



Fairfax County, Virginia
Popular *Annual* Financial Report
July 1, 2016 – June 30, 2017



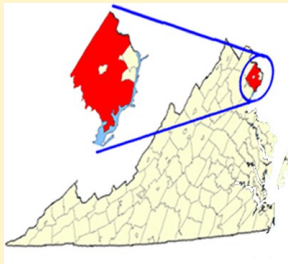


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Online Resources:

Interested in reading more about a particular topic? Look for the Action Code squares throughout the document.



Simply download a scan code reader app to a smart phone or tablet, hold the camera over the code, and the topic website will appear.

November 17, 2017



We are pleased to present to you, our residents, the Popular Annual Financial Report (PAFR) for the County of Fairfax, Virginia, covering Fiscal Year (FY) 2017 (July 1, 2016 - June 30, 2017). The PAFR is designed to offer those with a general interest in the County's financial activities a less detailed glimpse at selected data from the FY 2017 Comprehensive Annual Financial Report (CAFR) presented in a highly readable format.

The County's financial statements conform to generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), have been audited as required by the Code of Virginia, and, have received an unmodified opinion by the accounting firm of Cherry Bekaert LLP.

We hope this inaugural PAFR helps the reader gain a better understanding of the County's financial activities and reinforces our commitment to fiscal integrity and sound financial management. The PAFR also reflects our commitment to the residents and businesses of Fairfax County, the Board of Supervisors, and all interested readers of this report by providing financial, economic, and demographic information about the County, while showing our deep pride in serving it.

Respectfully,

Kirk W. Kincannon
Acting County Executive

Joseph M. Mondoro
Chief Financial Officer

Christopher J. Pietsch
Director of Finance

This report was prepared by:

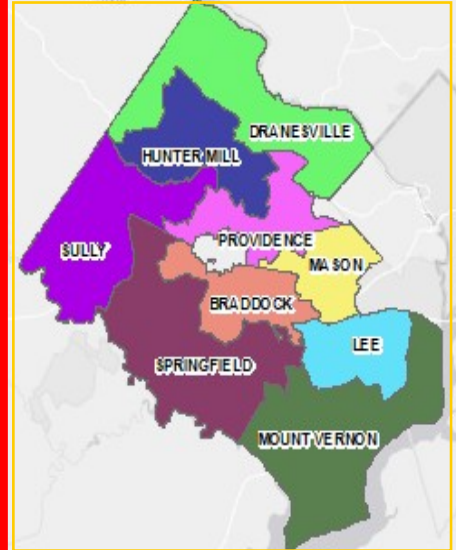
COUNTY OF FAIRFAX, VIRGINIA
DEPARTMENT OF FINANCE

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<https://www.fairfaxcounty.gov/finance/pafr2017>

Cover Photo: Mount Vernon, courtesy of the Department of Planning & Zoning
Cover: 275 Logo and select pictures courtesy of the Fairfax County 275th Anniversary Steering Committee

Fairfax County Board of Supervisors



From Left to Right: Daniel G. Storck (Mount Vernon District), John C. Cook (Braddock District), Catherine M. Hudgins (Hunter Mill District), Jeffrey C. McKay (Lee District), Sharon Bulova (Chairman, At-Large), Penelope A. Gross (Mason District), John W. Foust (Dranesville District), Kathy L. Smith (Sully District), Linda Q. Smyth (Providence District) & Pat Herrity (Springfield District)



The Fairfax County Board of Supervisors (the Board) is the governing body for the County. The Board consists of 10 members: a chairperson, 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.

