



FAIRFAX COUNTY, VIRGINIA
POPULAR ANNUAL FINANCIAL REPORT
JULY 1, 2018 – JUNE 30, 2019



D-DAY 75TH ANNIVERSARY





FY 2019 Fairfax County Popular Annual Financial Report



November 20, 2019

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Online Resources:

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



FY 2019 PAFR and FY 2019 CAFR are both located on County public website: <https://www.fairfaxcounty.gov/finance>.

Cover photos are the Fairfax County Government Center, and the U.S.S. Herndon. The Herndon Historical Society has a display of the U.S.S. Herndon.

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) 2019 (July 1, 2018 - June 30, 2019). The PAFR is designed to offer those with a general interest in the County's financial activities a glimpse at selected data from the FY 2019 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 issue of the 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 continued 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 demonstrating our deep pride in serving it.

Respectfully,

Bryan J. Hill
County Executive

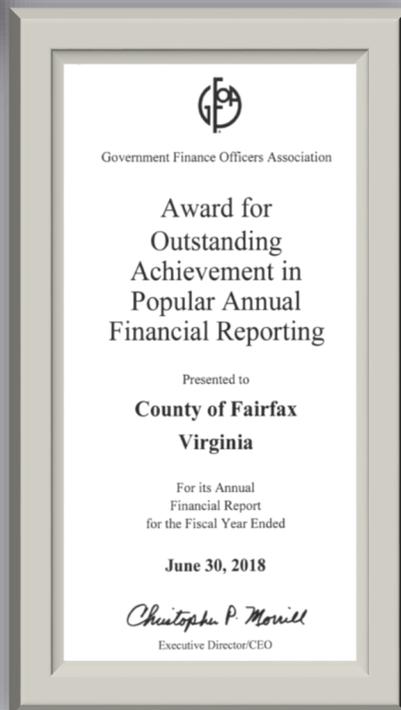
Joseph M. Mondoro
Chief Financial Officer

Christopher J. Pietsch
Director of Finance

About Fairfax County

Fairfax 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 Northern Virginia, Maryland, and the District of Columbia, and has a population in excess of 1.15 million.

Fairfax County surrounds the City of Fairfax and is adjacent to the Cities of Falls Church and Alexandria. Cities and counties in Virginia are discrete units of government that under Virginia law may not be overlapping districts. The incorporated towns of Clifton, Herndon, and Vienna are underlying units of government within the County. See district map of Fairfax County on the back cover.





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Government Structure

Fairfax County operates under the urban county executive form of government, as defined by the Code of Virginia. The powers of government are vested in an elected Board of Supervisors (the Board) consisting of nine members elected by district, plus a Chairman elected at large. Board members are elected for four-year terms by the voters of the district in which each member resides. There is no legal limit to the number of terms a member can serve. The Board 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.



Fairfax County Board of Supervisors pictured 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), and Pat Herry (Springfield District).

Changes to the Board in January 2020

FY 2019 marked the last full fiscal year a number of the Board of Supervisors served the residents of Fairfax County in their current leadership roles. Chairman Sharon Bulova (At-Large), Supervisors John C. Cook (Braddock District), Catherine M. Hudgins (Hunter Mill District), and Linda Q. Smyth (Providence District) all announced their retirement from the Board at the end of their current term.

On December 16, the following new Board members will take the oath of office: James R. Walkinshaw (Braddock District), Walter L. Alcorn (Hunter Mill District), Rodney L. Lusk (Lee District) and Dalia A. Palchik (Providence District); along with current Supervisor Jeff McKay (Lee District) who becomes the new Chairman of the Board of Supervisors.

The new four-year term begins January 1, 2020.

Fairfax County Economic Success Strategic Plan

Reflecting the BOS Priorities while embracing the County's vision, the Board defined the Strategic Plan to Facilitate the Economic Success of Fairfax County. The plan was initially established in 2015, then updated in the fall of 2018 and renamed to Economic Success Strategic Plan. The focus is on four fundamental themes: People, Places, Employment, and Governance. Each of the four themes contains a vision of what to aspire to and the related fundamental strategies.



