

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year
ended June 30 **2019**



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Fairfax County Public Schools

A component unit of the County of Fairfax, Virginia

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INTRODUCTORY SECTION (unaudited)

The Introductory Section contains the letter of transmittal, which provides a profile of Fairfax County Public Schools (FCPS) and an overview of its school membership, accomplishments, major initiatives, financial policies, long-term financial planning, awards, and acknowledgements.

Also included in this section are the following:

- Listing of FCPS' School Board members and administration
- FCPS' organizational chart
- Certificate of Achievement for Excellence in Finance Reporting awarded by the Government Finance Officers Association
- Certificate of Excellence in Financial Reporting awarded by the Association of School Business Officials International





November 11, 2019

Members of the Board of Supervisors, Members of the School Board, and Residents of Fairfax County

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Fairfax County Public Schools (FCPS) for the fiscal year ended June 30, 2019. The financial statements included in this report are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. This report consists of management's representations concerning the finances of FCPS. Accordingly, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with FCPS' management.

To the best of our knowledge and belief, the information included in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various activities and funds of FCPS.

FCPS' financial statements were audited by the independent accounting firm of Cherry Bekaert LLP. The independent audit involved examining, on a test basis, documents supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Cherry Bekaert LLP issued an unmodified opinion on FCPS' financial statements for the fiscal year ended June 30, 2019. The independent auditors' report is included as the first item in the financial section of this report.

GAAP requires that management of FCPS provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

Profile of the School System

OVERVIEW

The Virginia Department of Education (VDOE) is responsible for apportioning the Commonwealth of Virginia (State) into school divisions based on geographic area and school-age population. The school divisions are charged with promoting the realization of the standards of quality required by Article VIII, Section 2, of the Constitution of Virginia. FCPS, the school division for the County of Fairfax, Virginia (County), is located in the northeastern corner of the State 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 part of Northern Virginia, the District of Columbia, and Maryland.

FCPS is the largest educational system in the State and the 10th largest school division in the U.S. based on enrollment. FCPS is the third largest employer in the State, with approximately 24,900 full-time staff positions, of which 93 percent are school-based. The FCPS bus fleet is one of the largest bus fleets in the U.S., transporting more than 142,000 students on over 1,600 buses each day. FCPS facilities consist of more than 27 million square feet of school buildings and office space, including 173 Energy Star certified buildings (more than any other school system in the country).

The function of the FCPS School Board is to set general school policy and, within the framework of the VDOE regulations, establish guidelines and rules that will ensure the proper administration of the school system. The School Board comprises 12 members who are elected by citizens of the County and serve four-year terms. There is one member from each of the County's nine magisterial districts and three members at large. A nonvoting student representative is selected by a countywide student advisory council for a one-year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent. The superintendent along with the deputy superintendent, chief equity officer, chief operating officer, director of operations, and assistant superintendents manage the day-to-day operations of the school system.

Schools and Centers – Fiscal Year 2019

Elementary (K-6)	141
Middle (6-8)	3
Middle (7-8)	20
Secondary (7-12)	3
High (9-12)	22
Alternate High	2
Special Education Centers	7
Total	198

FCPS is focused on meeting the needs of 187,474 students from preschool through twelfth grade, while managing 198 schools and centers. The schools and centers are divided into five regions and are supported by six departments that provide a broad range of services including curriculum development, building maintenance, computer services, ordering and delivery of instructional materials, recruitment, hiring, and payment of personnel.

Over 86 percent of the school system's approved operating budget (\$2.9 billion for fiscal year 2019) was allocated to instructional programs. In addition to core instructional programs designed to meet the varied needs of the student body and to enhance academic achievement, FCPS offers a variety of other instructional programs. Such programs include Head Start, Foreign Language Immersion, International Baccalaureate (IB), Advanced Placement (AP), Advanced Academics, as well as, extensive programs for students pursuing technical careers. FCPS also provides a broad range of adult education programs offering basic education courses along with vocational and enrichment programs to adults in the community. Thomas Jefferson High School for Science and Technology (TJHSST), a Governor's magnet school, attracts students from throughout Northern Virginia for an intensive program emphasizing sciences, mathematics, and technology.