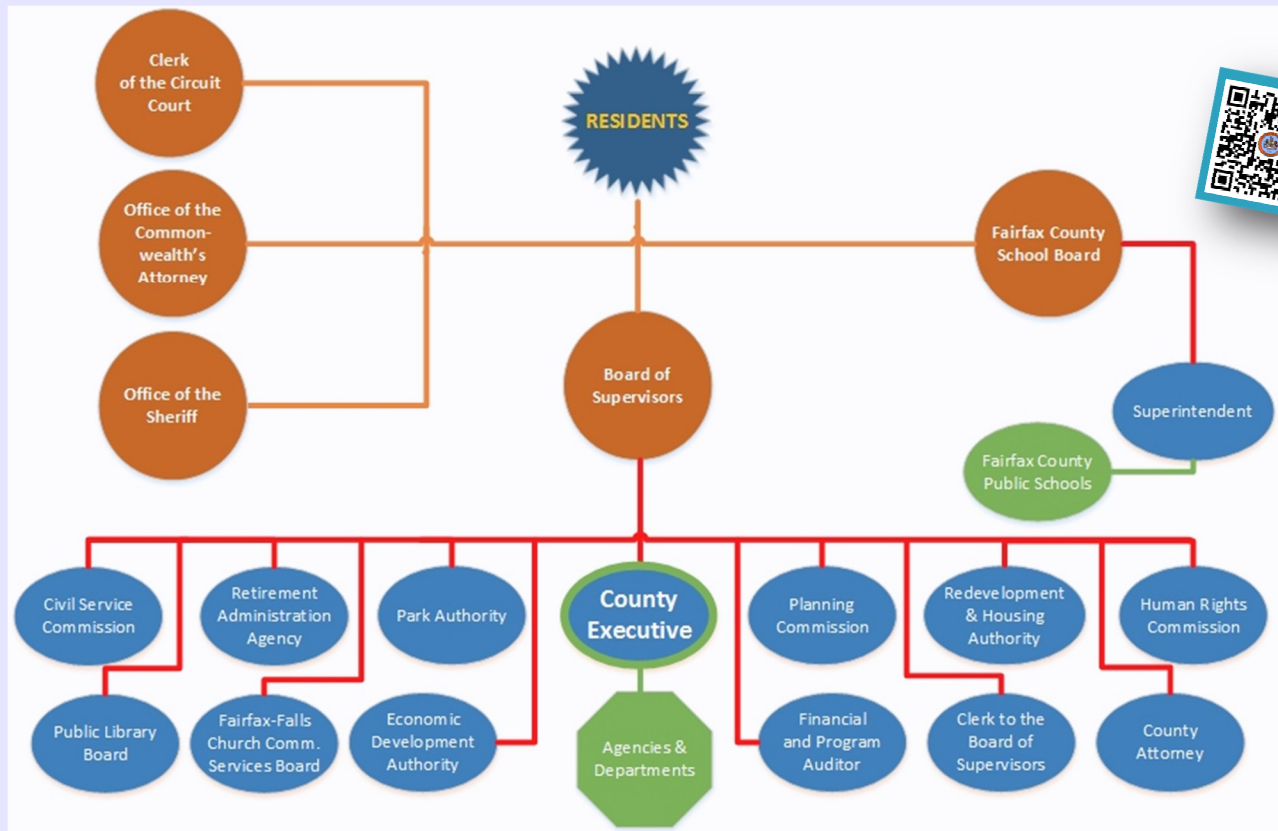
The Board's approval and continuing commitment to the Ten Principles of Sound Financial Management are the keystones to the County's strong financial position and fiscal integrity.

Ten Principles of Sound Financial Management

1. Planning Policy
2. Annual Budget Plans & Reserves
3. Cash Balances
4. Debt Ratios
5. Cash Management
6. Internal Controls
7. Performance Measurement
8. Reducing Duplication
9. Underlying Debt & Moral Obligations
10. Diversified Economy

Fairfax County Organization Chart

The County government is organized under the Urban County Executive form of government, as defined by the Code of Virginia. The Board of Supervisors sets policy for the administration of the County and appoints a County Executive to act as the administrative head of the County. The County Executive carries out the policies established by the Board, directs business and administrative procedures, and recommends officers and personnel to be appointed by the Board.



Board of Supervisors' Priorities



A Quality Education System



A Clean, Sustainable Environment



Safe Streets and Neighborhoods



Livable, Caring and Affordable Communities



A Vibrant Economy



Recreational and Cultural Opportunities



Efficient Transportation Network



Taxes that are Affordable

About Fairfax County and its 275th Celebration

From Then:

In 1649, Charles II granted the Northern Neck of Virginia to some of his loyal supporters. The Northern Neck encompassed all the lands bounded by the Rappahannock and Potomac Rivers. Thomas, sixth Lord Fairfax, became the sole inheritor in 1722. According to the charter, Fairfax's tract amounted to over 5.2 million acres.

On June 19, 1742, the General Assembly of Virginia officially authorized the formation of the County of Fairfax. Through its 275 year evolution, it has transformed from an agricultural community to a diverse urban-suburban community.

