23,032,485)	15,154,197	-	22,137,707
Net change in fund balances	(12,824,789)	(38,004,709)	(893,392)	(639,726)
Fund balances, July 1, 2005	115,023,427	26,091,593	10,484,452	8,690,556
Decrease in reserve for inventories of supplies	-	-	(182,276)	-
Fund balances, June 30, 2006	\$ 102,198,638	(11,913,116)	9,408,784	8,050,830

EXHIBIT J-1

Funds		
Adult and Community Education	Total Governmental Funds	
REVENUES		
2,018,975	2,024,051,249	Intergovernmental
6,791,559	56,138,101	Charges for services
40,683	3,858,529	Revenue from the use of money and property
-	32,129,235	Recovered costs
323,577	10,704,157	Other
9,174,794	2,126,881,271	Total revenues
EXPENDITURES		
Current:		
11,008,896	2,031,026,227	Education
53,034	164,364,215	Capital outlay
11,061,930	2,195,390,442	Total expenditures
(1,887,136)	(68,509,171)	Excess (deficiency) of revenues over (under) expenditures
OTHER FINANCING SOURCES (USES)		
1,700,131	38,992,035	Transfers in
-	(38,992,035)	Transfers out
-	15,959,550	Capital leases and installment purchases
1,700,131	15,959,550	Total other financing sources (uses)
(187,005)	(52,549,621)	Net change in fund balances
997,863	161,287,891	Fund balances, July 1, 2005
-	(182,276)	Decrease in reserve for inventories of supplies
810,858	108,555,994	Fund balances, June 30, 2006

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, 2006

EXHIBIT J-1
concluded

Net change in fund balances - Total governmental funds		\$ (52,549,621)
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	\$ 158,083,639	
Capitalized interest on School Administration Building	3,153,409	
Less depreciation expense	<u>(85,581,593)</u>	75,655,455
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.		310,588
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.		(560,505)
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.		(1,803,640)
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.		(15,959,550)
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.		20,623,684
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.		(1,443,835)
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.		<u>11,396,029</u>
Change in net assets of governmental activities		<u>\$ 35,668,605</u>

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Budgetary Comparison Schedule - General Fund (Budget Basis)
For the fiscal year ended June 30, 2006

EXHIBIT J-2

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,859,902,881	1,863,800,215	1,848,662,714	(15,137,501)
Charges for services	4,695,774	4,695,774	6,625,272	1,929,498
Revenue from the use of money and property	1,861,300	1,861,300	2,957,707	1,096,407
Recovered costs	31,104,363	31,376,707	31,376,707	-
Other	3,802,900	3,824,200	6,365,267	2,541,067
Total revenues	1,901,367,218	1,905,558,196	1,895,987,667	(9,570,529)
EXPENDITURES				
Education	1,896,220,095	1,951,226,782	1,869,483,074	81,743,708
Total expenditures	1,896,220,095	1,951,226,782	1,869,483,074	81,743,708
Excess (deficiency) of revenues over (under) expenditures	5,147,123	(45,668,586)	26,504,593	72,173,179
OTHER FINANCING USES				
Transfers out	(35,147,118)	(40,950,746)	(40,950,746)	-
Total other financing uses	(35,147,118)	(40,950,746)	(40,950,746)	-
Net change in fund balance	\$ (29,999,995)	(86,619,332)	(14,446,153)	72,173,179

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, 2006

EXHIBIT J-3A

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 20,667,627	20,667,627	20,691,419	23,792
Charges for services	39,086,470	39,086,470	39,746,738	660,268
Revenue from the use of money and property	65,464	65,464	340,520	275,056
Total revenues	59,819,561	59,819,561	60,778,677	959,116
EXPENDITURES				
Education	69,494,037	70,304,013	61,672,069	8,631,944
Total expenditures	69,494,037	70,304,013	61,672,069	8,631,944
Net change in fund balance	\$ (9,674,476)	(10,484,452)	(893,392)	9,591,060

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 41,483,042	54,383,553	42,057,324	(12,326,229)
Charges for services	3,020,513	3,020,513	2,974,532	(45,981)
Other	183,600	2,173,594	2,196,253	22,659
Total revenues	44,687,155	59,577,660	47,228,109	(12,349,551)
EXPENDITURES				
Education	68,781,628	90,405,922	70,005,542	20,400,380
Total expenditures	68,781,628	90,405,922	70,005,542	20,400,380
Excess (deficiency) of revenues over (under) expenditures	(24,094,473)	(30,828,262)	(22,777,433)	8,050,829
OTHER FINANCING SOURCES				
Transfers in	20,791,585	22,137,707	22,137,707	-
Total other financing sources	20,791,585	22,137,707	22,137,707	-
Net change in fund balance	\$ (3,302,888)	(8,690,555)	(639,726)	8,050,829

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,665,063	2,100,862	2,018,975	(81,887)
Charges for services	7,716,548	7,230,512	6,791,599	(438,913)
Revenue from the use of money and property	28,536	30,062	40,683	10,621
Other	172,000	295,780	323,537	27,757
Total revenues	9,582,147	9,657,216	9,174,794	(482,422)
EXPENDITURES				
Education	11,417,987	12,355,210	11,061,930	1,293,280
Total expenditures	11,417,987	12,355,210	11,061,930	1,293,280
Excess (deficiency) of revenues over (under) expenditures	(1,835,840)	(2,697,994)	(1,887,136)	810,858
OTHER FINANCING SOURCES				
Transfers in	1,200,131	1,700,131	1,700,131	-
Total other financing sources	1,200,131	1,700,131	1,700,131	-
Net change in fund balance	\$ (635,709)	(997,863)	(187,005)	810,858

COUNTY OF FAIRFAX, VIRGINIA
 Fairfax County Public Schools
 Combining Statement of Net Assets - Internal Service Funds
 June 30, 2006

EXHIBIT J-4

	Central Procurement	Health Benefits Trust	Insurance	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in pooled cash and temporary investments	\$ 269,862	64,741,918	22,218,088	87,229,868
Accounts receivable	-	94,307	-	94,307
Accrued interest receivable	-	458,724	-	458,724
Inventories of supplies	2,884,680	-	-	2,884,680
Total current assets	3,154,542	65,294,949	22,218,088	90,667,579
Long-term assets - Capital assets:				
Equipment	100,053	-	40,029	140,082
Accumulated depreciation	(49,136)	-	(9,908)	(59,044)
Total long-term assets	50,917	-	30,121	81,038
Total assets	3,205,459	65,294,949	22,248,209	90,748,617
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	710,494	2,962,417	374,496	4,047,407
Accrued salaries and benefits	-	-	2,055	2,055
Insurance and benefit claims payable	-	15,000,000	4,046,505	19,046,505
Interfund payables	1,900,000	-	-	1,900,000
Deferred revenue	-	4,488,237	-	4,488,237
Long-term liabilities - Insurance and benefit claims payable	-	-	11,747,460	11,747,460
Total liabilities	2,610,494	22,450,654	16,170,516	41,231,664
NET ASSETS				
Invested in capital assets	50,917	-	30,121	81,038
Unrestricted	544,048	42,844,295	6,047,572	49,435,915
Total net assets	\$ 594,965	42,844,295	6,077,693	49,516,953

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, 2006

	Central Procurement	Health Benefits Trust	Insurance	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 12,820,836	200,800,181	12,802,060	226,423,077
Total operating revenues	12,820,836	200,800,181	12,802,060	226,423,077
OPERATING EXPENSES:				
Cost of goods sold	12,508,734	-	-	12,508,734
Personnel services	64,906	913,268	808,242	1,786,416
Depreciation expense	9,380	-	4,673	14,053
Claims and benefit payments	-	188,451,945	6,505,982	194,957,927
Professional consultant and contractual services	-	6,880,411	904,992	7,785,403
Other	49,863	361,563	218,246	629,672
Total operating expenses	12,632,883	196,607,187	8,442,135	217,682,205
Operating income	187,953	4,192,994	4,359,925	8,740,872
NONOPERATING REVENUES:				
Interest revenue	-	2,655,157	-	2,655,157
Total nonoperating revenues	-	2,655,157	-	2,655,157
Change in net assets	187,953	6,848,151	4,359,925	11,396,029
Total net assets, July 1, 2005	407,012	35,996,144	1,717,768	38,120,924
Total net assets, June 30, 2006	\$ 594,965	42,844,295	6,077,693	49,516,953

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Combining Statement of Cash Flows - Internal Service Funds
For the fiscal year ended June 30, 2006

EXHIBIT J-6

	Central Procurement	Health Benefits Trust	Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 12,275,761	200,219,784	12,802,060	225,297,605
Payments to suppliers	(11,948,618)	-	-	(11,948,618)
Payments to employees	(64,906)	(913,268)	(808,031)	(1,786,205)
Claims and benefits paid	-	(184,146,953)	(6,805,841)	(190,952,794)
Payments for professional services	-	(6,878,106)	(881,309)	(7,759,415)
Payments for other operating expenses	(49,863)	(169,655)	(222,638)	(442,156)
Net cash provided by operating activities	212,374	8,111,802	4,084,241	12,408,417
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	2,424,508	-	2,424,508
Net cash provided by investing activities	-	2,424,508	-	2,424,508
Net increase in cash and cash equivalents	212,374	10,536,310	4,084,241	14,832,925
Cash and cash equivalents, July 1, 2005	57,488	54,205,608	18,133,847	72,396,943
Cash and cash equivalents, June 30, 2006	\$ 269,862	64,741,918	22,218,088	87,229,868
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 187,953	4,192,994	4,359,925	8,740,872
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,380	-	4,673	14,053
Change in assets and liabilities:				
Decrease in accounts receivable	-	52,020	-	52,020
(Increase) in inventories of supplies	(545,075)	-	-	(545,075)
Increase (decrease) in accounts payable and accrued liabilities	260,116	(84,795)	19,291	194,612
Increase in accrued salaries and benefits	-	-	211	211
Increase in interfund payables	300,000	-	-	300,000
(Decrease) in deferred revenue	-	(632,417)	-	(632,417)
Increase (decrease) in insurance and benefits claims payable	-	4,584,000	(299,859)	4,284,141
Total adjustments to operating income	24,421	3,918,808	(275,684)	3,667,545
Net cash provided by operating activities	\$ 212,374	8,111,802	4,084,241	12,408,417

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Public Schools
Statement of Fiduciary Net Assets
June 30, 2006

EXHIBIT J-7

	Pension Trust Fund - Educational Employees' Supplementary Retirement System	Agency Fund - Student Activity Fund
ASSETS		
Equity in pooled cash and temporary investments	\$ 859,214	-
Cash with fiscal agents	176,128	16,027,826
Cash collateral for securities lending	147,205,644	-
Accounts receivable	6,850	466,982
Contributions receivable	176,484	-
Accrued interest and dividends receivable	3,404,138	-
Receivable from sale of pension investments	4,266,558	-
Investments, at fair value:		
U.S. Government securities	32,644,274	-
Asset-backed securities	9,511,807	-
Corporate bonds	49,318,752	-
Common and preferred stock	856,414,259	-
Pooled and mutual funds	684,086,083	-
Real estate	70,550,729	-
Other bonds	38,011,862	-
Short-term investments	28,246,558	-
Inventories of supplies	-	272,668
Prepaid items and other assets	24,792	-
Total assets	<u>1,924,904,132</u>	<u>\$ 16,767,476</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,264,024	917,645
Payable for purchase of pension investments	9,899,543	-
Liabilities for collateral received under securities lending agreements	147,205,644	-
Due to student groups	-	15,849,831
Total liabilities	<u>158,369,211</u>	<u>\$ 16,767,476</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 1,766,534,921</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, 2006