FCPS is a component unit of the County and is included as an integral part of the County's financial statements. The cost of FCPS governmental activities are funded primarily by the County. For fiscal year 2019, the County provided 71.3 percent of funding and the state and federal governments provided 25 percent of FCPS' operating funding. Capital funding for public school facilities is provided primarily by the sale of general obligation bonds issued by the County.

Economic Condition and Outlook

LOCAL ECONOMY

Total employment in Fairfax County increased for a fourth consecutive year in 2018. It should be noted, however, the job growth in the Professional and Business Services sector continued to lag behind its peak level in 2012. Specifically, the 2018 level of employment in this sector was 2,800 jobs less than its peak in 2012. The lower employment in this sector was primarily due to the Federal sequestration in 2013 and 2014, and growth has averaged less than 1.2 percent annually since then.

Federal procurement spending in the County increased for a third consecutive year, during the federal fiscal period, October 1, 2017, through September 30, 2018. This type of spending has a substantial impact on the local economy, so its continued growth is a positive sign. Total procurement contract awards were 0.4 percent above the fiscal year 2012 peak level.

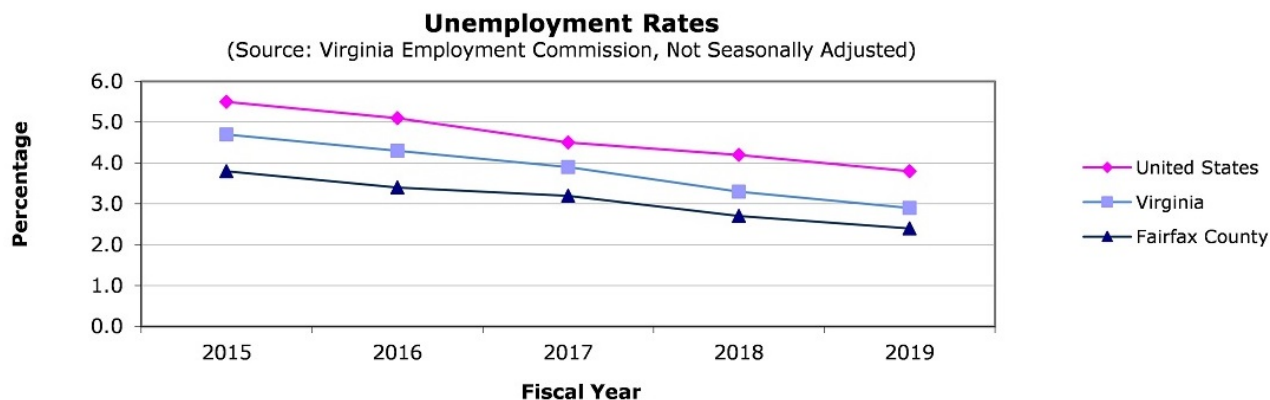
In addition, the two-year, bipartisan federal budget deal signed into law by the President in August 2019 raises defense and domestic spending limits for the next two years by about \$100 billion and extends the debt ceiling through July 31, 2021. It should pave the way for a measure of stability for the local economy over the next year.

Business, Professional, and Occupational License (BPOL) and Sales Taxes are two revenue sources that are good indicators of economic activity in the County. BPOL receipts increased 3.0 percent over the previous year, while Sales Tax receipts for fiscal year 2019 were up 2.7 percent.

For the commercial real estate market, office vacancy rates continued to decrease. According to the Fairfax County Economic Development Authority, the direct office vacancy rate in the County decreased from 15.5 percent in 2017 to 14.9 percent as of year-end 2018.

Based on information from the Metropolitan Regional Information System (MRIS), the average sales price of homes sold in Fairfax County rose 1.9 percent in 2018. Home prices continue to increase primarily as a result of tight inventory of homes for sale. Since 2009, the average home sales price has risen 38.7 percent, or an average annual growth of 3.7 percent. MRIS also reported that home sales in Fairfax County increased by 2.6 percent in 2018 compared to 2017.

As illustrated in the following chart, Fairfax County's unemployment rates, not seasonally adjusted, have consistently tracked well below both state and national percentages. The Fairfax County unemployment rate was 2.4%. The unemployment rates for the state of Virginia and the United States were 2.9% and 3.8% respectively.