June 15-18, 2017, Fairfax County celebrated its 275th Anniversary. Nicholas Fairfax, 14th Lord Fairfax of Cameron, attended the celebration. Nicholas is a direct descendant of the County's name-bearer. He and his wife, Annabel, were the guests of honor at the 275th Anniversary Celebration. Lord Nicholas Fairfax was a member of the House of Lords from 1977-1999. He was then elected back into that body as one of 48 elected hereditary Conservative Peers in November 2015.



14th Lord Fairfax & wife, Annabel



Reston Town Center

To Now:

Today, Fairfax County encompasses an area of 407 square miles, including land and water. The County is part of the Washington, D.C. metropolitan area. Its population exceeds 1.1 million.

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. The incorporated Towns of Clifton, Herndon and Vienna are underlying units of government within the County.

The County's rich history associated with the beginning of the United States includes sites such as Mount Vernon and Gunston Hall, the homes of founding fathers, George Washington and George Mason, respectively.



14th Lord Fairfax at 275 th Anniversary Celebration



George Mason's Gunston Hall



Tysons Corner, 1935



Tysons—Present Day

FY 2017 Fairfax Business and Employment Facts

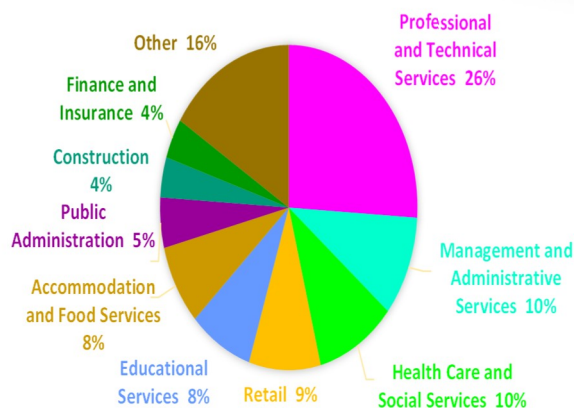
Through the years, Fairfax County has grown to be a healthy economic urban-suburban community that continues to attract businesses and families. Its economic growth and community prosperity are the direct outcomes of its sound financial management and fiscal integrity that fortifies its strong financial base.

There are more than 37,700 payroll businesses including corporate and regional headquarters in Fairfax County.

During calendar year 2016, nearly 7,500 jobs were added to Fairfax County's economy.



EMPLOYMENT BY INDUSTRY (2016)



Source: Fairfax County Economic Development Authority

Top Ten Employers in Fairfax County

Federal Government
Fairfax County Public Schools
Fairfax County Government
Inova Health System
George Mason University
Booz-Allen Hamilton
Federal Home Loan Mortgage
General Dynamics
Northrop Grumman
Science Applications International Corporation

Economic Accolades

- ◆ The 2016 Inc. 5000 List reported 158 companies are located in Fairfax County.
- ◆ Eight Fairfax County companies made the 2016 Fortune 500 list.
- ◆ Five Fairfax County companies were on the 2016 Fortune List of the 100 best companies to work for in the United States.

Unemployment Rates as of June 2017



Source: Virginia Employment Commission, Not Seasonally Adjusted.

FY 2017 Fairfax Demographic Facts

There are more than a million residents living in Fairfax County. The population is diverse, with more than 47 percent consisting of ethnic minorities. As reported in the American Community Survey for 2016, Fairfax County had an estimated annual median household income of \$115,717.



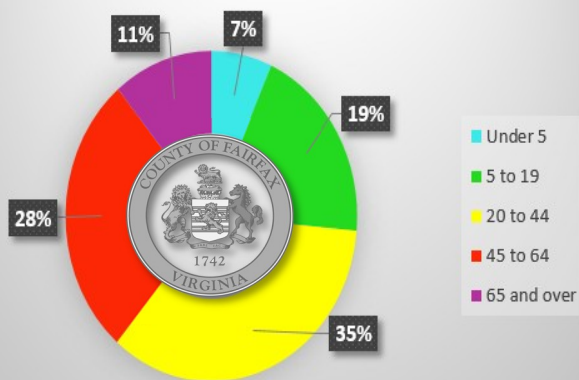
Diverse Business Community

41% owned by minorities

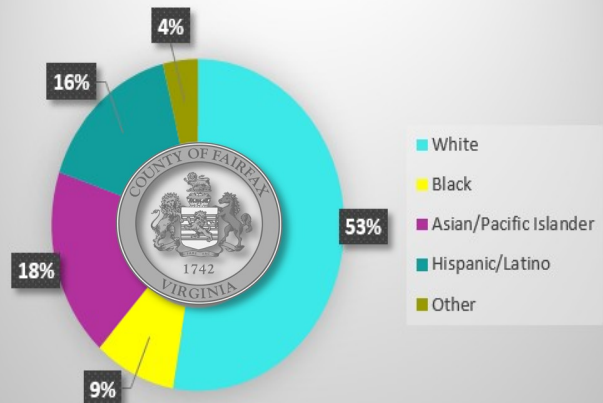
36% owned by women

11% owned by veterans

Population Age Distribution



Racial/Ethnic Composition



Source: Fairfax County Economic, Demographic and Statistical Research.