EXHIBIT J-8

	Pension Trust Fund - Educational Employees' Supplementary Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 34,648,918
Plan members	42,292,828
Total contributions	<u>76,941,746</u>
Investment income:	
From investment activities:	
Net appreciation in fair value of investments	139,231,411
Interest and dividends	35,381,219
Real estate income	1,832,886
Other	234,720
Total income from investment activities	<u>176,680,236</u>
Less investment activities expenses:	
Management fees	6,612,357
Other	536,407
Total investment activities expenses	<u>7,148,764</u>
Net income from investment activities	<u>169,531,472</u>
From securities lending activities:	
Securities lending income	<u>6,331,861</u>
Less securities lending expenses:	
Borrower rebates	5,781,369
Management fees	137,608
Total securities lending activities expenses	<u>5,918,977</u>
Net income from securities lending activities	<u>412,884</u>
Net investment income	<u>169,944,356</u>
Total additions	<u>246,886,102</u>
DEDUCTIONS	
Benefits	121,687,318
Refunds of contributions	3,087,501
Administrative expenses	3,289,518
Total deductions	<u>128,064,337</u>
Net decrease	118,821,765
Net assets, July 1, 2005	<u>1,647,713,156</u>
Net assets, June 30, 2006	<u>\$ 1,766,534,921</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, 2006

EXHIBIT J-9

	Balances July 1, 2005	Additions	Deductions	Balances June 30, 2006
Student Activity Fund:				
Assets:				
Cash with fiscal agents	\$ 15,683,857	45,559,685	45,215,716	16,027,826
Accounts receivable	272,257	324,729	130,004	466,982
Inventories of supplies	269,364	96,771	93,467	272,668
Total assets	<u>16,225,478</u>	<u>45,981,185</u>	<u>45,439,187</u>	<u>16,767,476</u>
Liabilities:				
Accounts payable and accrued liabilities	1,187,497	509,083	778,935	917,645
Due to student groups	15,037,981	45,472,102	44,660,252	15,849,831
Total liabilities	<u>\$ 16,225,478</u>	<u>45,981,185</u>	<u>45,439,187</u>	<u>16,767,476</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, 2006

EXHIBIT K

	Primary Government	Component Units	Total Reporting Entity
ASSETS			
Current assets:			
Equity in pooled cash and temporary investments	\$ 31,672,487	-	31,672,487
Cash in banks	2,044,701	6,084,737	8,129,438
Investments	4,302,781		4,302,781
Receivables (net of allowances):			
Accounts	1,253,221	116,467	1,369,688
Accrued interest	185,374	5,907	191,281
Notes	829,174	-	829,174
Due from primary government	7,081,452	-	7,081,452
Land held for sale	198,268	-	198,268
Prapaid and other assets	2,944,375	13,130	2,957,505
Total current assets	<u>50,511,833</u>	<u>6,220,241</u>	<u>56,732,074</u>
Long-term assets:			
Restricted assets:			
Cash with fiscal agents	4,470,556	3,187,683	7,658,239
Investments	1,101,198	-	1,101,198
Total restricted assets	<u>5,571,754</u>	<u>3,187,683</u>	<u>8,759,437</u>
Capital assets:			
Non-depreciable:			
Land	26,822,657	7,062,084	33,884,741
Construction in progress	3,154,678	-	3,154,678
Depreciable:			
Equipment	2,350,854	606,112	2,956,966
Buildings and improvements	116,159,234	54,877,043	171,036,277
Accumulated depreciation	(67,052,258)	(17,147,240)	(84,199,498)
Total capital assets, net	<u>81,435,165</u>	<u>45,397,999</u>	<u>126,833,164</u>
Other long-term assets:			
Notes receivable	5,544,267	-	5,544,267
Prapaid and other assets	2,430	-	2,430
Deferred financing fees (net of amortization)	21,961	290,879	312,840
Total other long-term assets	<u>5,568,658</u>	<u>290,879</u>	<u>5,859,537</u>
Total long-term assets	<u>92,575,577</u>	<u>48,876,561</u>	<u>141,452,138</u>
Total assets	<u>143,087,410</u>	<u>55,096,802</u>	<u>198,184,212</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	5,811,671	5,373,735	11,185,406
Accrued salaries and benefits	450,490	-	450,490
Accrued interest payable	-	2,106,101	2,106,101
Due to primary government	1,290,072	-	1,290,072
Deferred revenue	914,571	64,010	978,581
Performance and other deposits	2,505,597	342,651	2,848,248
Mortgage revenue bonds payable	368,305	-	368,305
Mortgage notes payable	5,557,670	782,391	6,340,061
Public housing loans payable	160,615	-	160,615
Compensated absences payable	449,752	-	449,752
Total current liabilities	<u>17,508,743</u>	<u>8,668,888</u>	<u>26,177,631</u>
Long-term liabilities:			
Mortgage revenue bonds payable	11,142,013	-	11,142,013
Mortgage notes payable	20,317,926	30,926,070	51,243,996
Public housing loans payable	1,090,595	-	1,090,595
Compensated absences payable	515,674	-	515,674
Total long-term liabilities	<u>33,066,208</u>	<u>30,926,070</u>	<u>63,992,278</u>
Total liabilities	<u>50,574,951</u>	<u>39,594,958</u>	<u>90,169,909</u>
NET ASSETS			
Invested in capital assets, net of related debt	56,224,261	13,689,538	69,913,799
Restricted	5,571,754	3,305,076	8,876,830
Unrestricted	30,716,444	(1,492,770)	29,223,674
Total net assets	<u>\$ 92,512,459</u>	<u>15,501,844</u>	<u>108,014,303</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, 2006

EXHIBIT K-1

	Primary Government	Component Units	Total Reporting Entity
OPERATING REVENUES:			
Dwelling rentals	\$ 12,766,005	5,508,184	18,274,189
Other	1,859,303	1,217,362	3,076,665
Total operating revenues	14,625,308	6,725,546	21,350,854
OPERATING EXPENSES:			
Personnel services	9,549,179	1,035,291	10,584,470
Materials and supplies	2,494,483	1,527,618	4,022,101
Repairs and maintenance	2,739,438	1,306,207	4,045,645
Housing assistance payments	36,358,064	-	36,358,064
Depreciation and amortization	3,758,226	1,894,212	5,652,438
Contractual services	1,499,372	75,531	1,574,903
Utilities	2,254,843	844,226	3,099,069
Total operating expenses	58,653,605	6,683,085	65,336,690
Operating income (loss)	(44,028,297)	42,461	(43,985,836)
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	57,888,898	-	57,888,898
Interest revenue	1,239,179	111,968	1,351,147
Interest expense	(1,974,853)	(1,179,531)	(3,154,384)
Gain on disposal of capital assets	514,323	-	514,323
Total nonoperating revenues (expenses)	57,667,547	(1,067,563)	56,599,984
Gain (loss) before contributions	13,639,250	(1,025,102)	12,614,148
CAPITAL CONTRIBUTIONS:			
Investor capital contributions	-	100,000	100,000
HUD debt service contributions	239,205	-	239,205
HUD capital contributions	1,235,182	-	1,235,182
Total capital contributions	1,474,387	100,000	1,574,387
Change in net assets	15,113,637	(925,102)	14,188,535
Total net assets, July 1, 2005	77,398,822	16,426,946	93,825,768
Total net assets, June 30, 2006	\$ 92,512,459	15,501,844	108,014,303

COUNTY OF FAIRFAX, VIRGINIA
Fairfax County Redevelopment and Housing Authority
Statement of Cash Flows
For the fiscal year ended June 30, 2006

EXHIBIT K-2

	Primary Government	Component Units	Total Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 12,880,349	5,577,353	18,457,702
Other operating cash receipts	1,850,729	1,236,229	3,086,958
Payments to employees for services	(9,458,895)	(1,035,291)	(10,494,186)
Payments made for housing assistance	(39,194,269)	-	(39,194,269)
Payments to suppliers for goods and services	(9,070,410)	(4,301,956)	(13,372,366)
Purchase of property held for sale	(198,268)	-	(198,268)
Net cash provided (used) by operating activities	(43,190,764)	1,476,335	(41,714,429)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from the issuance of debt	3,100,000	-	3,100,000
Payments on behalf of the County	(3,756,574)	-	(3,756,574)
Intergovernmental revenue received	50,114,616	-	50,114,616
Net cash provided by noncapital financing activities	49,458,042	-	49,458,042
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(5,412,942)	(226,488)	(5,639,430)
Capital contributions	-	100,000	100,000
Proceeds from issuance of debt	25,000	118,595	143,595
Interest payments	(1,972,944)	(939,518)	(2,912,462)
Debt principal payments	(2,223,305)	(1,010,479)	(3,233,784)
HUD debt service and capital contributions	1,474,387	-	1,474,387
Net cash (used) by capital and related financing activities	(8,109,804)	(1,957,890)	(10,067,694)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of loan and advance repayments	1,098,262	-	1,098,262
Disbursement of loans and advances receivable	(578,636)	-	(578,636)
Acquisition of investments	(1,056,404)	-	(1,056,404)
Interest received	1,703,080	109,748	1,812,828
Net cash provided by investing activities	1,166,302	109,748	1,276,050
Net decrease in cash and cash equivalents	(676,224)	(371,807)	(1,048,031)
Cash and cash equivalents, July 1, 2005	39,269,316	9,644,227	48,913,543
Cash and cash equivalents, June 30, 2006	\$ 38,593,092	9,272,420	47,865,512
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (44,028,297)	42,461	(43,985,836)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,758,226	1,894,212	5,652,438
Change in assets and liabilities:			
Decrease in accounts receivable	256,498	59,209	315,707
(Increase) decrease in prepaid and other assets	(2,798,364)	26,172	(2,772,192)
(Decrease) in accounts payable and accrued liabilities	(336,045)	(574,546)	(910,591)
Increase in accrued salaries and benefits	87,410	-	87,410
Increase in performance and other deposits	61,945	18,867	80,812
Increase (decrease) in deferred revenue	(192,137)	9,960	(182,177)
Total adjustments to operating income (loss)	837,533	1,433,874	2,271,407
Net cash provided (used) by operating activities	\$ (43,190,764)	1,476,335	(41,714,429)

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, 2006

	General Fund (Financed from County General Fund)	Major Governmental	
		Special Revenue Fund - Park Revenue	Capital Financed from County Construction Fund
ASSETS			
Equity in pooled cash and temporary investments	\$ -	5,887,318	-
Receivables:			
Accounts	-	9,379	-
Accrued interest	-	20,307	-
Due from primary government	1,760,339	-	222,593
Prepaid and other assets	-	1,111	-
Restricted assets:			
Equity in pooled cash and temporary investments	-	-	-
Investments	-	1,930,158	-
Total assets	\$ 1,760,339	7,848,273	222,593
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 203,371	623,063	221,429
Accrued salaries and benefits	1,556,968	1,263,265	-
Due to primary government	-	211,539	-
Contract retainages	-	-	1,164
Deferred revenue	-	3,718,736	-
Performance and other deposits	-	114,089	-
Total liabilities	1,760,339	5,930,692	222,593
Fund balances:			
Reserved for:			
Encumbrances	248,620	-	691,715
Certain capital projects	-	-	-
Debt service	-	1,930,158	-
Repair and replacement	-	-	-
Unreserved (deficit)	(248,620)	(12,577)	(691,715)
Total fund balances	-	1,917,581	-
Total liabilities and fund balances	\$ 1,760,339	7,848,273	222,593