School Enrollment

PROJECTED ENROLLMENT

The projected student enrollment for fiscal year 2020 is 188,414 students. Student enrollment projections are based on the County and school trends including: net County migration, size difference of exiting 12th grade and entering kindergarten populations, County birthrates, new school programs, housing development patterns, and economic conditions. Projected student enrollment decreased for the first time in a decade which mirrors a decline at the state level. This year's decline was due to several factors, which include a decrease in the size of entering kindergarten cohorts and a negative net migration, meaning more students withdrew than were enrolled. These indicators have led to a contracted overall enrollment growth in the next five school years.

SPECIAL EDUCATION

In fiscal year 2020, an estimated 46,985 special education services at an average cost of \$15,061 per service will be provided to 27,174 students (an average of 1.7 services per student). Special education services are determined by each student's Individualized Education Program (IEP) and is mandated by the Individuals with Disabilities Education Act (IDEA).

FREE AND REDUCED-PRICE MEALS

The federal free and reduced-price meals program is one of the fastest growing segments of the FCPS student population. Families qualifying for free and reduced-price meals must meet established federal guidelines of income and household size. In fiscal year 2020, it is projected that 55,058 FCPS students will be eligible to participate.

During fiscal year 2019, FCPS opted to participate in the USDA Community Eligibility Provision Meal Program as implemented under the Healthy, Hunger-Free Kids Act of 2010. All students enrolled at selected 19 schools are provided a nutritious meal for breakfast and lunch each day at no charges. Households with children attending these schools will not be required to submit a meal application form for these students to receive meals at no charge.

Accomplishments

STUDENT AND TEACHER ACHIEVEMENTS

Individual students and groups annually earn honors and awards in all academic, extracurricular, and athletic areas in regional, state and national competitions. FCPS teachers are recognized on regional, national and state levels for their accomplishments.

- For the 2018-2019 school year, FCPS' average overall composite SAT score was 1218, compared to the State average of 1113 and the national average of 1039.
- Eight FCPS high schools made the U.S. News & World Report 2019 list of top ten Best High Schools in Virginia. Thomas Jefferson High School for Science and Technology (TJHSST) was ranked number one Best High School in Virginia, and fourth best high school in the National Rankings.
- Five schools earned the Governor's Award for Educational Excellence, the highest Virginia Index of Performance award for advanced student learning and achievement. Of the five schools, four were FCPS schools.
- Twenty-six FCPS students were named winners of 2019 National Merit Scholarship Corporation awards.
- FCPS students earned 21 national medals in the Scholastic Art and Writing Awards program.

- Six FCPS students have been named recipient of the 2019 Congressional Award's Gold Medal, the U.S. Congress's award for young Americans.
- Whitman Middle School teacher was nominated for the Hannah E. MacGregor National History Teacher Award, awarded to one middle and one high school teacher per year.
- Oakton High School teacher was named the 2019 Southeastern Region Secondary Art Educator by the National Art Education Association. The award recognizes excellence in professional accomplishment, contributions, and service by a dedicated art educator.

Major Initiatives

STRATEGIC PLAN

FCPS inspires and empowers students to meet high academic standards; lead healthy, ethical lives; and be responsible and innovative global citizens. The School Board's Strategic Plan, *Ignite*, provides the framework for both the school system's operation and the budget. The goals of *Ignite* are:

- Goal 1 - Student Success - commitment to reach, challenge and prepare every student for success in school and life
- Goal 2 - Caring Culture - commitment to foster a responsive caring and inclusive culture where all feel valued, supported and hopeful
- Goal 3 - Premier Workforce - commitment to invest in employees, encourage innovation and celebrate success
- Goal 4 - Resource Stewardship - commitment to champion the needs of school communities to be responsible stewards of the public's investment.