Further Diversify Our Economy



People Places Employment Governance



Invest in Natural and Physical Infrastructure



Improve the Speed, Consistency, and Predictability of the Development Review Process



Create Places Where People Want to Be



Increase Agility of County Government



Achieve Economic Success through Education and Social Equity



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Fiscal Integrity

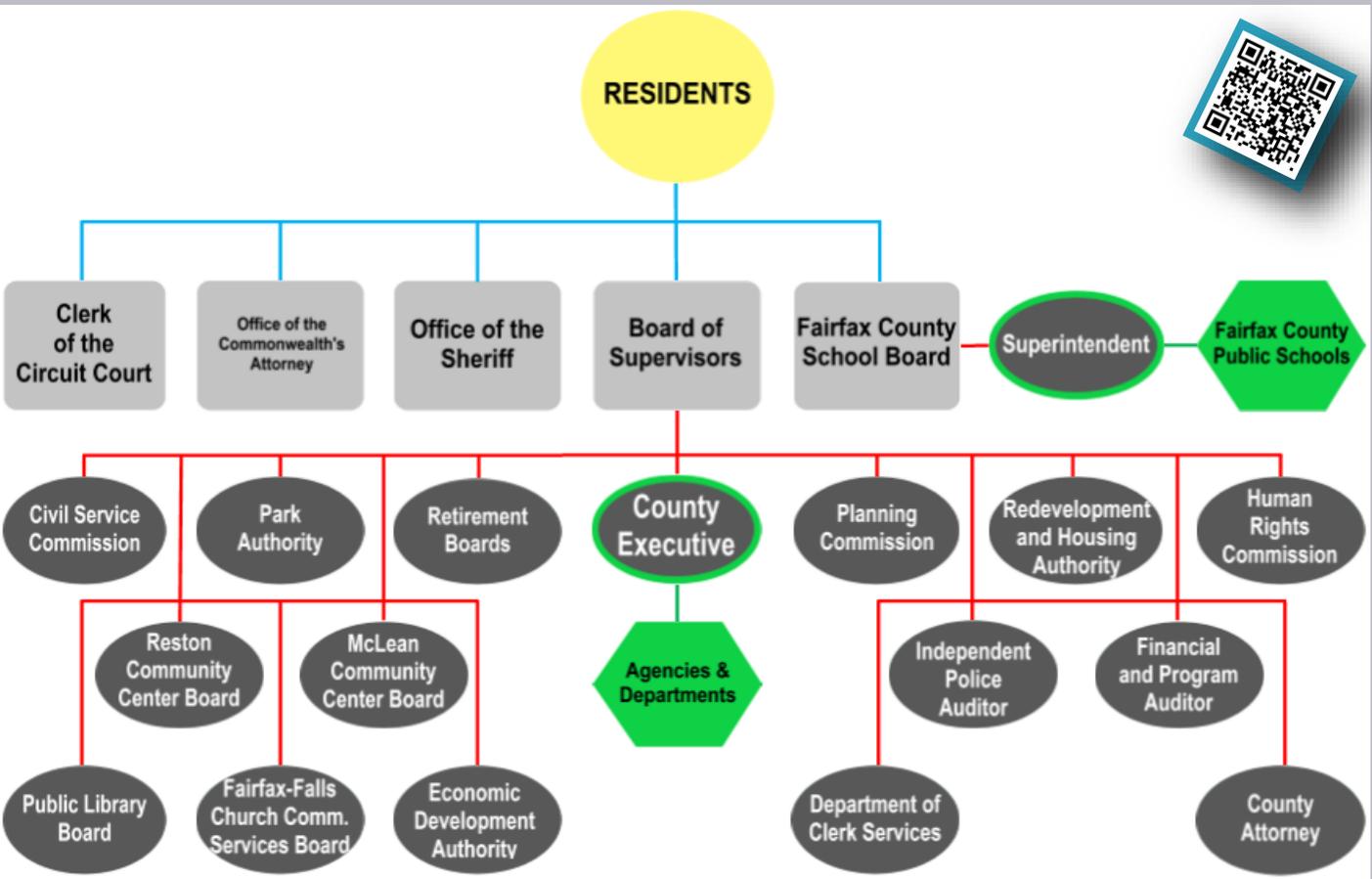
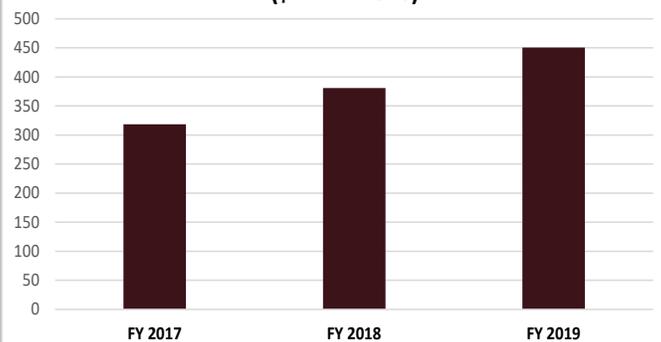
The keystone to the County's ability to maintain its fiscal integrity is the continuing commitment of the Board. This commitment is evidenced by their adoption of the Ten Principles of Sound Financial Management (Ten Principles) in 1975, which remain the policy context within which financial decisions 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.