Reconciliation of the Balance Sheet to the Statement of Net Assets

Fund balances - Total governmental funds		\$ 28,788,965
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 \$574,847,965 and the accumulated depreciation is \$119,698,352.		455,149,613
Deferred bond issuance costs reported in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.		393,895
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	\$ (10,805,555)	
Compensated absences payable	(4,588,071)	
Loan from primary government	(15,530,000)	
Accrued interest payable	(224,562)	(31,148,188)
Net assets of governmental activities		<u>\$ 453,184,285</u>

EXHIBIT L

Funds			
Projects Funds			
Construction Bond	Park Capital Improvement	Park Capital Improvement	Total Governmental Funds
			ASSETS
-	16,490,863		22,378,181 Equity in pooled cash and temporary investments
			Receivables:
-	-	9,379	Accounts
-	109,909	130,216	Accrued interest
-	-	1,982,932	Due from primary government
-	-	1,111	Prepaid and other assets
			Restricted assets:
10,483,899	700,000	11,183,899	Equity in pooled cash and temporary investments
-	855,881	2,786,039	Investments
10,483,899	18,156,653	38,471,757	Total assets
			LIABILITIES AND FUND BALANCES
			Liabilities:
849,494	114,986	2,012,343	Accounts payable and accrued liabilities
-	-	2,820,233	Accrued salaries and benefits
-	-	211,539	Due to primary government
475,003	249,722	725,889	Contract retainages
-	-	3,718,736	Deferred revenue
-	79,963	194,052	Performance and other deposits
1,324,497	444,671	9,682,792	Total liabilities
			Fund balances:
			Reserved for:
6,296,734	597,483	7,834,552	Encumbrances
2,862,668	855,881	3,718,549	Certain capital projects
-	-	1,930,158	Debt service
-	700,000	700,000	Repair and replacement
-	15,558,618	14,605,706	Unreserved (deficit)
9,159,402	17,711,982	28,788,965	Total fund balances
10,483,899	18,156,653	38,471,757	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, 2006

	General Fund (Financed from County General Fund)	Major Governmental	
		Special Revenue Fund - Park Revenue	Capital Financed from County Construction Fund
REVENUES			
Intergovernmental	\$ 28,291,747	-	6,619,851
Charges for services	2,459,922	30,353,362	-
Developers' contributions			
Revenue from the use of money and property	-	2,596,569	-
Gifts, donations, and contributions	-	252,779	-
Other	-	227,946	-
Total revenues	30,751,669	33,430,656	6,619,851
EXPENDITURES			
Current:			
Parks, recreation, and cultural	30,451,775	31,162,848	5,175,563
Intergovernmental	-	-	-
Capital outlay	299,894	277,669	1,444,288
Debt service:			
Principal retirement	-	570,000	-
Interest and other charges	-	502,020	-
Total expenditures	30,751,669	32,512,537	6,619,851
Excess (deficiency) of revenues over (under) expenditures	-	918,119	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(210,000)	-
Total other financing sources (uses)	-	(210,000)	-
Net change in fund balances	-	708,119	-
Fund balances, July 1, 2005	-	1,209,462	-
Fund balances, June 30, 2006	\$ -	1,917,581	-

EXHIBIT L-1

Funds			
Projects Funds			
Park Construction Bond	Park Capital Improvement	Total Governmental Funds	
			REVENUES
15,000,000	603,112	50,514,710	Intergovernmental
-	8,276	32,821,560	Charges for services
-	2,336,735	2,336,735	Developers' contributions
-	1,144,333	3,740,902	Revenue from the use of money and property
-	209,181	461,960	Gifts, donations and contributions
-	-	227,946	Other
15,000,000	4,301,637	90,103,813	Total revenues
			EXPENDITURES
			Current:
1,524,451	296,782	68,611,419	Parks, recreation, and cultural
779,250	-	779,250	Intergovernmental
23,745,426	5,034,819	30,802,096	Capital outlay
			Debt service:
-	-	570,000	Principal retirement
-	687,363	1,189,383	Interest and other charges
26,049,127	6,018,964	101,952,148	Total expenditures
(11,049,127)	(1,717,327)	(11,848,335)	Excess (deficiency) of revenues over (under) expenditures
			OTHER FINANCING SOURCES (USES)
-	210,000	210,000	Transfers in
-	-	(210,000)	Transfers out
-	210,000	-	Total other financing sources (uses)
(11,049,127)	(1,507,327)	(11,848,335)	Net change in fund balances
20,208,529	19,219,309	40,637,300	Fund balances, July 1, 2005
9,159,402	17,711,982	28,788,965	Fund balances, June 30, 2006

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, 2006

EXHIBIT L-1
concluded

Net change in fund balances - Total governmental funds \$ (11,848,335)

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	\$ 30,802,096	
Less depreciation expense	<u>(6,958,753)</u>	23,843,343

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. (22,413)

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. 21,366,169

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 totaled this amount. 570,000

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	\$ (254,838)	
Interest and other	<u>(74,997)</u>	<u>(329,835)</u>

Change in net assets of governmental activities \$ 33,578,929

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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 21,766,646	22,171,962	21,889,010	(282,952)
Charges for services	2,620,971	2,455,055	2,459,922	4,867
Total revenues	24,387,617	24,627,017	24,348,932	(278,085)
EXPENDITURES				
Parks, recreation, and cultural	24,387,617	24,627,017	24,348,932	278,085
Total expenditures	24,387,617	24,627,017	24,348,932	278,085
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, 2006

EXHIBIT L-2B

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 30,242,476	30,248,634	30,467,465	218,831
Revenue from the use of money and property	2,501,456	2,495,298	2,595,989	100,691
Gifts, donations, and contributions	224,283	224,283	252,779	28,496
Other	221,227	221,227	227,946	6,719
Total revenues	33,189,442	33,189,442	33,544,179	354,737
EXPENDITURES				
Parks, recreation, and cultural	32,526,214	32,526,214	32,512,537	13,677
Total expenditures	32,526,214	32,526,214	32,512,537	13,677
Excess of revenues over expenditures	663,228	663,228	1,031,642	368,414
OTHER FINANCING SOURCES (USES)				
Transfers out	(210,000)	(210,000)	(210,000)	-
Total other financing sources (uses)	(210,000)	(210,000)	(210,000)	-
Net change in fund balance	\$ 453,228	453,228	821,642	368,414

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, 2006

EXHIBIT M

	General Fund (Financed from County General Fund)
ASSETS	
Due from primary government	\$ 250,921
<u>Total assets</u>	<u>\$ 250,921</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 94,345
Accrued salaries and benefits	156,576
<u>Total liabilities</u>	<u>250,921</u>
Fund balance:	
Unreserved	-
<u>Total liabilities and fund balance</u>	<u>\$ 250,921</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 \$91,802 and the accumulated depreciation is \$42,171.	49,631
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(216,931)</u>
Net assets of governmental activities	<u>\$ (167,300)</u>

COUNTY OF FAIRFAX, VIRGINIA

EXHIBIT M-1

Fairfax County Economic Development Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the fiscal year ended June 30, 2006

	General Fund (Financed from County General Fund)
REVENUES	
Intergovernmental	\$ 6,973,900
Total revenues	<u>6,973,900</u>
EXPENDITURES	
Current:	
Community development	6,973,900
Total expenditures	<u>6,973,900</u>
Excess of revenues over expenditures	-
Fund balance, July 1, 2005	-
Fund balance, June 30, 2006	<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:

Capital outlay	\$ 29,680	
Depreciation expense	(12,837)	
Compensated absences	<u>(5,532)</u>	<u>11,311</u>
Change in net assets of governmental activities		<u>\$ 11,311</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, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 6,413,385	6,413,385	6,413,384	(1)
Total revenues	6,413,385	6,413,385	6,413,384	(1)
EXPENDITURES				
Community development	6,413,385	6,413,385	6,413,384	1
Total expenditures	6,413,385	6,413,385	6,413,384	1
Net change in fund balance	\$ -	-	-	-

Statistical Section

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, including the accompanying notes, and required supplementary information to understand and assess the County's economic condition. Information is presented in the following five categories:

- 1.0* Financial trends information
- 2.0* Revenue capacity information
- 3.0* Debt capacity information
- 4.0* Demographic and economic information
- 5.0* Operating information

1.0 - Financial trends information is intended to assist users in understanding and assessing how the County's financial position has changed over time. There are four tables presented in this section.

COUNTY OF FAIRFAX, VA
TABLE 1.1 - Net Assets by Component
Last Five Fiscal Years (1)

	Fiscal Year				
	2006	2005	2004	2003	2002
<i>Governmental activities:</i>					
Invested in capital assets, net of related debt	\$ 1,075,520,989	1,034,317,673	995,156,131	932,499,218	905,544,976
Restricted	36,903,134	30,414,477	42,737,479	29,329,687	11,092,218
Unrestricted (2)	(777,273,475)	(882,121,487)	(885,313,225)	(891,343,756)	(849,887,728)
Total net assets, governmental activities	335,150,648	182,610,663	152,580,385	70,485,149	66,749,466
<i>Business-type activities:</i>					
Invested in capital assets, net of related debt	\$ 786,263,108	787,889,313	755,683,261	651,624,011	621,870,392
Restricted	57,514,949	56,463,753	85,025,111	144,412,547	154,565,734
Unrestricted	61,442,481	63,234,893	63,547,596	105,456,857	132,250,541
Total net assets, business-type activities	905,220,538	907,587,959	904,255,968	901,493,415	908,686,667
<i>Total Primary government:</i>					
Invested in capital assets, net of related debt	1,861,784,097	1,822,206,986	1,750,839,392	1,584,123,229	1,527,415,368
Restricted	94,418,083	86,878,230	127,762,590	173,742,234	165,657,952
Unrestricted	(715,830,994)	(818,886,594)	(821,765,629)	(785,886,899)	(717,637,187)
Total net assets, primary government	\$ 1,240,371,186	1,090,198,622	1,056,836,353	971,978,564	975,436,133

Source: Fairfax County Department of Finance

Notes:

- (1) GASB Statement No. 34 requires the presentation of full accrual financial information, including the presentation of net assets. This statement was implemented in fiscal year 2002; therefore, there are only five years of data presented in this table.
- (2) The County issues debt for the construction of Public Schools and Park Authority facilities. The County reports this debt, whereas the Public Schools and Park Authority report the related capital assets and unspent bond proceeds. As a result, the debt reduces unrestricted net assets for the primary government. The amount of this debt related to investments in capital assets and unspent bond proceeds for these component units that is outstanding for each fiscal year is as follows:

	Fiscal Year				
	2006	2005	2004	2003	2002
	\$ 1,184,160,483	1,154,667,840	1,117,774,930	1,059,149,620	984,800,430

COUNTY OF FAIRFAX, VA
TABLE 1.2 - Changes in Net Assets
Last Five Fiscal Years (1)