Throughout fiscal year 2019, the School Board was provided updates on the monitoring metrics and current work supporting each goal as summarized below:

- Goal 1 - Student Success - Strategic focus includes the elimination of gaps in opportunity, access, and achievement for all students; continual progression in Portrait of a Graduate attributes for all FCPS Pre-K-12 students, and ensure all future FCPS families will access high quality early learning experiences. The FCPSOn project, with the mission to increase equitable access to meaningful learning experiences and technology that supports student learning needs both at school and at home progressed in fiscal year 2019. Plans for additional funding and resources were directed toward the project with the goal of expanding one to one devices to all high school students by fiscal year 2020.
- Goal 2 - Caring Culture – As a vastly diverse school division, FCPS strives to foster an environment where students, parents, and staff feel welcomed and empowered to make healthy life choices. During fiscal year 2019, FCPS created a student-focused web page about vaping risks. The site includes videos featuring students and additional resources focused on student wellness. There is also a parent resource webpage about vaping risks and a Healthy Minds blog designed for parents, educators, and community-based providers who are interested in supporting student mental health and wellness. There was also continued work around Cultural Proficiency training for all staff and opportunities to attend cultural proficiency cohorts and cultural proficiency academy courses.
- Goal 3 - Premier Workforce - Again in fiscal year 2019, the strategic focus was on employee compensation. There was continued progress towards maintaining pay scales within 90-105 percent of market pay. In line with building a premier workforce, the Superintendent emphasized the need to attain greater workforce diversity and equity within the school division, an effort, which was a budget priority for fiscal year 2019 and is being embedded throughout the organization.

- Goal 4 - Resource Stewardship – The leadership team continued implementation of the Strategic Decision-Making Cycle for Resource Allocation (SDMC) to align and identify critical resources to strategic aims in fiscal year 2019. The SDMC for resource allocation will support the division's regular review of the allocation of funds ensuring that programs with the greatest impact receive funding. Additionally, identifying prioritized actions in the streamlined strategic plan provides a framework for targeted resources to achieve measurable, short term goals. Looking forward, plans for the fiscal year 2020 increases will be categorized to indicate which goal area they fall within. Ultimately, the entire FCPS budget will be categorized by the four goals, with strategic work in support of the desired outcomes.

EMPLOYEE COMPENSATION

The fiscal year 2019 Approved Budget focuses on employee compensation and paying teachers now. Included are funds for enrollment and student demographic adjustments; a step increase for all eligible employees; continued enhancement of teacher salary scale; the implementation of non-teacher salary scales to ensure market competitive salaries for all FCPS positions, and the adoption of math and 4th grade social studies instructional resources.

FCPSOn PROJECT

In FCPSOn schools, each student receives an FCPS-issued laptop to access dynamic resources and participate in learning tailored to student's individual needs at school and home. FCPSOn's transformation of learning leads to Portrait of Graduate outcomes for ALL students. Portrait of a Graduate skills include collaborating with peers, problem-solving, and creating original work. FCPSOn provides students with real-world technology skills that will be essential as adults. It supports teachers with what they do best by supporting them through ongoing dynamic professional learning for teachers that will result in purposeful, collaborative student learning experiences. In fiscal year 2020, all high school students are provided with laptops with additional roll out of the program in fiscal years 2021, 2022, 2023 for middle school students, elementary school students grades 5 and 6, and elementary school students grades 3 and 4 respectively.

ENVIRONMENTAL STEWARDSHIP

FCPS places a high priority on protecting the environment and proactively supports responsible environmental stewardship in all aspects of school operations. Through an adopted policy, the School Board supports FCPS' best practices to include carbon reduction, classroom environment, indoor and outdoor air quality, water use and management, recycling, ground and landscaping practices, purchasing, and performance measures to monitor and reduce greenhouse gas emissions.

FCPS earned the U.S. Environmental Protection Agency's Energy Star Certification for 173 buildings, which is the highest number of Energy Star-certified school buildings in the country. FCPS was named a 2019 Energy Star Partner of the Year-Energy Management Award winner.

FCPS established a partnership with the National Wildlife Federation Eco-Schools USA program. Through this program, FCPS' efforts focus on developing student-driven action teams within Eco-Schools across the county. These teams work on a variety of environmental topics (pathways) under the Eco-Schools umbrella. FCPS has 127 registered Eco-Schools, 15 of which are designated Green Flag status, Eco-Schools USA's highest award.