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**

From time to time the Board amends the Ten Principles in order to address changing economic conditions and management practices. In FY 2016, as a response to concerns from the bond rating agencies, the Board committed to increasing the County's reserve policies to strengthen the County's financial position. The chart below illustrates the General Fund Committed Reserves for FY 2017 through FY 2019. As a result the County reserve policy is more in-line with other Triple A jurisdictions.

General Fund Committed Reserves (\$ in Millions)





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About Fairfax County and World War II

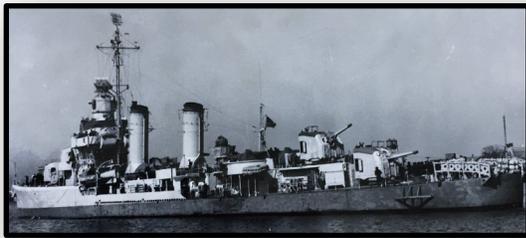
The 75th Anniversary of D-Day was June 6, 2019, and to honor this important milestone, it was chosen as the cover theme for both the FY 2019 PAFR and CAFR. While history buffs may be well aware of the historical significance Fairfax County played in the Civil War, perhaps lesser known are the historical sites and markers throughout Fairfax County attesting to the contributions made to the war efforts during World War II (WWII).

During the BOS meeting, held June 4, 2019, Supervisor John Cook presented a resolution to recognize the 75th Anniversary of the D-Day Invasion and honor the heroic veterans of WWII. The resolution was presented to a distinguished group of veterans residing in Fairfax County, which included Rear Admiral Gene Sizemore (Navy), Colonel Michael Cluff (USMC), Colonel Glenn Bratcher (USMC), Lieutenant Jack Hannon (Navy), and Colonel Robert Springer (Army), pictured to the right with the BOS.



U.S.S. Herndon

Pictured on both the PAFR and CAFR covers (and below) is the destroyer ship, USS Herndon, which served as a lead escort ship during the attack at Omaha Beach on June 6, 1944. The ship was named after Naval Commander William Lewis Herndon, who, himself is the namesake of the Town of Herndon located in Fairfax County, VA.



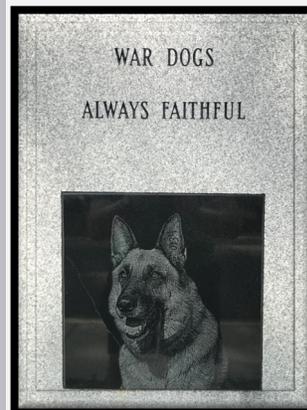
WWII Memorials in our Backyard

Located on the grounds of the County Courthouse in the City of Fairfax, VA, is the WWII Memorial commemorating residents who died serving our country. Pictured on the right, the larger plaque lists the individual names of the soldiers who died in the fight for freedom.