	Fiscal Year				
	2006	2005	2004	2003	2002 (5)
Expenses					
<i>Governmental activities:</i>					
General government administration	\$ 133,838,032	182,163,429 (6)	118,582,483	118,511,161	132,867,365
Judicial administration	38,631,468	36,370,091	34,988,605	35,243,062	32,652,640
Public safety	550,648,594	481,881,184	436,789,222	414,698,922	391,465,390
Public works	159,913,922	155,502,766	146,543,177	132,457,898	141,536,370
Health and welfare	441,567,541	423,218,014	400,760,061	383,744,665	370,118,888
Community development	185,778,647	167,075,768	130,018,919	134,530,817	142,055,156
Parks, recreation, and cultural	137,380,297	126,227,717	123,769,806	118,518,084	105,852,089
Education - for Public Schools	1,547,083,954	1,453,746,126	1,370,981,360	1,308,402,963	1,209,931,327
Interest on long-term debt	82,365,378	82,981,808	77,309,276	81,994,507	77,719,236
Total expenses, governmental activities	3,277,207,833	3,109,166,903	2,839,742,909	2,728,102,079	2,604,198,461
<i>Business-type activities:</i>					
Public works - Sewer	\$ 136,063,778	125,435,224	124,373,936	126,953,197	105,766,365
Total expenses, business-type activities	136,063,778	125,435,224	124,373,936	126,953,197	105,766,365
Total expenses, primary government	3,413,271,611	3,234,602,127	2,964,116,845	2,855,055,276	2,709,964,826
Program Revenues					
<i>Governmental activities:</i>					
Charges for services:					
Public safety	\$ 53,558,588	41,565,418	38,438,771	34,072,120	30,698,240
Public works	80,212,361	72,715,488	72,758,327	66,543,218	61,306,429
Health and welfare	56,770,395	48,998,685	43,329,319	43,281,914	38,309,902
Other activities	72,600,753	64,486,204	59,564,348	56,553,155	57,024,536
Operating grants and contributions	241,510,533	225,089,494	236,755,548	203,931,755	175,459,023
Capital grants and contributions	28,003,177	55,346,338	47,056,844	32,611,096	77,783,486
Total program revenues, governmental activities	532,655,807	508,201,627	497,903,157	436,993,258	440,581,616
<i>Business-type activities:</i>					
Charges for services:					
Public works - Sewer	\$ 123,358,395	118,013,675	117,422,097	108,149,558	110,345,773
Capital grants and contributions	5,888,926	7,248,130	8,887,132	7,244,852	9,862,455
Total program revenues, business-type activities	129,247,321	125,261,805	126,309,229	115,394,410	120,208,228
Total program revenues, primary government	661,903,128	633,463,432	624,212,386	552,387,668	560,789,844
Net (Expense) Revenue					
Governmental activities	(2,744,552,026)	(2,600,965,276)	(2,341,839,752)	(2,291,108,821)	(2,163,616,845)
Business-type activities	(6,816,457)	(173,419)	1,935,293	(11,558,787)	14,441,863
Total primary government	\$ (2,751,368,483)	(2,601,138,695)	(2,339,904,459)	(2,302,667,608)	(2,149,174,982)

	Fiscal Year					
	2006	2005	2004	2003	2002 (5)	
General Revenues and Other Changes in Net Assets						
<i>Governmental activities:</i>						
Taxes:						
Real property	\$ 1,785,065,735	1,638,739,052	1,502,921,280	1,396,210,347	1,233,555,473	
Personal property	288,584,215	277,668,819	272,609,749	273,447,219	284,981,993	
Business licenses	127,439,823	114,434,467	103,176,919	94,744,725	90,973,176	
Local sales and use	176,084,111	168,740,477	160,910,888	143,641,853	139,345,413	
Consumers utility	103,271,085	96,189,365	92,533,138	85,892,727	86,368,876	
Motor vehicle decals	19,572,404	19,802,772	19,503,579	19,052,623	18,694,344	
Recordation	51,431,631	48,743,007	30,908,422	27,044,633	19,843,886	
Occupancy, tobacco, and other	41,195,083	33,376,957	19,814,208	17,788,607	16,486,754	
Unrestricted grants and contributions	215,804,028	200,817,597	201,520,018	197,619,418	209,855,319	
Revenue from the use of money	88,643,896	24,483,041	20,036,787	21,841,712	31,667,551	
Special item	-	8,000,000	(3)	17,560,640	(2)	-
Total general revenues and other changes in net assets, governmental activities	<u>2,897,092,011</u>	<u>2,630,995,554</u>	<u>2,423,934,988</u>	<u>2,294,844,504</u>	<u>2,131,772,785</u>	
<i>Business-type activities:</i>						
Revenue from the use of money	\$ 4,449,036	3,505,410	2,640,720	4,365,535	7,031,710	
Special item	-	-	(1,813,460)	(4)	-	-
Total general revenues and other changes in net assets, business-type activities	<u>4,449,036</u>	<u>3,505,410</u>	<u>827,260</u>	<u>4,365,535</u>	<u>7,031,710</u>	
Total general revenues and other changes in net assets, primary government	<u>2,901,541,047</u>	<u>2,634,500,964</u>	<u>2,424,762,248</u>	<u>2,299,210,039</u>	<u>2,138,804,495</u>	
Change in Net Assets						
Governmental activities	152,539,985	30,030,278	82,095,236	3,735,683	(31,844,060)	
Business-type activities	(2,367,421)	3,331,991	2,762,553	(7,193,252)	21,473,573	
Total primary government	<u>\$ 150,172,564</u>	<u>33,362,269</u>	<u>84,857,789</u>	<u>(3,457,569)</u>	<u>(10,370,487)</u>	

Source: Fairfax County Department of Finance

Notes:

- (1) GASB Statement No. 34 requires the presentation of full accrual financial information, including the presentation of changes in net assets. This statement was implemented in fiscal year 2002; therefore, there are only five years of data presented in this table.
- (2) The County sold 46.8 acres of land located in the Laurel Hill area of the southern part of the County to a private developer for development as a senior living campus and graduated care facility.
- (3) The County sold 34.0 acres of land located in central Fairfax to provide funding for the Park Authority to satisfy the debt it issued to purchase certain park land in western Fairfax.
- (4) The Sewer System used available resources to redeem certain outstanding bonds, resulting in the recognition of an accounting loss, in order to reduce its total debt service payments by approximately \$20.9 million over 13 years.
- (5) Certain revenue amounts for fiscal year 2002 have been reclassified to conform with the presentations for subsequent years.
- (6) General government administration expenses increased approx 53.6 percent over fiscal year 2004 primarily as a result of the transfer of South County Secondary School valued at \$68.0 million to Public Schools.

COUNTY OF FAIRFAX, VA
TABLE 1.3 - Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year				
	2006	2005	2004	2003	2002
<i>General Fund:</i>					
Reserved	\$ 34,665,914	25,761,930	31,694,047	20,452,621	14,120,072
Unreserved	239,587,945	210,724,987	161,541,066	133,004,492	112,673,370
Total general fund	274,253,859	236,486,917	193,235,113	153,457,113	126,793,442
<i>All Other Governmental Funds:</i>					
Reserved	236,238,170	196,266,810	222,458,953	167,212,512	97,762,828
Unreserved, reported in:					
Special revenue funds	184,308,185	180,570,230	178,290,865	181,380,468	174,045,654
Debt service funds	8,361,065	14,302,670	18,970,383	16,897,074	10,222,617
Capital projects funds	101,882,556	113,143,870	62,758,569	88,799,811	68,051,292
Total all other governmental funds	\$ 530,789,976	504,283,580	482,478,770	454,289,865	350,082,391

Source: Fairfax County Department of Finance

Fiscal Year					
2001	2000	1999	1998	1997	
					<i>General Fund:</i>
14,083,532	10,693,150	14,239,274	9,149,518	7,931,967	Reserved
91,552,620	101,783,423	85,092,857	81,382,919	80,886,503	Unreserved
105,636,152	112,476,573	99,332,131	90,532,437	88,818,470	Total general fund
					<i>All Other Governmental Funds:</i>
90,092,844	58,932,647	49,268,370	54,039,452	82,853,648	Reserved
					Unreserved, reported in:
171,486,214	157,191,830	155,083,460	117,978,981	106,413,815	Special revenue funds
4,078,555	5,820,964	2,838,035	987,175	659,780	Debt service funds
37,724,873	49,933,196	38,152,747	13,412,337	(10,287,157)	Capital projects funds
303,382,486	271,878,637	245,342,612	186,417,945	179,640,086	Total all other governmental funds

COUNTY OF FAIRFAX, VA
TABLE 1.4 - Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year				
	2006	2005	2004	2003	2002
Revenues					
Taxes	\$ 2,591,610,934	2,398,277,235	2,200,570,345	2,054,784,694	1,898,192,584
Permits, privilege fees, and regulatory licenses	45,335,405	40,591,871	40,310,942	38,625,237	36,939,184
Intergovernmental	484,822,403	435,486,897	451,720,871	415,759,761	451,679,407
Charges for services	202,707,290	182,316,633	168,106,332	157,604,088	140,033,476
Fines and forfeitures	15,108,251	15,554,264	13,307,318	11,065,873	10,318,703
Revenue from the use of money and property	91,543,648	44,975,930	25,582,447	25,336,155	34,115,952
Recovered costs	15,876,280	11,135,242	12,607,810	12,481,015	9,009,483
Contributions and other	6,708,723	6,920,481	7,220,453	14,569,936	12,913,055
Total revenues	3,453,712,934	3,135,258,553	2,919,426,518	2,730,226,759	2,593,201,844
Expenditures					
Current:					
General government administration	123,677,400	120,937,429	112,177,459	108,912,669	99,226,761
Judicial administration	38,113,725	35,409,832	34,127,757	34,087,541	30,852,713
Public safety	532,941,254	461,387,643	422,501,453	405,593,918	379,379,556 (3)
Public works	195,231,421	180,096,171	171,616,126	157,131,104	144,649,708
Health and welfare	442,392,799	421,059,009	395,790,648	380,515,142	365,542,786
Community development	140,630,700	112,375,464	87,925,272	92,061,094	102,629,811
Parks, recreation, and cultural	63,493,502	54,152,986	49,149,335	52,411,059	57,122,407
Nondepartmental (1)	-	-	-	-	-
Intergovernmental (2):					
Community development	36,375,841	42,713,945	30,280,310	30,003,932	27,424,248
Parks, recreation, and cultural	67,429,466	65,432,258	66,231,453	57,108,484	41,152,581
Education	1,548,705,318	1,516,057,490	1,372,602,724	1,306,972,343	1,211,552,691
Capital outlay	159,498,041	114,008,813	85,091,794	54,684,186	101,859,104 (4)
Debt service:					
Principal retirement	155,731,090	149,333,276	144,474,933	140,564,084	130,050,588
Interest and other charges	93,863,245	90,670,315	83,091,312	81,949,450	77,627,666
Total expenditures	3,598,083,802	3,363,634,631	3,055,060,576	2,901,995,006	2,769,070,620
Excess of revenues over (under) expenditures	(144,370,868)	(228,376,078)	(135,634,058)	(171,768,247)	(175,868,776)
Other Financing Sources (Uses)					
Transfers in	494,604,574	454,613,670	412,033,079	355,467,852	348,524,492
Transfers out	(502,270,865)	(458,514,510)	(416,933,079)	(355,667,852)	(348,279,492)
Bonds issued	199,964,050	280,615,984	199,224,018	282,510,708	201,345,513
Refunding bonds issued	381,982,418	141,081,070	257,362,098	183,893,333	62,614,916
Payments to escrow agent	(381,019,900)	(140,525,562)	(255,977,448)	(183,541,600)	(62,561,378)
Capital leases, installment purchases, and other	15,424,016	807,522	7,774,660	1,565,293	33,640,753
Total other financing sources (uses)	208,684,293	278,078,174	203,483,328	284,227,734	235,284,804
Special Item					
Net change in fund balances	\$ 64,313,425	65,202,096	67,849,270	130,659,487	59,416,028
Debt service as a percentage of noncapital expenditures	7.8%	8.0%	8.3%	8.5%	8.4%

Source: Fairfax County Department of Finance

Notes:

(1) Commencing in fiscal year 2002, nondepartmental expenditures are reported as functional current expenditures.