CHALLENGES

FCPS faced several mandatory cost increases that impact its ability to expand services. These mandatory costs continue to rise year over year. In FY 2020, health care costs are projected to increase \$2.1 million as the medical cost growth rate outpaces general economic inflation. In addition, a rate increases for Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) and Fairfax County Employees' Retirement Systems (FCERS), two of the three retirement plans that support FCPS employees, results in additional expenditures of \$5.1 million. Funding of \$7.1 million is required for the division's contractual increases due to escalations based on the terms and conditions on the contracts.

Financial Policies

FCPS utilizes a number of control systems to ensure the integrity of its financial information and the protection of its assets.

INTERNAL CONTROLS

The internal control system is designed to provide reasonable, but not absolute, assurance about the achievement of FCPS' objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with the applicable laws and regulations.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. A sound internal control system should ensure that if any material error or fraud occurs, they would be detected in a timely manner by employees in the normal course of performing their duties.

BUDGET PROCESS AND DEVELOPMENT

The annual budget process is designed to encourage community involvement while providing a structured process reflecting the School Board's priorities and adherence to the student achievement goals. In many cases, changes are made in how programs will be implemented based on input presented to the School Board during budget development. Once approved, the budget provides a framework for monitoring expenditures. Throughout the year, spending is compared to the budget for each program and evaluated for effectiveness.

BUDGET POLICIES

The School Board's policies and practices highlight significant assumptions used to develop the budget and are divided into the following broad categories:

Reserve Policies

School Board reserves are maintained to enable FCPS to address unanticipated needs in a timely manner. These are grants, food and nutrition services, restricted, School Board flexibility, school materials, staffing, and strategic reserves.

Fund Balance Reserve Policies

The School Board establishes fund balance reserves to address future requirements. Fund balance reserves represent funds available for School Board action and may include reserves for budgeted beginning balance, centralized instructional resources reserve, transportation public safety radio, and fuel contingency reserve.

Position and Salary Policies

There are three policies that include position growth, position reallocation, and salary increase. All position adjustments are subject to School Board approval. Principals and program managers can reallocate funds available as a result of vacant positions and unanticipated needs provided they maintain certain standards. FCPS maintains five salary scales: teacher, classroom instructional support, school-based administrator, unified, and other. The other scale provides rates of pay for substitutes and other hourly employees. All salary adjustments are subject to School Board approval.

Assumptions and Costing Guidelines for Other Budget Issues

Included in this category are building maintenance, building renovation, carryover funding, equipment funds transfer, technology funding, utilities, vehicle and bus replacement, and vehicle services.

BUDGETARY CONTROLS

The budget is controlled at certain legal, as well as administrative, levels. The legal level is placed at the individual fund level and the administrative controls are placed at the commitment item group for each office and school within a fund.

FCPS maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Expenditure commitments, including purchase orders and contracts, are encumbered to ensure funds have been reserved and will be available when payment is due. Appropriations for all encumbrances, except for major capital projects, expire at the end of each fiscal year and are required to be reappropriated in the following fiscal year. FCPS ensures that all procurement is in compliance with legal purchasing regulations and all bid awards and contracts are properly approved.

Long-Term Financial Planning

The annual budget reflects FCPS' varied plans by allocating resources to carry out the goals defined through the division wide planning processes but it is the strategic plan, *Ignite*, that sets the priorities and direction of the entire budget process.

The fiscal year 2019 budget development process included the Superintendent reconvening The Budget Task Force to review and reprioritize the original recommendations provided during the budget development of fiscal year 2018 and identify other recommendations not on the original list. The fiscal year 2019 budget included an increase in funding from the County of \$84.7 million, or 4.3 percent from the fiscal year 2018 transfer. To balance the fiscal year 2019 budget, FCPS identified reductions totaling \$43.6 million, including compensation base savings, Virginia Retirement System rate savings, laps/turnover savings, position reduction savings, and Construction Fund transfer savings.