75th Anniversary in Normandy

Fairfax County Public Schools students from the Herndon High School marching band participated in the 75th anniversary of D-Day commemorative events in Normandy, France, on June 6, 2019. The band honored the 'Greatest Generation' in a number of ways during their time in Normandy, including a Memorial Concert held at the Brittany American Cemetery.



Service dogs who assisted and protected U.S. soldiers during various war efforts, including WWII, are commemorated in the War Dog Monument (pictured left). The monument can be found on the grounds of the Animal Shelter located on West Ox Road in Fairfax.



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Business and Employment Facts

Through the years, Fairfax County has grown to be a healthy, diverse 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 36,271 payroll businesses including corporate and regional headquarters in Fairfax County, with 28% in the professional, scientific and technical services industries (see graph below).

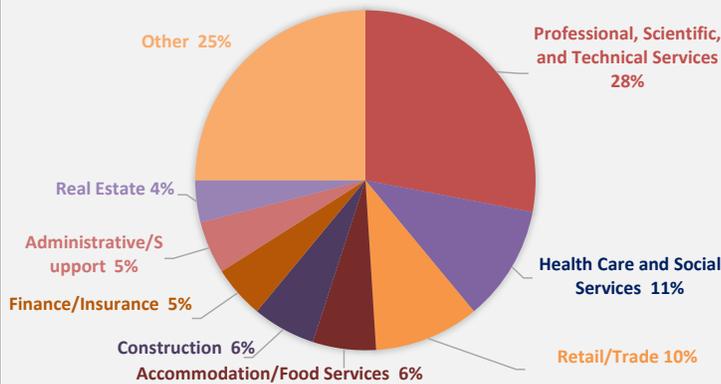


As illustrated in the chart located on the middle right, Fairfax County's unemployment rates, not seasonally adjusted, have consistently tracked well below both state and national percentages.

Ten Largest Employers in Fairfax County

- Fairfax County Public Schools
- Federal Government
- Fairfax County Government
- Inova Health System
- George Mason University
- Booz, Allen and Hamilton
- Freddie Mac
- Capital One
- Science Applications International Corporation
- Navy Federal Credit Union

EMPLOYMENT BY INDUSTRY (2018)



Source: Fairfax County Economic Development Authority

Did You Know....?

For a long period of time, Fairfax County had been the leading milk producing county in the State of Virginia.

Unemployment Rates as of

June 2019

(Not seasonally adjusted)



United States 3.8%



Virginia 2.9%



Fairfax County 2.4%

Source: Virginia Employment Commission

Economic Accolades

- ◆ The 2018 Inc. 5000 list of the nation's fastest-growing firms included 122 Fairfax County companies.
- ◆ Nine Fairfax County companies made the 2018 Fortune 500 list: Freddie Mac, General Dynamics, Capital One Financial, Northrop Grumman, Leidos, Hilton Worldwide, DXC Technology, NVR, and Booz Allen Hamilton.
- ◆ Six Fairfax County companies were on the 2018 Fortune List of the 100 best companies to work for in the United States.



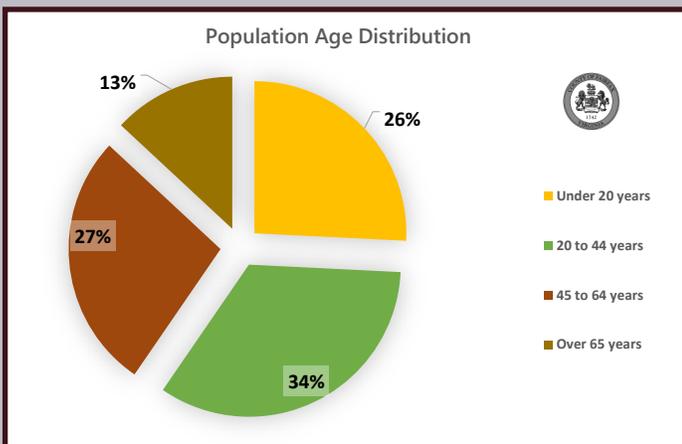
Photo courtesy of Tysons Partnership.