2016 Median Household Income Amount

FAIRFAX COUNTY



\$115,717

VIRGINIA



\$68,114

UNITED STATES



\$57,617

\$- \$20,000 \$40,000 \$60,000 \$80,000 \$100,000 \$120,000

Source: US Census Bureau

FY 2017 Fairfax Financial Facts

Financial Position

The Commonwealth of Virginia requires that counties, and their financially dependent component units, be financed under a single taxing structure. The component units are responsible for the assets purchased or constructed with debt proceeds, such as for building public schools. Generally accepted accounting principles require that the primary government and its component units make up the financial reporting entity. Consequently, the best way to represent the financial position is to first look at the net position of the financial reporting entity. Net position reflects the accumulation of change in revenues and expenses. Over time, the net position may also serve as a useful indicator of whether the financial health of the County is improving or deteriorating.

For Fairfax County, the net position of the Reporting Entity has seen a healthy growth over the past three fiscal years: FY 2015 \$428.8 million; FY 2016 \$759.2 million; and FY 2017 \$948.3 million.

Government-wide financial statements consist of three categories - Government Activities; Business-type Activities; and Discretely Presented Component Units. 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. Most of the County's basic services are reported in the Governmental Activities category. The County's only Business-type activity is the Integrated Sewer System.

To get a more comprehensive explanation on the Fairfax County's financial statements, please refer to the Management's Discussion and Analysis section in the CAFR.



Net Position Total Primary Government for the Fiscal Years Ended June 30 \$ - millions



The net position of the Primary Government has been growing over past three fiscal years as Fairfax County continues to recover from the impact of federal budget cuts and lost jobs from 2013 to 2014.



The chart on top of page 9 provides a three year more detailed look at the summary of changes in net position for the Primary Government.

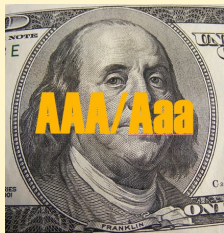
FY 2017 Fairfax Financial Facts

| Summary of Changes in Net Position Total Primary Government For the Fiscal Years Ended June 30 (\$-millions) | | | | |
|---|-------------------|-------------------|-------------------|--|
| | FY 2015 | FY 2016 | FY 2017 | |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 803.3 | \$ 786.5 | \$ 836.0 | |
| Operating grants & contributions | \$ 243.3 | \$ 250.2 | \$ 264.8 | |
| Capital grants & contributions | \$ 37.7 | \$ 33.7 | \$ 34.8 | |
| General Revenues | | | | |
| Real property tax | \$ 2,355.4 | \$ 2,437.6 | \$ 2,601.6 | |
| Personal property tax | \$ 366.4 | \$ 380.1 | \$ 405.2 | |
| Business licenses tax | \$ 134.7 | \$ 138.4 | \$ 180.7 | |
| Local sales and use tax | \$ 247.7 | \$ 249.3 | \$ 246.9 | |
| Consumers utility tax | \$ 100.5 | \$ 102.2 | \$ 104.3 | |
| Other taxes | \$ 57.7 | \$ 57.9 | \$ 61.6 | |
| Unrestricted grants & contributions | \$ 211.4 | \$ 211.4 | \$ 211.5 | |
| Revenue from the use of money | \$ 11.6 | \$ 11.0 | \$ 7.6 | |
| Total Revenues | \$ 4,592.7 | \$ 4,678.3 | \$ 4,932.2 | |
| Expenses | | | | |
| Expenses | | | | |
| General government administration | \$ 183.6 | \$ 188.8 | \$ 189.2 | |
| Judicial administration | \$ 55.8 | \$ 58.1 | \$ 63.2 | |
| Public safety | \$ 670.5 | \$ 702.1 | \$ 743.9 | |
| Public works | \$ 379.0 | \$ 388.0 | \$ 397.6 | |
| Health and welfare | \$ 557.3 | \$ 589.3 | \$ 621.7 | |
| Community development | \$ 355.0 | \$ 373.5 | \$ 430.0 | |
| Parks, recreation, and cultural | \$ 112.3 | \$ 113.0 | \$ 124.4 | |
| Education | \$ 1,936.7 | \$ 1,998.7 | \$ 2,085.9 | |
| *Interest on long-term debt | \$ 101.3 | \$ 94.6 | \$ 108.1 | |
| Total expenses | \$ 4,349.5 | \$ 4,506.2 | \$ 4,793.0 | |
| Increase in net position | \$ 243.2 | \$ 172.1 | \$ 139.2 | |
| Beginning net position | \$ 173.8 | \$ 417.0 | \$ 589.1 | |
| Ending net position | \$ 417.0 | \$ 589.1 | \$ 728.3 | |