The fiscal year 2020 budget was developed very closely and collaboratively with the Fairfax County Board of Supervisors, the County Executive and staff. This was the second year of fully funded budget since 1995. The focus was again on employee compensation, which is tied to the Premier Workforce goal of the FCPS Strategic Plan: *Ignite*. FCPS has enhanced teacher pay through a multi-year effort, beginning with compensation study in fiscal year 2016. Included in this budget are adjustments for enrollment and student demographic changes, a step increase for all eligible employees, funding for full implementation of the teacher salary scale, a 1.0 percent market scale adjustment for nonteacher salary scales, staffing initiatives, a learning management system, the FCPSOn initiative, and the adoption of language arts instructional resources for high school. The Approved Budget for fiscal year 2020 includes a county transfer increase of \$84.4 million, or 4.1 percent, over the previous year.

The major planning activities are:

FCPS' Approved Budget - the approved budget is adopted annually by the School Board and reflects ongoing programs as well as initiatives for the next fiscal year.

Environmental Scans - conducted periodically to identify local, state, and national factors that influence planning. The information drives the creation of the multiyear fiscal forecast.

Technology Plan - outlines the multiyear strategic goals and demonstrates the effective use of technology throughout the school system. The technology plan supports the vision and mission for FCPS to provide a gifted-quality education to every child in an instructional setting appropriate for his or her needs; to educate all students to meet high academic standards; and to prepare all students to be responsible citizens in the 21st century. The technology plan is aligned with the VDOE's Educational Technology Plan.

School Improvement Plans - required by FCPS and the VDOE. Aligned within the school plan are the annual measurable objectives and Standards of Accreditation requirements. Schools are required to review their progress related to student achievement goals and describe how the school will accomplish its objectives.

Capital Improvement Program (CIP) - contains the five-year capital improvement plan, student enrollment projections, and building use analysis. The CIP assesses requirements for new facilities, renovation of existing facilities, infrastructure management, technology upgrades, and other facility-related needs. The list of capital projects resulting from this assessment provides a clear statement of school facility requirements. Actual completion dates for CIP projects depend on cash flow and debt service limitations established by the County Board of Supervisors.

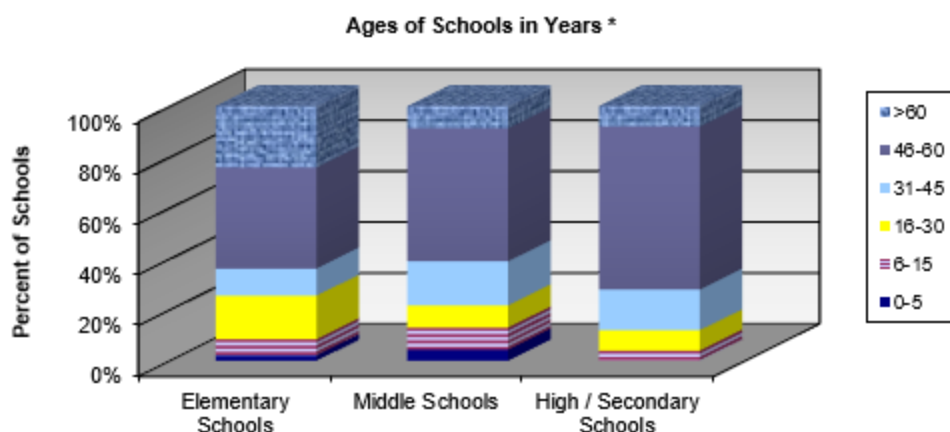
The CIP project list comprise a “statement of need” to address these issues. There are five types of projects in the CIP:

- New School Construction – capacity shortages likely to persist over time
- Capacity Enhancements – permanent methods for accommodating future needs
- Renovation Programs – ensuring all schools provide facilities necessary to support educational programs or restore capacity lost due to low-ratio special program instruction and other new instructional support needs
- Special Program Facilities – capacity enhancements to accommodate special programs
- Site Acquisition – acquire sites for future schools

The fiscal year 2020-2024 five year CIP totals approximately \$972 million, or roughly \$194 million per year. The funding will allow for the planning of one new elementary school, construction of one new elementary school, planning of three high school additions, the relocation of one modular addition, renovation of five elementary schools, two middle schools, and one high school, along with renovation planning of five elementary schools, one middle school, and one high school.