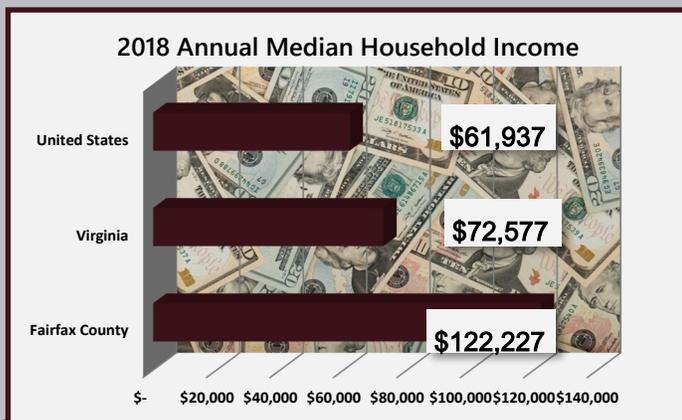
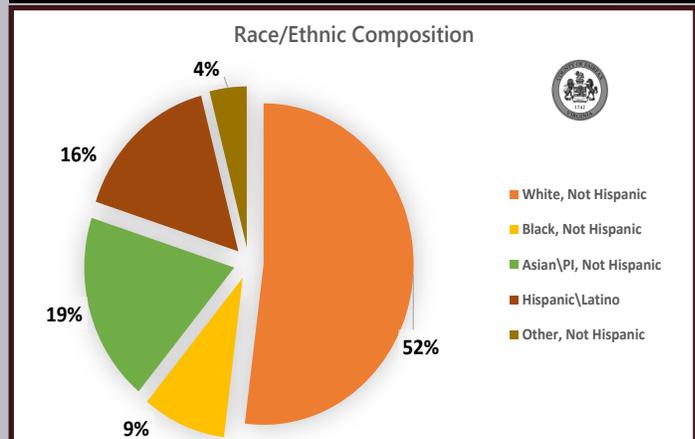
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Demographic Facts

Based on the latest Fairfax County Department of Management and Budget's Economic, Demographic and Statistical Research (EDSR) data for 2018, there are more than 1.15 million residents living in Fairfax County. The population is diverse, with more than 48 percent consisting of racial/ethnic minorities. Approximately 40 percent of all County residents, five years or older spoke a language other than English at home. Fairfax County had approximately 26 percent of its population under the age of 20, while about 40 percent were 45 years of age and older. As reported in the American Community Survey for 2018, Fairfax County had an estimated annual median household income of \$122,227, well above the Commonwealth of Virginia figure of \$72,577 and the national median income of \$61,937.



Source: Fairfax County Economic, Demographic and Statistical Research



Source: 2018 American Community



FCPS Student Population at a Glance

As the 10th largest school division in the U.S. with 198 schools and centers, Fairfax County Public Schools (FCPS) serves a diverse student population over 188,000 (projected) students in grades prekindergarten through 12.



Demographically, 38.5 percent of FCPS students are White, 25.9 percent are Hispanic, 19.6 percent are Asian, 10.0 percent are Black, 5.5 percent are two or more races, 0.2 percent are American Indian, and 0.1 percent are Native Hawaiian. Please note the percentages may not sum to one hundred due to rounding. (Source: 2018 Fall Membership by Subgroup as reported in the Virginia Department of Education School Quality Profile).





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Financial Facts

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.