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

Primary Government Long-term Debt

The County primarily borrows money by issuing general obligation (GO) bonds to finance capital projects. All general obligation bonds must be approved by voter referendum. The County's exceptional "triple A" bond rating gives its bonds an unusually high level of marketability and results in the County being able to borrow for needed capital improvements at low interest rates, thus realizing significant savings now and in the future for County residents.



While there is no legal limit on the amount of long-term indebtedness that the County can at any time incur or have outstanding, the Board has established self-imposed limits with respect to long-term debt.

The adjacent chart compares the debt distribution over the last three fiscal years for the Primary Government. Public school facilities represent the largest amount of GO bond debt, which, in part, reflects County residents' strong community support for our public schools.

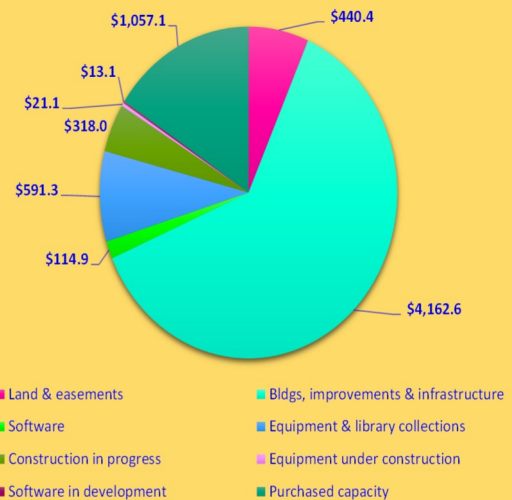


Primary Government Capital Assets

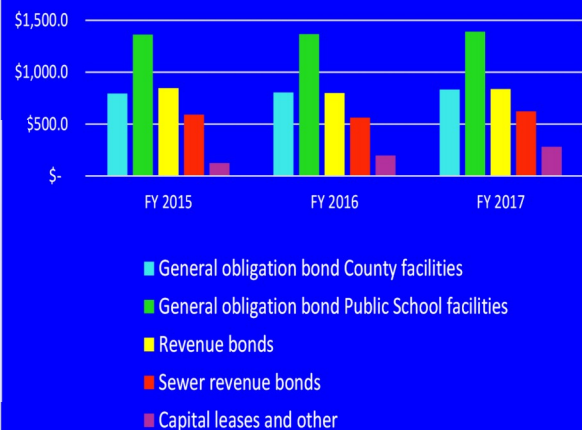
As illustrated in the chart below, the Primary Government's investment in capital assets as of June 30, 2017, amounted to over \$6.7 billion. Buildings, improvements, and infrastructure represent the largest category of capital assets for the County. Major activities for FY 2017 included: improvements to transportation, including bus and rail services, purchase of library books and audio/video materials; and expenditures related to the construction of the new Public Safety Headquarters.