Traditionally, the County has used the sale of municipal bonds to fund school capital facility expenditures. Every two years in November, school capital facility projects are part of a school bond referendum, which is added to the general election ballot. Funding approved in the 2017 School Bond Referendum and previous referenda will address approximately \$330 million of the five year requirement, leaving an unfunded balance of \$643 million. A bond referendum is expected in the fall of 2019.

The graph below reflects the ages of FCPS' elementary, middle, and high schools as of June 30, 2019:



* From the year that each school opened through June 30, 2019 (does not reflect renovation dates)
Source: FCPS - Office of Design and Construction Services

Awards

FCPS maintains a significant commitment to provide annual financial reports. By preparing and presenting a CAFR, FCPS validates the credibility of the school system's operations and recognizes the commitment of the School Board and staff in being good stewards of financial resources. The financial reporting awards received by FCPS reflect the commitment to communicate financial activity in a comprehensive and clear format.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2018. In order to be awarded a GFOA Certificate of Achievement, certain requirements must be met, including the issuance of an easily readable and efficiently organized CAFR. The report must also satisfy both GAAP and applicable legal requirements.

In addition, the Association of School Business Officials International (ASBO) sponsors a Certificate of Excellence in Financial Reporting program to foster excellence in the preparation and issuance of school system's annual financial reports. The ASBO program is similar to the GFOA Certificate of Achievement for Excellence in Financial Reporting program. FCPS was awarded the ASBO Certificate of Excellence for its CAFR for the fiscal year ended June 30, 2018.

FCPS has received prestigious awards from both GFOA and ASBO for 25 consecutive years. We believe that the current CAFR also conforms to the GFOA and ASBO certificate program requirements therefore; we are submitting it to them to confirm our compliance and to obtain another GFOA and ASBO certificate.

FCPS has won several awards for its budgeting reports, forecasting reports, and a separately issued CAFR for the Educational Employees' Supplementary Retirement System of Fairfax County pension plan. In addition, ASBO and GFOA awarded FCPS with the Meritorious Budget Award and the Distinguished Budget Presentation Award, respectively, for the fiscal year 2019 Approved Budget.

Acknowledgments

We would like to express our sincere gratitude to the personnel in the Office of Comptroller, Department of Financial Services who participated in the preparation of this CAFR and to our independent auditors, Cherry Bekaert LLP. Appreciation is also extended to the School Board and the administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Scott S. Brabrand".

Scott S. Brabrand, Ed.D.
Superintendent of Schools

A handwritten signature in black ink, appearing to read "Marty K. Smith".

Marty K. Smith
Chief Operating Officer

A handwritten signature in black ink, appearing to read "E. Leigh Burden".

E. Leigh Burden
Assistant Superintendent, Financial Services

School Board Members and Administration

As of July 11, 2019

SCHOOL BOARD

Karen Corbett Sanders
Chairman
Mount Vernon District

Tamara Derenak Kaufax
Vice Chairman
Lee District

Sandy Evans
Mason District

Pat Hynes
Hunter Mill District

Karen Keys-Gamarra
Member at Large

Ryan McElveen
Member at Large

Megan McLaughlin
Braddock District

Ilryong Moon
Member at Large

Dalia Palchik
Providence District

Elizabeth Schultz
Springfield District

Jane Strauss
Dranesville District

Thomas Wilson
Sully District

Kimberly Boateng
Student Representative

ADMINISTRATION

Scott S. Brabrand
Superintendent

Frances Ivey
Deputy Superintendent

Francisco Duran
Chief Equity Officer

Marty Smith
Chief Operating Officer

Sloan Presidio
Assistant Superintendent
Instructional Services

Teresa Johnson
Assistant Superintendent
Special Services

Jeffrey Platenberg
Assistant Superintendent
Facilities and Transportation Services

E. Leigh Burden
Assistant Superintendent
Financial Services

Helen Nixon
Assistant Superintendent
Human Resources

Maribeth Luftglass
Assistant Superintendent
Information Technology

John Torre
Executive Director
Communication and Community Relations

Mark Greenfelder
Executive Director
Office of School Support

Kathleen Walts
Executive Director
Office of Professional Learning
and Family Engagement