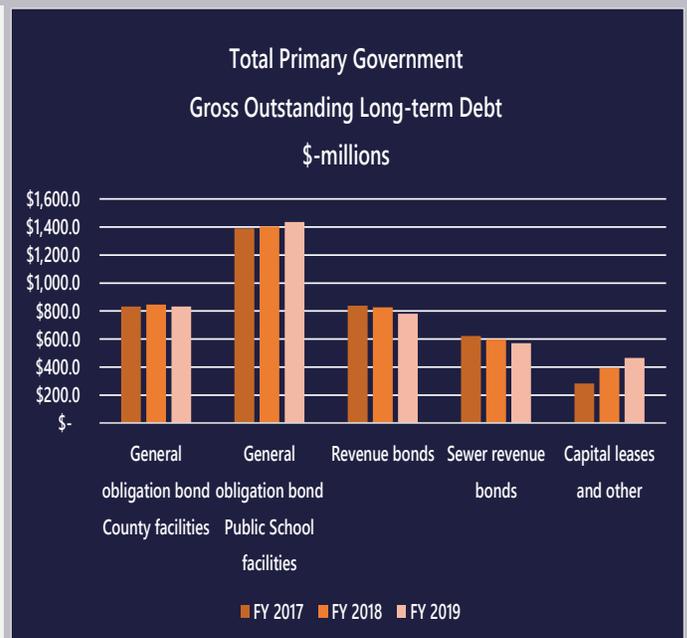


Government-wide financial statements consist of three categories: Government Activities; Business-type Activities; and Discretely Presented Component Units. The County’s governmental and business-type activities are collectively referred to as the Primary Government. Together, the Primary Government and its discretely presented component units are referred to as the Total 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 (MD&A) section in the CAFR.

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.





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Primary Government Capital Assets

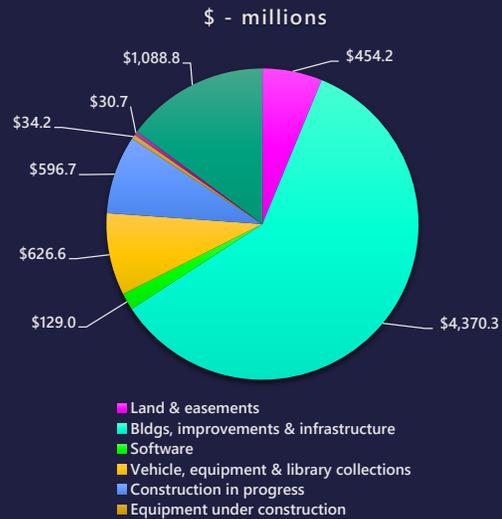
As illustrated in the chart to the upper right, the Primary Government's investment in total capital assets as of June 30, 2019, amounted to over \$7.3 billion. Buildings, improvements, and infrastructure represent the largest category of capital assets for the County. Major activities for FY 2019 included: improvements to transportation, including bus and rail services, purchase of library books and audio/video materials; upgrades to the sewer system and Noman Coal Treatment Plant; and expenditures related to constructions of the Herndon and Innovation Metrorail Parking Facility, Huntington Flood Mitigation, Lewinsville Redevelopment, and Bailey's Homeless Shelter.

Net Position

GASB defines Net Position as: Assets + Deferred Outflows less Liabilities + Deferred Inflows. For the Total Reporting Entity, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$857.1 million for FY 2019, representing an increase of \$482.9 million in the net position over FY 2018. The significant increase in FY 2019 was due to revenue growth within the Total Primary Government (see chart to the right) as well as adjustments to the Total Component Units revenues. Please refer to the MD&A section of the CAFR for more details.

The Net Position of the Total Primary Government has experienced steady growth over the past three fiscal years primarily due to increases in revenue from tax collections (which were a result of a \$.02 increase in the real estate tax rate as well as increases in real estate assessments), and charges for services. The chart below illustrates the growth in Net Position of the Total Primary Government. The chart to the right summarizes the changes for each of the last three fiscal years.