(2) Intergovernmental expenditures represent payments to component units, including Public Schools, the Park Authority, and the Economic Development Authority, and certain other government authorities. Certain reclassifications have been made for fiscal years 1997 - 2003 to conform with the presentations for subsequent years.

					Fiscal Year	
2001	2000	1999	1998	1997		
					Revenues	
1,785,431,379	1,690,371,422	1,640,594,459	1,548,908,361	1,491,735,145	Taxes	
39,535,467	43,835,560	43,044,787	37,128,657	34,075,400	Permits, privilege fees, and regulatory licenses	
322,831,212	253,160,640	158,213,844	137,836,514	142,349,757	Intergovernmental	
123,038,689	119,498,020	116,786,897	117,397,608	128,369,782	Charges for services	
9,116,533	7,579,871	7,139,633	7,411,845	7,211,910	Fines and forfeitures	
70,589,590	62,703,815	54,981,030	54,351,695	47,512,008	Revenue from the use of money and property	
10,112,563	7,842,983	7,585,120	6,821,285	6,999,709	Recovered costs	
15,969,640	20,806,434	13,019,921	9,013,290	8,919,749	Contributions and other	
<u>2,376,625,073</u>	<u>2,205,798,745</u>	<u>2,041,365,691</u>	<u>1,918,869,255</u>	<u>1,867,173,460</u>	Total revenues	
					Expenditures	
					Current:	
84,251,292	87,400,231	81,323,563	77,592,551	73,355,323	General government administration	
24,162,805	21,408,526	19,502,814	18,652,509	18,170,437	Judicial administration	
289,032,001	256,155,919	229,816,356	211,191,952	195,088,737	Public safety	
138,490,277	125,478,465	113,140,139	122,113,299	131,821,568	Public works	
314,452,758	300,328,090	269,576,534	253,136,820	249,423,752	Health and welfare	
84,921,560	72,851,132	70,146,886	41,772,581	36,937,016	Community development	
51,848,476	47,941,903	44,758,195	39,601,225	37,131,052	Parks, recreation, and cultural	
120,577,637	106,035,082	96,500,551	97,667,906	97,491,772	Nondepartmental (1)	
					Intergovernmental (2):	
28,867,568	26,633,469	31,204,903	31,394,556	20,676,250	Community development	
30,421,966	33,620,781	36,600,153	21,584,394	18,049,313	Parks, recreation, and cultural	
1,119,816,709	1,029,134,319	953,948,506	907,683,743	788,556,212	Education	
46,431,914	40,091,303	43,405,673	63,386,836	90,824,693	Capital outlay	
					Debt service:	
115,948,925	109,261,425	104,773,925	100,768,924	94,663,925	Principal retirement	
77,262,417	75,709,447	71,488,617	70,801,589	66,742,613	Interest and other charges	
<u>2,526,486,305</u>	<u>2,332,050,092</u>	<u>2,166,186,815</u>	<u>2,057,348,885</u>	<u>1,918,932,663</u>	Total expenditures	
<u>(149,861,232)</u>	<u>(126,251,347)</u>	<u>(124,821,124)</u>	<u>(138,479,630)</u>	<u>(51,759,203)</u>	Excess of revenues over (under) expenditures	
					Other Financing Sources (Uses)	
361,370,147	319,497,484	315,939,959	277,157,749	268,956,011	Transfers in	
(366,166,147)	(326,176,909)	(306,141,038)	(280,016,888)	(267,480,412)	Transfers out	
174,673,305	171,629,135	160,865,747	136,959,743	60,602,709	Bonds issued	
144,209,867	-	140,599,608	-	-	Refunding bonds issued	
(143,650,436)	-	(140,423,000)	-	-	Payments to escrow agent	
4,078,378	965,289	7,953,284	5,536,069	18,093,443	Capital leases and installment purchases	
<u>174,515,114</u>	<u>165,914,999</u>	<u>178,794,560</u>	<u>139,636,673</u>	<u>80,171,751</u>	Total other financing sources (uses)	
					Special Item	
24,653,882	39,663,652	53,973,436	1,157,043	28,412,548	Net change in fund balances	
8.4%	8.8%	9.1%	9.4%	9.7%	Debt service as a percentage of noncapital expenditures	

(3) Expenditures for public safety increased \$90.3 million, or 31.3 percent, primarily as a result of the events of September 11, 2001.

(4) Capital outlay expenditures increased \$55.4 million, or 119.4 percent, primarily as a result of the acquisition of the South County Government Center.

2.0 - Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the County's ability to generate its own-source revenues. There are four tables presented in this section.

COUNTY OF FAIRFAX, VA

**TABLE 2.1 - Assessed Value and Actual Value of Taxable Real Property (1)
Last Ten Fiscal Years**

Fiscal Year	Residential (000s)	Commercial (000s)	Public Service Corporations (000s)	Total Taxable Assessed Value (000s)	Tax-Exempt (000s)	Total Direct Tax Rate (2)
2006	\$ 141,857,826	36,942,894	960,617	179,761,337	10,462,057	1.00
2005	112,858,706	31,946,040	991,053	145,795,799	9,779,970	1.13
2004	99,189,600	30,057,551	902,495	130,149,646	9,261,168	1.16
2003	84,668,753	30,233,837	846,936	115,749,526	8,720,806	1.21
2002	70,980,944	28,812,448	826,274	100,619,666	8,246,380	1.23
2001	62,213,402	25,600,738	803,375	88,617,515	7,812,420	1.23
2000	57,824,575	22,782,389	772,293	81,379,257	7,036,624	1.23
1999	56,203,580	19,605,123	741,141	76,549,844	6,690,019	1.23
1998	55,142,791	17,778,335	648,567	73,569,693	6,508,338	1.23
1997	54,391,272	16,592,463	600,457	71,584,192	6,227,029	1.23

Source: Fairfax County Department of Tax Administration

Notes:

- (1) Assessed value is the estimated actual value of taxable property and is shown for each period for which taxes are levied. Real property is assessed as of January 1 each year at the estimated fair market value of all land and improvements, with the resulting taxes being payable in the subsequent fiscal year.
- (2) The tax rate is per \$100 of assessed value.

COUNTY OF FAIRFAX, VA
TABLE 2.2 - Direct and Overlapping Real Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	County Direct Rate (2)	Overlapping Rates (3)	
		Town of Herndon	Town of Vienna
2006	\$ 1.00	0.25	0.220
2005	1.13	0.28	0.265
2004	1.16	0.28	0.275
2003	1.21	0.30	0.285
2002	1.23	0.32	0.300
2001	1.23	0.32	0.300
2000	1.23	0.32	0.310
1999	1.23	0.32	0.310
1998	1.23	0.32	0.310
1997	1.23	0.32	0.300

Sources: Fairfax County Department of Tax Administration; Town of Herndon; Town of Vienna

Notes:

- (1) Rates are per \$100 of assessed value, which is determined as of January 1 of the prior calendar year.
- (2) Virginia law limits the annual tax increase to 2% unless public hearings are held. The County Board of Supervisors holds public hearings annually in conjunction with the budget process.
- (3) These overlapping rates only apply to property owners within these Towns, which lie entirely within the County.

COUNTY OF FAIRFAX, VA
TABLE 2.3 - Principal Real Property Taxpayers
Current Year and Nine Years Ago

Fiscal Year 2006			
Rank	Taxpayer	Taxable Assessed Value (1)	Pct. of Total Taxable Assessed Value (2)
1	Tyson's Corner Property Holdings LLC	\$ 574,159,430	0.32 %
2	Prentiss Properties	496,564,760	0.28
3	West Group Properties LLC	377,562,360	0.21
4	Virginia Electric & Power Company	346,885,714	0.19
5	Company of Fairfax	262,191,600	0.15
6	Franconia Two LP	238,012,530	0.13
7	EOP Reston Town Center	230,431,960	0.13
8	Smith Property Holdings	206,341,640	0.12
9	Washington Gas Light Company	204,590,008	0.11
10	Gannett Company Inc.	194,529,960	0.11
Totals		<u>\$ 3,131,269,962</u>	<u>1.75 %</u>

Source: Fairfax County Department of Tax Administration

Notes:

- (1) Assessed values are as of January 1 of the prior calendar year.
- (2) Total taxable assessed value for fiscal year 2006 is \$178,818,426,150.
 Total taxable assessed value for fiscal year 1997 is \$77,210,763,875.

COUNTY OF FAIRFAX, VA
TABLE 2.4 - Real Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year Original Levy (1)	Collected within the Fiscal Year of the Levy		Adjustments to Original Levy in Subsequent Years (2)	Total Adjusted Levy
		Amount	Pct. of Original Levy		
2006	\$ 1,779,168,760	1,769,793,216	99.47 %	\$ -	1,779,168,760
2005	1,656,668,208	1,648,504,246	99.51	(501,169)	1,656,167,039
2004	1,518,549,518	1,511,904,661	99.56	(526,711)	1,518,022,807
2003	1,410,550,906	1,405,218,191	99.62	(281,145)	1,410,269,761
2002	1,247,726,326	1,242,776,932	99.60	(114,914)	1,247,611,412
2001	1,100,425,283	1,095,773,887	99.58	(22,919)	1,100,402,364
2000	1,012,037,449	1,007,186,954	99.52	(74,519)	1,011,962,930
1999	952,991,338	948,332,582	99.51	(16,646)	952,974,692
1998	915,479,535	910,864,622	99.50	(3,175)	915,476,360
1997	890,762,525	886,313,606	99.50	(60,184)	890,702,341

Source: Fairfax County Department of Tax Administration

Notes:

- (1) Taxes are levied on assessed property values as of January 1 of the prior calendar year.
- (2) Adjustments to the original levy include exonerations, tax relief, and supplemental assessments.

Fiscal Year 1997

Rank	Taxpayer	Taxable Assessed Value (1)	Pct. of Total Taxable Assessed Value (2)
1	Tysons Corner Property Holdings LLC	\$ 354,437,715	0.46 %
2	Virginia Electric and Power Company	288,652,221	0.37
3	Company of Fairfax	232,849,215	0.30
4	Franconia Two LP (Springfield Mall)	228,147,915	0.30
5	Westgate	171,373,180	0.22
6	Washington Gas Light Company	168,902,798	0.22
7	West Park Associates	167,625,684	0.22
8	Dwoskin, Albert J.	156,468,580	0.20
9	Smith Property Holdings	154,784,740	0.20
10	Combined Properties	152,195,945	0.20
Totals		<u>\$ 2,075,437,993</u>	<u>2.69 %</u>

Collections in Subsequent Years	Total Collections to Date	
	Amount	Pct. of Adjusted Levy
-	1,769,793,216	99.47 %
5,390,415	1,653,894,661	99.86
5,620,293	1,517,524,954	99.97
4,818,520	1,410,036,711	99.98
4,430,526	1,247,207,458	99.97
4,212,724	1,099,986,611	99.96
4,237,793	1,011,424,747	99.95
3,933,353	952,265,935	99.93
3,943,208	914,807,830	99.93
3,676,379	889,989,985	99.92

3.0 - Debt capacity information is intended to assist users in understanding and assessing the County's debt burden and its ability to issue additional debt. There are five tables presented in this section.