FY 2017 Total Primary Government Capital Assets
\$ - millions



Total Primary Government
Gross Outstanding Long-term Debt
\$-millions



FY 2017 Fairfax Financial Facts

Budget Process and Spending Controls

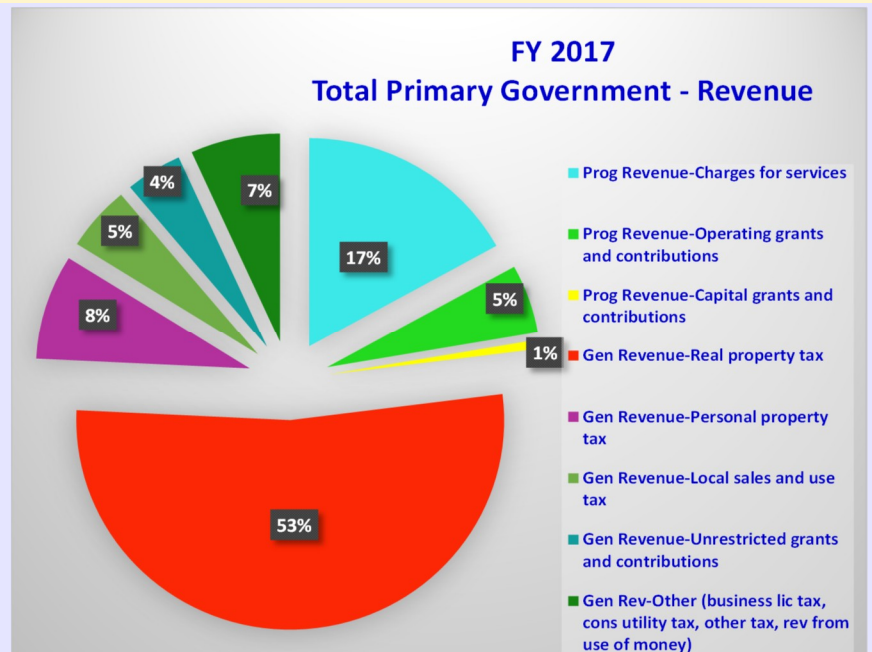
The County's budget is adopted by May 15 for the coming fiscal year which commences on July 1 and ends on June 30. The Code of Virginia requires that the County adopt a balanced budget. The County maintains extensive budgetary controls at certain legal, managerial and administrative levels. Any revisions that alter the total expenditures of any agency or fund must be approved by the Board of Supervisors.

Primary Government Revenue - Where the money comes from...

The chart below identifies the sources of funding coming into the County. Revenue is grouped into categories of Program Revenue and General Revenue. The largest source of revenue for the Primary Government is the General Revenue-Real Property tax at 53 percent. The next major source of revenue is the Program Revenue-Charges for services at 17 percent. The third largest source is the Program Revenue-Operating grants and contributions at 8 percent. These three combined revenue sources collectively make up 77 percent of Primary Government Revenue. The largest portion of this is included in the General Fund.

For the next fiscal year, the General Fund FY 2018 Adopted Budget includes projected revenues of \$4.1 billion, or a 1.94 percent increase over the FY 2017 Revised Budget Plan. Highlights of the FY 2018 tax rates and fees approved by the Board include:

- Real estate tax remains at \$1.130 per \$100 of assessed value.
- Commercial real estate tax rate remains at \$0.125 per \$100 of assessed value.



Fiscal Year
July 1—June 30

FY 2018 Budget Facts

Here are some economic factors reflected in the General Fund budget for FY 2018:

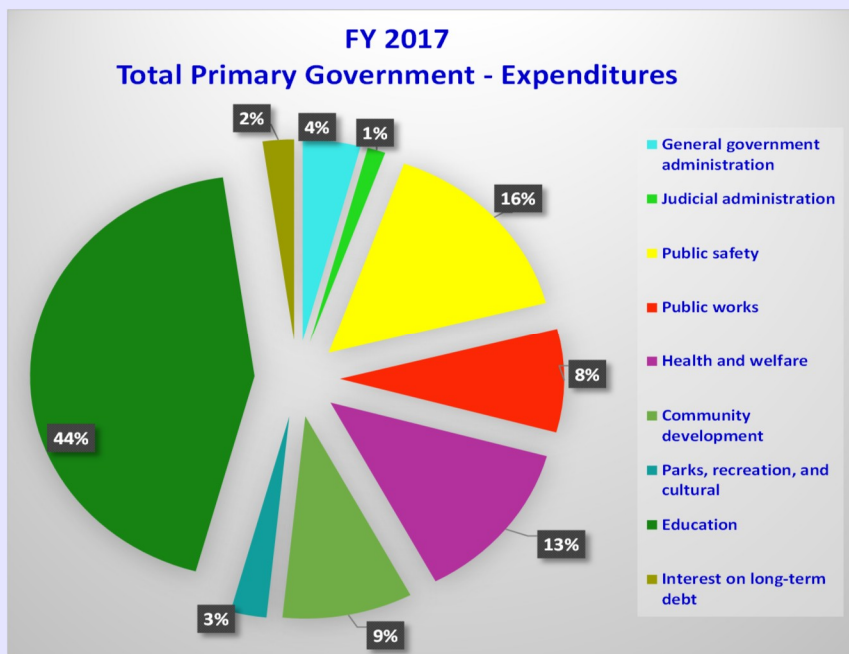
- The assessed value of all real property increased by \$4.4 billion, or 1.89 percent, over FY 2017 value.
- Personal property tax revenue is projected to increase 2.0 percent in FY 2018 over the FY 2017 revised budget. The total vehicle volume is projected to increase 0.5 percent in FY 2018.