FY 2019 Total Primary Government Capital Assets



Summary of Changes in Net Position
Total Primary Government
For the Fiscal Years Ended June 30
(\$-millions)

	FY 2017**	FY 2018	FY 2019
Revenues			
Program Revenues			
Charges for services	\$ 836.0	\$ 881.5	\$ 938.7
Operating grants & contributions	\$ 264.0	\$ 273.0	\$ 274.3
Capital grants & contributions	\$ 34.8	\$ 57.0	\$ 46.8
General Revenues			
Real property tax	\$ 2,601.6	\$ 2,652.3	\$ 2,796.6
Personal property tax	\$ 403.2	\$ 412.3	\$ 421.7
Business licenses tax	\$ 160.7	\$ 167.8	\$ 170.1
Local sales and use tax	\$ 246.9	\$ 252.0	\$ 252.3
Consumers utility tax	\$ 104.3	\$ 104.8	\$ 107.3
Other taxes	\$ 61.6	\$ 60.6	\$ 59.4
Unrestricted grants & contributions	\$ 211.5	\$ 211.4	\$ 211.4
Revenue from the use of money	\$ 7.6	\$ 11.5	\$ 27.2
Total Revenues	\$ 4,932.2	\$ 5,084.2	\$ 5,305.8
Expenses			
Expenses			
General government administration	\$ 199.2	\$ 191.0	\$ 200.3
Judicial administration	\$ 62.2	\$ 64.0	\$ 65.3
Public safety	\$ 743.9	\$ 783.3	\$ 780.4
Public works	\$ 397.6	\$ 444.1	\$ 440.4
Health and welfare	\$ 621.7	\$ 641.6	\$ 660.9
Community development	\$ 450.0	\$ 553.9	\$ 442.8
Parks, recreation, and cultural	\$ 124.4	\$ 132.4	\$ 133.5
Education	\$ 2,085.9	\$ 2,139.2	\$ 2,251.6
Interest on long-term debt*	\$ 108.1	\$ 113.3	\$ 114.0
Total expenses	\$ 4,793.0	\$ 5,062.8	\$ 5,089.2
Increase in net position	\$ 139.2	\$ 21.4	\$ 216.6
Beginning net position	\$ 589.1	\$ 616.7	\$ 638.1
GASB 75 Adjustment for FY 2017 restatement**	\$ (111.6)		
Ending net position	\$ 616.7	\$ 638.1	\$ 854.7

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



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

** FY 2017 amounts restated due to GASB Statement No. 75.



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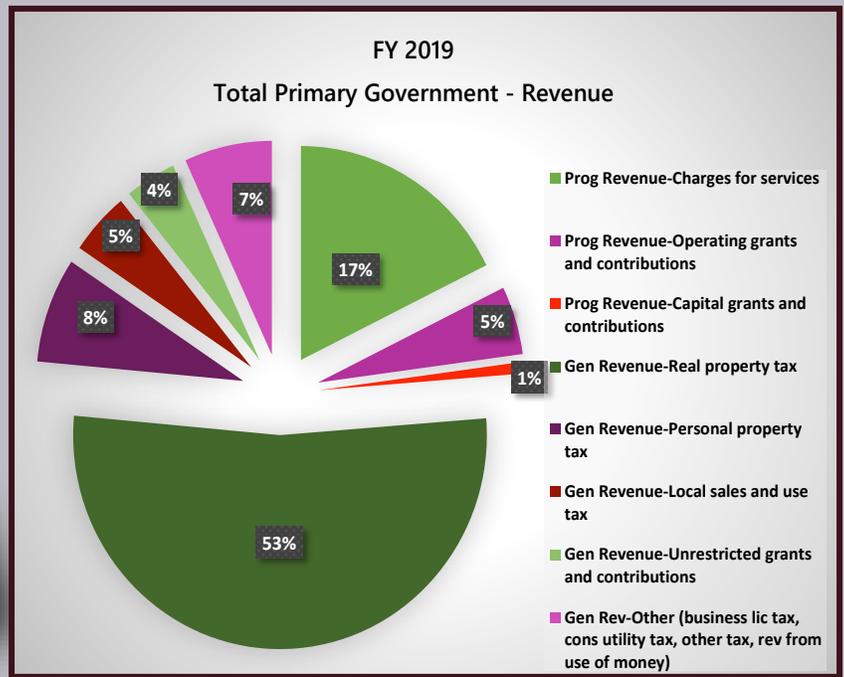
Budget Process and Spending Controls

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 on the right 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 which includes collections for items such as fees for refuse collection and building permits. The third largest source is the General Revenue-Personal Property tax at 8 percent. These three combined revenue sources collectively make up 78 percent of Primary Government Revenue. The largest portion of this is included in the General Fund.