COUNTY OF FAIRFAX, VA
TABLE 3.1 - Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)					
	General Obligation Bonds (000s)	Revenue Bonds (000s)	Certificates of Participation (2) (000s)	Notes (000s)	Capital Leases (000s)	HUD Section 108 Loan (000s)
2006	\$ 1,700,980	234,863	27,360	12,578	16,169	1,725
2005	1,661,385	241,732	27,805	-	22,277	1,955
2004	1,618,775	167,354	28,230	-	19,961	2,070
2003	1,577,156	173,450	28,625	-	17,513	2,185
2002	1,519,646	106,650	29,000	-	21,958	2,300
2001	1,441,688	110,485	-	-	22,914	-
2000	1,380,267	114,125	-	-	23,738	-
1999	1,314,378	117,600	-	-	28,811	-
1998	1,258,172	114,530	-	-	27,365	-
1997	1,219,736	117,530	-	-	26,340	-

Source: Fairfax County Department of Finance

Notes:

- (1) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings. See Note J in Notes to the Financial Statements for additional information regarding the County's outstanding debt.
- (2) The Certificates of Participation relate to the County's acquisition of the South County Government Center, which is reported as a capital lease in the financial statements. The lease was signed on November 1, 2000, and the first payment was due on October 15, 2002.
- (3) See Table 4.1 for personal income data. The percentage is calculated using personal income data for the prior calendar year.
- (4) See Table 4.1 for population data. The ratio is calculated using population data for the prior calendar year.

State Literary Fund Loans (000s)	Business-type Activities (1) Revenue Bonds (000s)	Total Primary Government (000s)	Pct. of Personal Income (3)	Debt Per Capita (4)
15	386,783	2,380,473	3.696 %	\$ 2,286
86	398,602	2,353,842	3.952	2,303
158	405,586	2,242,134	4.090	2,215
230	474,272	2,273,431	4.312	2,263
319	484,522	2,164,395	4.234	2,199
408	442,583	2,018,078	4.159	2,081
496	409,740	1,928,366	4.307	2,038
585	414,945	1,876,319	4.664	2,014
712	421,309	1,822,088	4.953	1,998
838	425,924	1,790,368	5.171	1,990

COUNTY OF FAIRFAX, VA
**TABLE 3.2 - Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding (1)					Total (000s)	Pct. of Actual Taxable Value of Real Property (2)	Debt Per Capita (3)
	General Obligation Bonds (000s)	Revenue Bonds (000s)	Certificates of Participation (000s)	State Literary Fund Loans (000s)				
2006	\$ 1,700,980	234,863	27,360	15		1,963,218	1.09 %	\$ 1,886
2005	1,661,385	241,732	27,805	86		1,931,008	1.32	1,889
2004	1,618,775	167,354	28,230	158		1,814,517	1.39	1,793
2003	1,577,156	173,450	28,625	230		1,779,461	1.54	1,772
2002	1,519,646	106,650	29,000	319		1,655,615	1.65	1,682
2001	1,441,688	110,485	-	408		1,552,581	1.75	1,601
2000	1,380,267	114,125	-	496		1,494,888	1.84	1,580
1999	1,314,378	117,600	-	585		1,432,563	1.87	1,538
1998	1,258,172	114,530	-	712		1,373,414	1.87	1,506
1997	1,219,736	117,530	-	838		1,338,104	1.87	1,487

Source: Fairfax County Department of Finance

Notes:

- (1) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings. See Note J in Notes to the Financial Statements for additional information regarding the County's outstanding debt.
- (2) See Table 2.1 for actual taxable value of real property data. This percentage is calculated using values for each fiscal year for which levied.
- (3) See Table 4.1 for population data. This ratio is calculated using population for the prior calendar year.

COUNTY OF FAIRFAX, VA
TABLE 3.3 - Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

	Debt Outstanding (1) (000s)	Percentage Applicable (2)	Share of Overlapping Debt (000s)
<i>Overlapping debt (2):</i>			
Town of Herndon general obligation bonds	\$ 21,714	100.0 %	\$ 21,714
Town of Vienna general obligation bonds	16,223	100.0	<u>16,223</u>
Total overlapping debt			<u>37,937</u>
<i>County direct debt (3):</i>			
General obligation bonds			1,700,980
Revenue bonds			234,863
Certificates of participation			27,360
Notes			12,578
Capital leases			16,169
HUD Section 108 loan			1,725
State Literary Fund loans			<u>15</u>
Total direct debt			<u>1,993,690</u>
Total direct and overlapping debt			<u>\$ 2,031,627</u>

Sources: Fairfax County Department of Finance; Town of Herndon; Town of Vienna

Notes:

- (1) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings.
- (2) The percentage of overlapping debt applicable is determined using taxable assessed property values. The Towns of Herndon and Vienna are situated entirely within the geographic boundaries of the County, and their residents and businesses bear the governmental activities debt burdens of both the County and their respective Towns.
- (3) The County's direct debt is also presented in Table 3.1.

COUNTY OF FAIRFAX, VA
TABLE 3.4 - Self-Imposed Debt Margin Information
Last Ten Fiscal Years

The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness that the County can at any time incur or have outstanding. The Board of Supervisors, however, has imposed limits which provide that the County's (a) long-term general bonded debt should not exceed three percent of the total assessed value of taxable real and personal property in the County and (b) the annual debt service should not exceed ten percent of the annual general fund expenditures and transfers out, excluding capital leases and installment purchases in the year initiated. Relevant information pertaining to these self-imposed debt margins is provided below.

	Fiscal Year (000s)				
	2006	2005	2004	2003	2002
(a) Debt limit (2)	\$ 5,820,845	4,782,421	4,324,646	3,888,560	3,432,734
Total debt applicable to limit (3)	1,963,218	1,931,008	1,814,517	1,779,461	1,655,615
Self-imposed debt margin	\$ 3,857,627	2,851,413	2,510,129	2,109,099	1,777,119
Total debt applicable to limit as a percentage of debt limit	33.73%	40.38%	41.96%	45.76%	48.23%
Total debt applicable to limit as a percentage of assessed value	1.01%	1.21%	1.26%	1.37%	1.45%
<i>Debt Margin Calculation for Fiscal Year 2006:</i>					
Assessed value (2)	\$ 194,028,165				
Debt limit (3% of assessed value)	5,820,845				
Debt applicable to limit: (3)					
General obligation bonds (1)	1,700,980				
Revenue bonds (1)	234,863				
Certificates of participation	27,360				
State Literary Fund loans	15				
Total debt applicable to limit	1,963,218				
Self-imposed debt margin	\$ 3,857,627				
	Fiscal Year (000s)				
	2006	2005	2004	2003	2002
(b) Debt service limit	\$ 303,501	279,878	259,515	244,792	229,262
Total debt service requirements applicable to limit (4)	239,326	224,544	213,027	212,107	190,098
Self-imposed debt service margin	\$ 64,175	55,334	46,488	32,685	39,164
Total debt service requirements applicable to limit as a percentage of the debt service limit	78.86%	80.23%	82.09%	86.65%	82.92%
Total debt service requirements applicable to limit as a percentage of annual general fund expenditures and transfers out	7.89%	8.02%	8.21%	8.66%	8.29%

Source: Fairfax County Department of Finance

Notes:

- (1) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings.
- (2) See Table 2.1 for assessed taxable value of real property data. The amounts used to determine debt limits include values for each period for which levied and include both real and personal property.
- (3) See Table 3.2 for debt applicable to limit amounts.
- (4) Debt service requirements exclude "bond issuance costs and other" expenditures recorded in the debt service funds.

Fiscal Year (000s)					
2001	2000	1999	1998	1997	
3,045,171	2,791,309	2,620,905	2,513,835	2,434,797	Debt limit (2)
1,552,581	1,494,888	1,432,563	1,373,414	1,338,104	Total debt applicable to limit (3)
1,492,590	1,296,421	1,188,342	1,140,421	1,096,693	Self-imposed debt margin
50.99%	53.56%	54.66%	54.63%	54.96%	Total debt applicable to limit as a percentage of debt limit
1.53%	1.61%	1.64%	1.64%	1.65%	Total debt applicable to limit as a percentage of assessed value

Fiscal Year (000s)					
2001	2000	1999	1998	1997	
214,834	198,259	184,962	175,702	168,263	Debt service limit
183,740	176,004	162,623	162,971	152,571	Total debt service requirements applicable to limit (4)
31,094	22,255	22,339	12,731	15,692	Self-imposed debt service margin
85.53%	88.77%	87.92%	92.75%	90.67%	Total debt service requirements applicable to limit as a percentage of the debt service limit
8.55%	8.88%	8.79%	9.28%	9.07%	Total debt service requirements applicable to limit as a percentage of annual general fund expenditures and transfers out

COUNTY OF FAIRFAX, VA

**TABLE 3.5 - Pledged Revenue Coverage for the Integrated Sewer System
Last Ten Fiscal Years**

Fiscal Year (1)	Gross Revenues (2) (000s)	Operating Expenses (3) (000s)	Net Available Revenue (000s)	Debt Service (4)			Coverage
				Principal (000s)	Interest (000s)	Total (000s)	
2006	\$ 127,780	72,705	55,075	9,910	18,028	27,938	1.97
2005	121,476	67,226	54,250	8,939	18,351	27,290	1.99
2004	120,063	70,124	49,939	11,842	22,054	33,896	1.47
2003	112,515	70,579	41,936	10,249	23,457	33,706	1.24
2002	117,377	68,665	48,712	8,061	21,765	29,826	1.63
2001	122,905	61,787	61,118	7,157	21,412	28,569	2.14
2000	122,197	57,447	64,750	5,205	21,682	26,887	2.41
1999	122,445	60,061	62,384	6,364	20,710	27,074	2.30
1998	112,108	58,907	53,201	4,615	18,985	23,600	2.25
1997	105,416	58,126	47,290	2,983	15,892	18,875	2.51

Source: Fairfax County Department of Finance

Notes:

- (1) Certain amounts for fiscal years 1997 to 2001 have been reclassified and/or adjusted for comparability.
- (2) Gross revenues include all revenues, except the amortization of deferred gain on bond refundings.
- (3) Operating expenses do not include depreciation and amortization.
- (4) See Note J in the Notes to the Financial Statements for detailed information regarding the sewer revenue bonds issued by the Integrated Sewer System and the System's share of the revenue bonds issued by the Upper Occoquan Sewage Authority.

4.0 - Demographic and economic information is intended to assist users in understanding the socioeconomic environment within which a government operates and to provide information that facilitates comparisons of financial statement information over time and among governments. There are two tables presented in this section.