FY 2017 Fairfax Financial Facts

Primary Government Expenditures-Where the money goes...

Expenditures for the County identify the sources of funding that are being spent on behalf of its residents. The chart below identifies the major expenditure sources and reflects the commitment the Board has to serving the community. The largest expenditure category is Education followed by Public Safety, and Health and Welfare. Fairfax County Public Schools (FCPS) is the 10th largest school division in the United States, with a diverse student population exceeding 189,000 students. The FCPS School Board does not have its own taxing authority, so there is no separate school tax in Fairfax County. As such, the County government funds most, approximately 71%, of the FCPS budget. The Commonwealth of Virginia contributes approximately 23% to FCPS and the remaining 6% comes from other sources of funding (Federal, Local, Private, or Other).



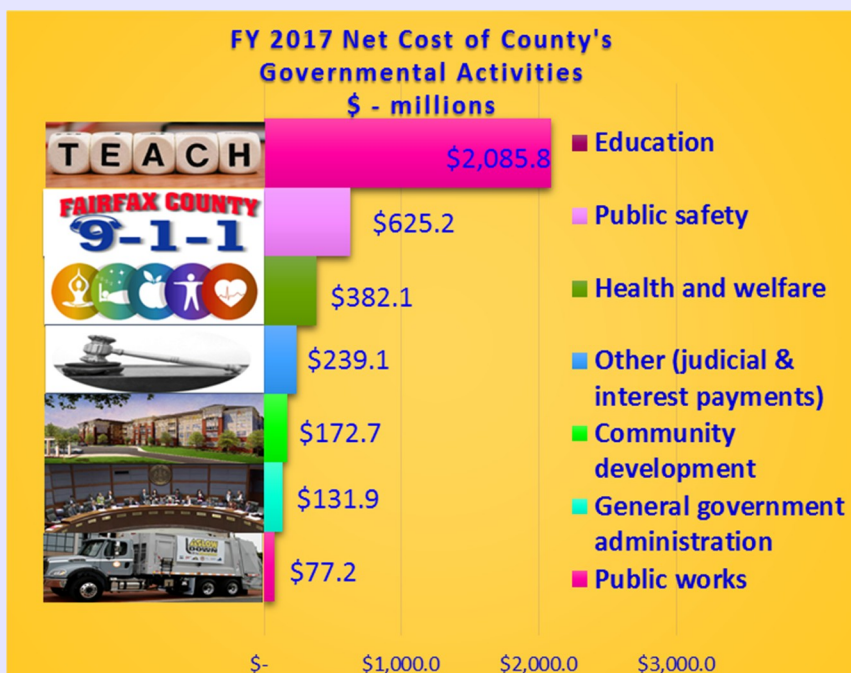
Expenditure categories can also be viewed by the net cost of each program for the governmental activities. The total cost less fees generated by the program, and program-specific intergovernmental aid, determines a program's net cost. The chart in the lower left corner illustrates the net cost of each of the County's six largest programs: Education; Public Safety; Health and Welfare; Community Development; Public Works; and General Government Administration.