The FY 2020 Adopted Budget is approximately \$4.45 billion, an increase of \$133.0 million, or 3.07 percent over the FY 2019 Revised Budget Plan.



Highlights of the FY 2020 tax rates and fees approved by the Board include:

- Real estate tax rate remained at \$1.15 per \$100 of assessed value. In terms of tax revenue, one real estate penny is equivalent to approximately \$25.5 million.
- Personal property tax rate remained at \$4.57 per \$100 assessed value. In terms of tax revenue, one personal property penny is equivalent to approximately \$1.3 million tax revenue.
- Commercial real estate tax rate remained at \$0.125 per \$100 of assessed value. This tax is levied on all commercial and industrial properties in the County.



Did You Know....?

Unlike the private sector, state and local governments use fund accounting.

While a number of different fund categories and types are used, the most common across all public entities is the General Fund, which serves as the main operating fund.

A government can only report one General Fund.

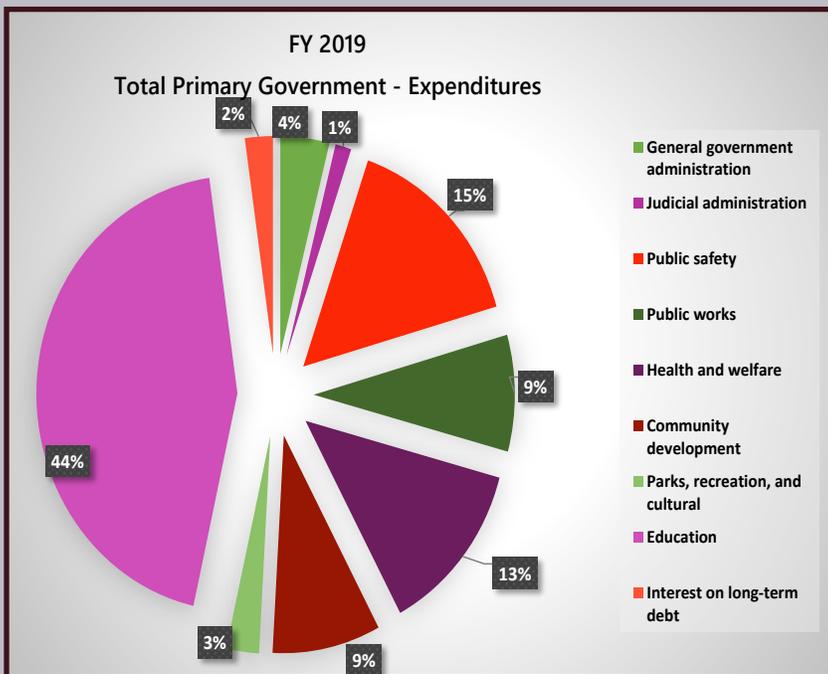


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Primary Government Expenditures-Where the money goes...



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. The Fairfax County Public Schools (FCPS) School Board does not have its own taxing authority, so there is no separate school tax in Fairfax County. Most of FCPS' funding comes from the County, approximately 71%, as compared to an average school division in Virginia that receives less than half of its funding from its local government. For FCPS, the Commonwealth of Virginia contributes approximately 24%, with the remaining 5% coming 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. In FY 2019, Education expenses totaled more than \$2.3 billion, 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 \$3.9 billion net cost of services, the amount that County taxpayers paid for these programs through County taxes was \$3.8 billion.

The General Fund FY 2020 Budget Disbursements, which include expenditures and transfers out, totaled approximately \$4.45 billion, a 1.15 percent increase over the FY 2019 Revised Budget Plan. Total funding for FCPS is \$2.35 billion, or 52.8 percent of total County disbursements.

In closing, all financial areas reflect the County's sound financial structure, and the Board of Supervisors' commitment to the Ten Principles of Sound Financial Management and the residents of Fairfax County.