COUNTY OF FAIRFAX, VA
TABLE 4.1 - Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (2) (000s)	Per Capita Personal Income (2)	Median Age (yrs) (3)	Pct. of People ≥ 25 Years Old with a Bachelor's Degree (3)	Public School Enrollment (4)	Unemployment Rate (5)
2005	1,041,200	\$ 64,407,591	\$ 61,859	38.1	58.5 %	164,408	2.5 %
2004	1,022,298	59,565,215	58,266	37.6	57.4	164,195	2.7
2003	1,012,090	54,821,879	54,167	37.9	56.3	163,386	3.1
2002	1,004,435	52,726,811	52,494	37.3	55.9	161,385	3.4
2001	984,366	51,119,111	51,931	36.4	56.2	158,331	2.5
2000	969,749	48,521,391	50,035	36.0	54.8	154,523	1.6
1999	946,371	44,769,027	47,306	NA	NA	151,418	1.5
1998	931,452	40,232,206	43,193	0.7	NA	148,036	1.5
1997	912,126	36,786,042	40,330	NA	NA	145,805	2.1
1996	899,650	34,620,331	38,482	36.0	56.0	143,040	2.7

Notes:

- (1) Population data is obtained from the Fairfax County Department of Systems Management for Human Services.
- (2) Personal income data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce and includes the Cities of Fairfax and Falls Church. Data for Fairfax County only is not available, however, it is believed that the inclusion of these Cities does not significantly affect the County's data. Fairfax County data for 2005 is estimated using Virginia's percent change in per capita personal income from 2004 to 2005. Based on prior year experience, it is believed that Virginia's percent change provides an appropriate approximation for the County's percent change.
- (3) Median age and educational attainment information are obtained from the U.S. Census Bureau's American Community Survey.
- (4) Public school enrollment is obtained from Fairfax County Public Schools.
- (5) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

COUNTY OF FAIRFAX, VA
TABLE 4.2 - Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2006 (1)			Fiscal Year 1997		
	Number of Employees (2)	Rank	Pct. of Total County Employment (3)	Number of Employees (2)	Rank	Pct. of Total County Employment (3)
Fairfax County Public Schools	22,562	1	3.95 %	17,049	1	3.47 %
Federal Government	12,517	2	2.19	11,691	2	2.38
Fairfax County Government	10,999	3	1.92	9,885	3	2.01
Inova Health System	10,000 - 11,000	4	1.84	9,000 - 10,000	4	1.93
Booz, Allen and Hamilton	8,000 - 9,000	5	1.49	2,000 - 3,000	9	0.51
Northrup Grumman	8,000 - 9,000	6	1.49	-	-	-
Science Applications International Corporation	6,000 - 7,000	7	1.14	3,000 - 4,000	6	0.71
Sprint Nextel	5,000 - 6,000	8	0.96	-	-	-
Lockheed Martin	5,000 - 6,000	9	0.96	-	-	-
Federal Home Loan Mortgage	4,000 - 5,000	10	0.79	2,000 - 3,000	10	0.51
Electronic Data Systems	-	-	-	3,000 - 4,000	5	0.71
AT&T	-	-	-	2,000 - 3,000	7	0.51
BDM International	-	-	-	2,000 - 3,000	8	0.51
Totals			<u>16.73 %</u>			<u>13.24 %</u>

Source: Fairfax County Economic Development Authority; Fairfax County Public Schools; Fairfax County Department of Management and Budget

Notes:

- (1) Information for fiscal year 2006, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 4th quarter of calendar year 2005, which represents the most recent data available.
- (2) Employment estimates for separate facilities of the same firm have been combined. Employment ranges for the private sector are given to ensure confidentiality.
- (3) Percentages are based on the midpoint of the employment range.
 Total County employment for fiscal year 2006 is estimated at 571,401.
 Total County employment for fiscal year 1997 is estimated at 492,008.



5.0 - Operating information is intended to provide contextual information about a government's operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition. There are three tables presented in this section.

COUNTY OF FAIRFAX, VA
TABLE 5.1 - Full Time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30				
	2006	2005	2004	2003	2002
Primary Government:					
General government administration	1,426.5	1,417.5	1,415.0	1,415.0	1,421.0
Judicial administration	370.0	370.0	370.0	376.0	382.0
Public safety	4,163.4	4,000.4	3,941.9	3,865.2	3,808.2
Public works	1,103.5	1,100.5	1,133.5	1,137.5	1,146.5
Health and welfare	2,867.1	2,818.2	2,808.3	2,840.4	2,817.9
Community development	469.0	447.5	403.1	431	444.0
Parks, recreation, and cultural	599.5	585.0	590.5	571.9	572.9
Total	10,998.9	10,739.0	10,662.2	10,637.0	10,592.4
Component Units:					
<i>Public Schools:</i>					
Education	22,561.8	22,246.5	21,770.1	21,291.7	21,044.9
<i>Redevelopment and Housing Authority:</i>					
Community development	234.0	234.0	234.0	235.0	235.0
<i>Park Authority:</i>					
Parks, recreation, and cultural	611.3	609.7	592.3	586.3	587.3

Sources: Fairfax County Department of Management and Budget; Fairfax County Public Schools; Fairfax County Redevelopment and Housing Authority; Fairfax County Park Authority

Full-Time Equivalent Employees as of June 30					Function/Program
2001	2000	1999	1998	1997	
					<u>Primary Government:</u>
1,392.0	1,375.0	1,376.0	1,382.0	1,375.5	General government administration
365.0	355.0	350.0	350.5	339.5	Judicial administration
3,749.2	3,663.7	3,555.7	3,513.7	3,429.6	Public safety
1,168.5	1,140.5	1,154.5	1,173.0	1,215.0	Public works
2,761.5	2,663.8	2,589.0	2,563.9	2,506.5	Health and welfare
435.0	459.0	450.0	439.0	454.0	Community development
586.4	585.7	578.9	566.3	565.4	Parks, recreation, and cultural
10,457.5	10,242.6	10,054.0	9,988.3	9,885.4	Total
					<u>Component Units:</u>
					<i>Public Schools:</i>
20,445.3	19,462.7	18,388.0	17,588.9	17,049.2	Education
					<i>Redevelopment and Housing Authority:</i>
231.0	226.0	224.0	221.0	223.0	Community development
					<i>Park Authority:</i>
576.8	564.8	564.5	568.3	571.3	Parks, recreation, and cultural

COUNTY OF FAIRFAX, VA
TABLE 5.2 - Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2006	2005	2004	2003	2002
Primary Government:					
<i>General government administration:</i>					
Real property parcels assessed	349,995	345,338	341,651	337,350	333,209
Personal property vehicles assessed	947,135	955,658	942,860	949,061	921,716
Businesses licensed	48,074	47,248	47,176	40,649	39,568
Best qualified job applicants forwarded to departments	23,850	20,207	17,777	14,863	18,289
<i>Judicial administration:</i>					
Cases filed in General District Court	302,808	316,478	297,652	259,293	256,575
Booking transactions	52,069	52,120	51,972	48,395	47,158
Probation program new enrollment	1,092	1,181	768	742	631
<i>Public safety:</i>					
Police:					
Recruits graduating Criminal Justice Academy	NA	96	154	135	113
Total cases assigned	NA	10,407	11,257	10,890	11,550
Total cases cleared	NA	6,839	7,949	7,556	7,991
Parking tickets issued	NA	41,239	40,484	25,911	27,188
Sheriff:					
Court cases heard annually	488,453	496,080	456,574	425,022	447,545
Average daily Adult Detention Center inmate population	1,046	1,031	1,044	1,034	859
Fire and rescue:					
Fire investigations conducted	395	380	372	465	469
Fire inspection activities conducted	17,396	20,052	20,816	21,330	21,660
EMS incidents	62,036	61,636	62,420	60,306	60,685
Animals impounded	NA	7,013	5,773	6,447	8,619
<i>Public works:</i>					
Gross square feet of facilities maintained	7,620,961	7,564,973	7,525,059	7,460,673	6,781,380
Tons of County waste disposed	1,020,009	1,006,837	965,119	883,088	855,812
Total tons recycled	424,923	437,235	514,220	386,019	401,368
Total average daily wastewater flow treated (million gallons)	102.4	104.2	108.3	106.0	96.9
<i>Health and welfare:</i>					
Persons served through Community Services Board programs:					
Mental health	11,165	11,006	10,641	10,438	10,551
Alcohol and drug services	5,684	5,290	5,665	6,323	6,224
Mental retardation	1,890	1,809	1,926	1,985	1,882
Infant Toddler Connection	1,719	1,541	1,434	1,254	1,189
Senior home-delivered meals	505,520	462,049	456,735	451,152	452,241
Food Stamp applications processed	9,343	8,611	9,645	9,327	9,299
Medicaid/FAMIS applications processed	14,548	13,359	14,376	15,499	13,737
Primary care clinic visits	48,032	47,616	47,899	39,733	44,005
Child immunization vaccines given at clinics	39,762	32,644	44,537	52,395	59,360
<i>Community development:</i>					
Building inspections	218,631	256,659	237,073	222,546	261,811
Building permits issued	82,029	91,416	78,703	78,078	82,100
Zoning permits processed	24,555	28,991	27,963	33,410	32,860
Fairfax Connector bus passengers	9,529,056	8,474,143	7,990,825	7,595,138	6,831,313
<i>Parks, recreation, and cultural:</i>					
Senior Center attendance	249,966	209,963	191,794	180,692	191,009
Teen Center attendance	116,033	85,610	61,866	53,265	48,822
Community Center attendance	157,512	142,531	116,185	119,685	137,600
Library visits	5,225,404	5,265,176	5,283,497	5,261,448	5,349,847
Circulation of all library materials	11,279,972	11,232,817	11,435,007	11,566,681	12,114,743

Fiscal Year					Function/Program
2001	2000	1999	1998	1997	
<u>Primary Government:</u>					
<i>General government administration:</i>					
330,252	326,244	319,291	315,782	312,085	Real property parcels assessed
900,730	861,826	827,468	802,188	781,562	Personal property vehicles assessed
38,960	39,474	38,473	41,070	37,613	Businesses licensed
21,126	20,125	NA	NA	NA	Best qualified job applicants forwarded to departments
<i>Judicial administration:</i>					
272,937	281,725	277,834	263,367	272,094	Cases filed in General District Court
41,297	42,031	42,346	NA	NA	Booking transactions
613	576	556	440	310	Probation program new enrollment
<i>Public safety:</i>					
Police:					
88	142	96	73	53	Recruits graduating Criminal Justice Academy
10,157	NA	NA	NA	NA	Total cases assigned
6,671	NA	NA	NA	NA	Total cases cleared
28,498	34,463	32,986	29,982	37,684	Parking tickets issued
Sheriff:					
NA	NA	NA	NA	NA	Court cases heard annually
778	740	694	708	717	Average daily Adult Detention Center inmate population
Fire and rescue:					
512	444	400	354	423	Fire investigations conducted
21,668	NA	NA	NA	NA	Fire inspection activities conducted
57,800	NA	NA	NA	NA	EMS incidents
7,430	7,050	7,150	5,729	5,519	Animals impounded
<i>Public works:</i>					
6,564,880	NA	NA	NA	NA	Gross square feet of facilities maintained
809,690	715,658	635,721	NA	NA	Tons of County waste disposed
405,539	336,921	305,298	311,729	NA	Total tons recycled
102.4	102.3	96.3	104.1	102.4	Total average daily wastewater flow treated (million gallons)
<i>Health and welfare:</i>					
Persons served through Community Services Board programs:					
11,270	11,948	11,422	11,804	12,027	Mental health
5,954	6,183	6,655	6,505	5,607	Alcohol and drug services
1,716	2,139	2,497	2,164	1,917	Mental retardation
1,094	NA	NA	NA	NA	Infant Toddler Connection
427,681	430,823	425,005	426,766	412,556	Senior home-delivered meals
7,965	8,688	10,233	10,032	NA	Food Stamp applications processed
14,006	13,310	11,605	9,822	NA	Medicaid/FAMIS applications processed
44,319	NA	NA	NA	NA	Primary care clinic visits
56,293	42,128	37,803	41,512	40,855	Child immunization vaccines given at clinics
<i>Community development:</i>					
275,022	292,259	257,713	242,493	NA	Building inspections
82,911	97,407	89,728	85,491	95,594	Building permits issued
38,985	46,180	43,742	37,603	36,049	Zoning permits processed
6,110,611	5,586,462	4,773,876	4,736,026	4,442,075	Fairfax Connector bus passengers
<i>Parks, recreation, and cultural:</i>					
186,688	182,439	179,412	176,720	NA	Senior Center attendance
58,514	NA	NA	NA	NA	Teen Center attendance
NA	NA	NA	NA	NA	Community Center attendance
5,063,274	4,821,447	4,820,216	4,960,146	5,034,760	Library visits
11,492,624	10,813,448	10,111,358	9,696,887	9,468,607	Circulation of all library materials