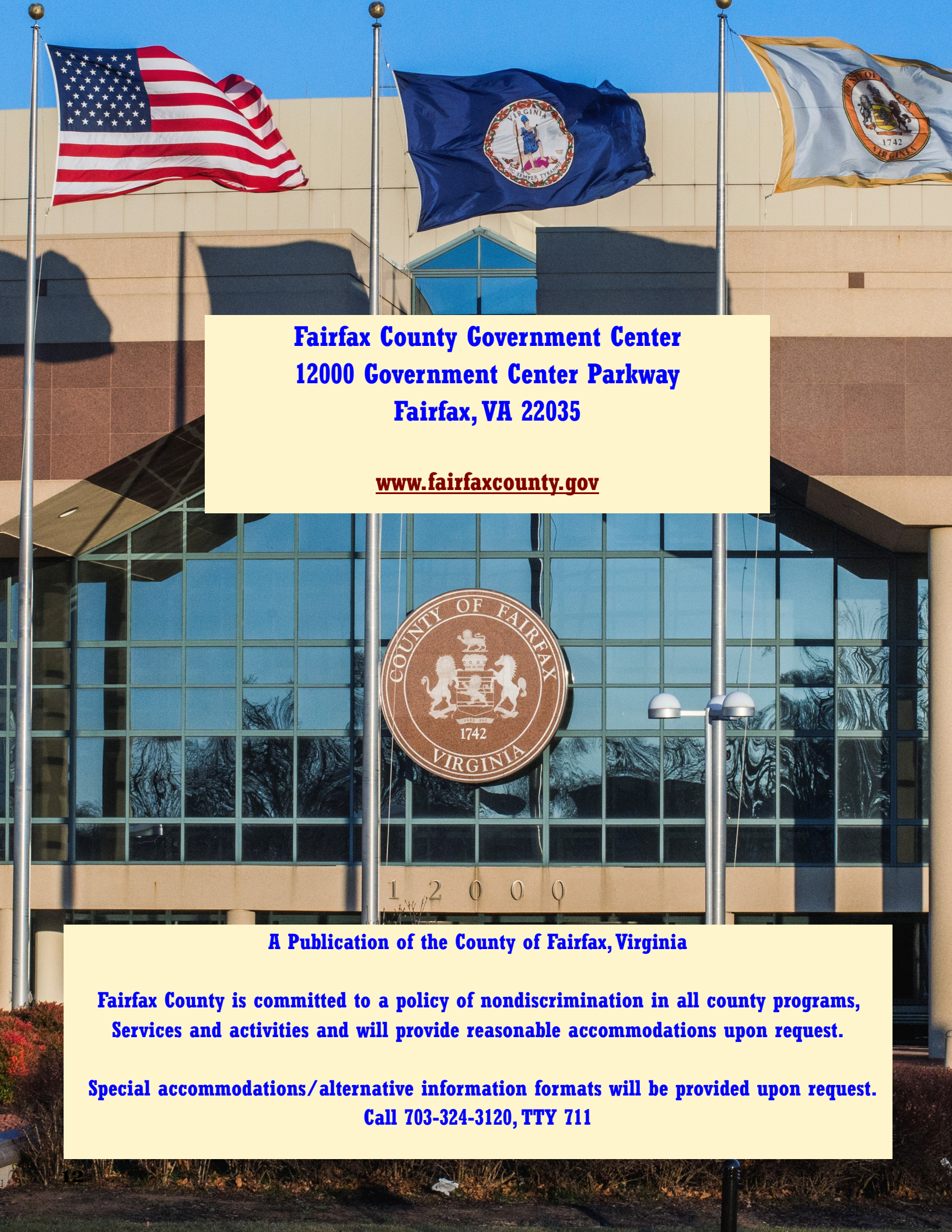
Education expenses totaled more than \$2.0 billion in FY 2017, supporting school operations and to service debt for bond-funded projects to build new schools and renew older facilities. Community development increased from the prior fiscal year, with a significant portion of that change attributable to transportation projects.

Some of the cost of governmental activities is paid by those who directly benefit from the programs, as well as by subsidies from other governments and organizations for certain programs through grants and contributions. Of the \$3.7 billion net cost of services, the amount that County taxpayers paid for these programs through County taxes was \$3.6 billion.



The General Fund FY 2018 Budget Disbursements, which include expenditures and transfers out, total \$4.1 billion, a 0.35 percent increase from the FY 2017 Revised Budget Plan. Funding for FCPS is \$2.17 billion, or 52.8 percent of total County disbursements.



The background of the entire page is a photograph of the Fairfax County Government Center. At the top, three flags fly on tall poles: the United States flag, the Virginia state flag, and the Fairfax County flag. The building is a modern structure with large glass windows reflecting the sky. In the center of the image, a large circular seal of Fairfax County, Virginia, is mounted on the building's facade. The seal features a lion and a unicorn flanking a shield, with the text 'COUNTY OF FAIRFAX VIRGINIA' and the year '1742'. Below the seal, the address '12000' is visible on the building's exterior.

**Fairfax County Government Center
12000 Government Center Parkway
Fairfax, VA 22035**

www.fairfaxcounty.gov

A Publication of the County of Fairfax, Virginia

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