continued

COUNTY OF FAIRFAX, VA
TABLE 5.2 - Operating Indicators by Function (concluded)
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2006	2005	2004	2003	2002
Component Units:					
<i>Public Schools:</i>					
Combined SAT scores (math and verbal)	1108	1114	1105	1110	1096
Number of lunches served daily	82,169	81,672	81,166	79,012	76,423
Number of breakfasts served daily	10,202	10,830	11,410	10,665	10,029
Student enrollment	164,284	164,408	164,195	163,386	161,385
Special education enrollment	12,665	12,420	12,148	11,751	10,839
ESOL enrollment	20,963	20,646	19,921	19,346	17,128
<i>Redevelopment and Housing Authority:</i>					
Residents housed through subsidized rental programs:					
Federal Public Housing	8,676	10,140	10,534	10,185	9,229
Federal Housing Choice Vouchers	2,933	3,165	2,940	2,967	2,897
County Rental Program	1,355	1,378	1,494	2,068	2,117
Homes sold in First-Time Homebuyer Program	92	114	97	147	111
<i>Park Authority:</i>					
REC Center attendance	1,775,980	1,658,377	1,582,774	1,532,537	1,514,138
Golf course rounds	319,595	296,750	321,381	285,392	375,711
Visits to natural, cultural, historic, and interpretive sites	574,127	479,533	469,774	459,828	418,561
Class, camp, and program participation	151,019	131,379	133,202	132,461	115,901

Sources: Fairfax County Department of Management and Budget, Fairfax County Public Schools, Fairfax County Redevelopment and Housing Authority, Fairfax County Park Authority

Fiscal Year					Function/Program
2001	2000	1999	1998	1997	
<u>Component Units:</u>					
<i>Public Schools:</i>					
1093	1098	1094	1095	1088	Combined SAT scores (math and verbal)
74,873	72,816	68,165	64,614	61,637	Number of lunches served daily
10,004	9,765	9,316	8,990	8,756	Number of breakfasts served daily
158,331	154,523	151,418	148,026	145,805	Student enrollment
10,444	10,282	9,768	9,334	8,501	Special education enrollment
14,941	12,657	11,099	10,024	9,300	ESOL enrollment
<i>Redevelopment and Housing Authority:</i>					
Residents housed through subsidized rental programs:					
8,869	8,570	NA	NA	NA	Federal Public Housing
2,899	2,922	NA	NA	NA	Federal Housing Choice Vouchers
2,046	2,187	NA	NA	NA	County Rental Program
253	114	NA	NA	NA	Homes sold in First-Time Homebuyer Program
<i>Park Authority:</i>					
1,362,501	1,425,064	1,370,813	1,328,979	NA	REC Center attendance
350,290	373,491	364,177	328,514	NA	Golf course users
445,511	410,667	421,564	400,208	NA	Visitors to natural, cultural, historic, and interpretive sites
81,337	81,324	77,463	72,501	NA	Class, camp, and program participation

COUNTY OF FAIRFAX, VA
TABLE 5.3 - Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2006	2005	2004	2003	2002
Primary Government:					
<i>General government administration:</i>					
Government office buildings (square feet)	3,027,973	3,027,973	3,027,973	3,027,973	2,962,899
Vehicle maintenance facilities	4	4	4	4	4
<i>Judicial administration:</i>					
Correctional facilities (inmate capacity)	1,260	1,260	1,260	1,260	1,260
Courtrooms	35	35	35	35	35
<i>Public safety:</i>					
Police:					
Stations	8	8	8	7	7
Vehicles	1,326	1,283	1,248	1,334	1,298
Helicopters	2	2	2	2	2
Criminal justice academy (trainee capacity)	230	230	230	230	230
Fire and rescue:					
County-operated fire and rescue stations	21	20	20	20	20
Volunteer fire and rescue stations	11	11	11	11	11
Combination stations	4	4	4	4	4
Vehicles	458	447	431	397	407
Boats	2	2	2	2	2
Training facilities (trainee capacity)	177	152	152	152	152
Animal shelters (animal capacity)	158	158	158	158	158
<i>Public works:</i>					
Miles of sanitary sewer lines	3,306	3,289	3,267	3,240	3,213
Sewer pumping stations	65	64	64	61	61
Refuse collection, recycling, and disposal vehicles	229	228	224	222	222
Miles of stormwater drainage lines	1,520	1,507	1,044	835	815
Stormwater retention ponds	1,196	1,146	1,116	1,060	1,004
Landfills and transfer stations	3	3	3	3	3
<i>Health and welfare:</i>					
Health-related clinics	5	5	5	5	5
Family shelters	3	3	3	3	3
Community Services Board centers	9	9	9	9	9
<i>Community development:</i>					
Community centers	5	5	5	5	5
Bus shelters	57	53	42	28	13
Transit centers and park & ride lots	8	6	6	7	7
Fairfax Connector buses	170	170	170	163	163
<i>Parks, recreation, and cultural:</i>					
Libraries	21	21	21	21	21
Community centers	3	3	3	3	3
Trails and walkways (miles)	596	631	626	616	606

Fiscal Year					Function/Program
2001	2000	1999	1998	1997	
<i>Primary Government:</i>					
<i>General government administration:</i>					
2,802,005	2,802,005	2,802,005	2,802,005	2,802,005	Government office buildings (square feet)
4	4	4	4	4	Vehicle maintenance facilities
<i>Judicial administration:</i>					
1,012	589	589	589	589	Correctional facilities (inmate capacity)
35	35	35	35	35	Courtrooms
<i>Public safety:</i>					
Police:					
7	7	7	7	7	Stations
1,173	958	891	679	671	Vehicles
2	2	2	2	2	Helicopters
230	230	230	230	230	Criminal justice academy (trainee capacity)
Fire and rescue:					
20	19	19	19	19	County-operated fire and rescue stations
11	11	11	11	11	Volunteer fire and rescue stations
4	4	4	4	4	Combination stations
403	393	379	362	359	Vehicles
2	2	2	2	2	Boats
152	152	152	152	152	Training facilities (trainee capacity)
158	158	158	158	158	Animal shelters (animal capacity)
<i>Public works:</i>					
3,177	3,139	3,106	3,076	3,028	Miles of sanitary sewer lines
63	60	54	54	56	Sewer pumping stations
215	214	214	212	212	Refuse collection, recycling, and disposal vehicles
754	692	NA	NA	NA	Miles of stormwater drainage lines
976	932	NA	NA	NA	Stormwater retention ponds
3	3	3	3	3	Landfills and transfer stations
<i>Health and welfare:</i>					
5	5	5	5	5	Health-related clinics
3	3	3	3	3	Family shelters
9	9	9	9	9	Community Services Board centers
<i>Community development:</i>					
5	5	5	5	5	Community centers
NA	NA	NA	NA	NA	Bus shelters
NA	NA	NA	NA	NA	Transit centers and park & ride lots
163	154	130	127	128	Fairfax Connector buses
<i>Parks, recreation, and cultural:</i>					
21	20	19	19	19	Libraries
3	3	3	3	3	Community centers
546	486	NA	NA	NA	Trails and walkways (miles)

continued

COUNTY OF FAIRFAX, VA
TABLE 5.3 - Capital Asset Statistics by Function (concluded)
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2006	2005	2004	2003	2002
<u>Component Units:</u>					
<i>Public Schools:</i>					
Elementary schools	136	136	136	132	132
Middle schools	22	22	22	22	21
High/secondary schools	25	24	24	24	24
Special education centers	13	15	20	21	24
Alternative high schools	3	3	3	3	3
<i>Redevelopment and Housing Authority:</i>					
Housing units owned under programs:					
Federal Public Housing	1,065	1,065	1,065	1,065	1,065
County Rental Program	702	683	670	666	666
Senior Housing Program	460	400	400	400	400
Partnership Program	491	491	491	491	491
<i>Park Authority:</i>					
Acres of park land	23,677	23,517	22,978	22,644	22,621
Athletic fields	288	275	274	274	295
Trail miles	211	204	204	204	204
Play areas and tot lots	192	205	205	201	201
Tennis courts	229	225	223	222	222
Multi-use courts	128	119	118	119	143
Recreational centers	9	9	8	8	8
Golf courses	9	8	8	8	8
Historic sites	64	65	65	60	60
Nature/visitor centers	7	7	7	7	7
Marinas	3	3	3	3	3

Sources: Fairfax County Department of Finance, Fairfax County Public Schools, Fairfax County Redevelopment and Housing Authority, Fairfax County Park Authority

Fiscal Year					Function/Program
2001	2000	1999	1998	1997	
<u>Component Units:</u>					
<i>Public Schools:</i>					
131	133	132	132	134	Elementary schools
21	21	21	21	20	Middle schools
24	23	23	23	23	High/secondary schools
25	28	26	26	24	Special education centers
3	3	3	3	3	Alternative high schools
<i>Redevelopment and Housing Authority:</i>					
Housing units owned under programs:					
1,065	1,065	1,065	1,065	1,065	Federal Public Housing
666	666	666	666	659	County Rental Program
340	340	340	280	280	Senior Housing Program
491	491	491	491	443	Partnership Program
<i>Park Authority:</i>					
20,063	19,326	17,269	17,146	17,078	Acres of park land
295	295	295	293	295	Athletic fields
204	190	182	180	179	Trail miles
201	197	271	271	270	Play areas and tot lots
222	222	252	252	250	Tennis courts
143	135	138	118	117	Multi-use courts
8	8	8	8	8	Recreational centers
8	8	8	8	6	Golf courses
60	54	51	49	28	Historic sites
7	7	6	6	6	Nature/visitor centers
3	3	3	3	3	Marinas



Over the past 30 years, Fairfax County has transformed from a suburban bedroom community into a vibrant and diverse urban county of more than a million people, doubling in size and earning international respect as a major employment center and cultural destination in its own right. Anticipating the future involves looking at where we have come from, where we are, and where we will be in Fairfax County. Our community has profoundly changed over time, shaped not just by the world around us, but largely by our own initiative. Our community is still in motion, poised to respond to the challenges ahead.

-Gerald E. Connolly, Chairman, Board of Supervisors



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