Mary Kneale
Director of Operations

John Foster
Division Counsel

Douglas Tyson
Assistant Superintendent
Region 1

Fabio Zuluaga
Assistant Superintendent
Region 2

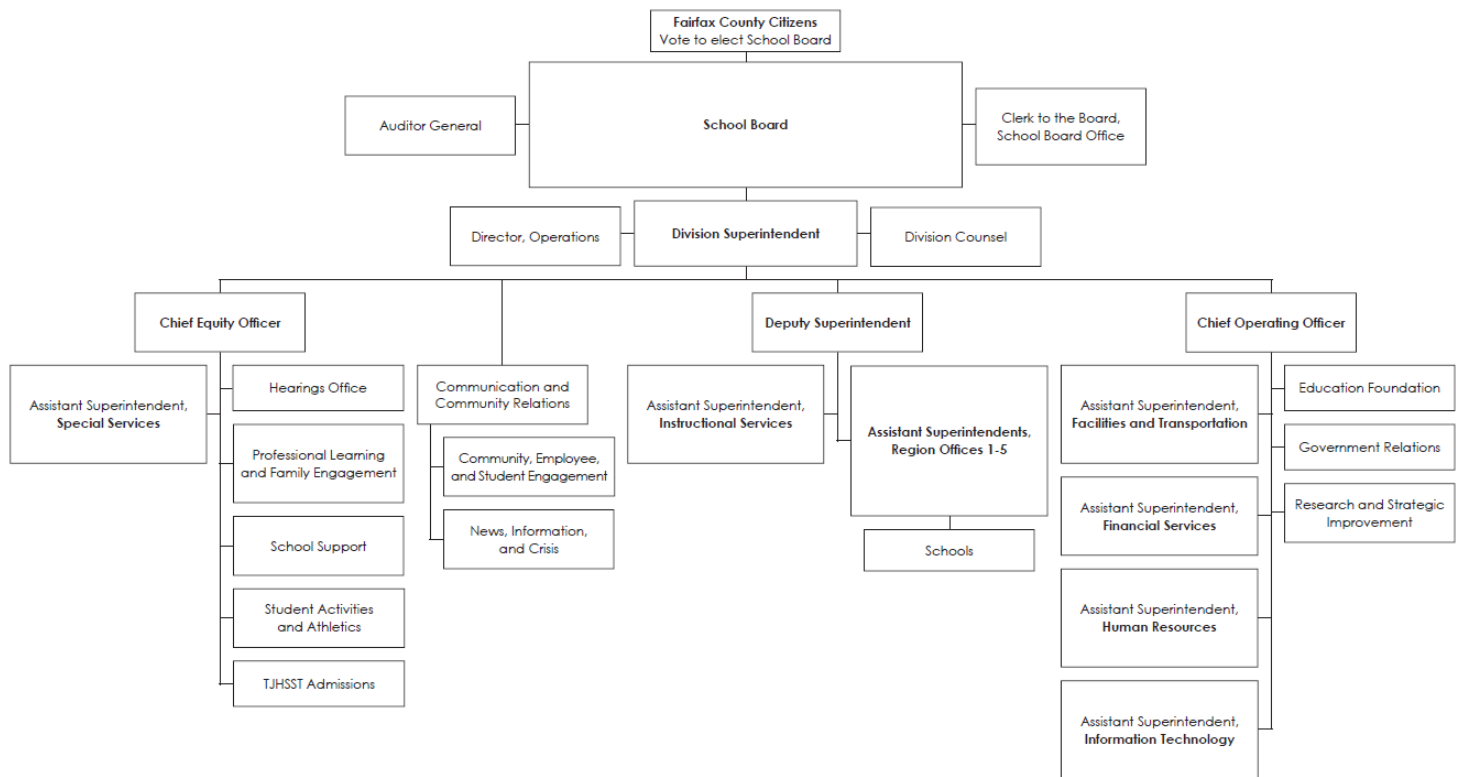
Nardos King
Assistant Superintendent
Region 3

Jay Pearson
Assistant Superintendent
Region 4

Rebecca Baenig
Assistant Superintendent
Region 5

Organizational Chart

As of July 11, 2019

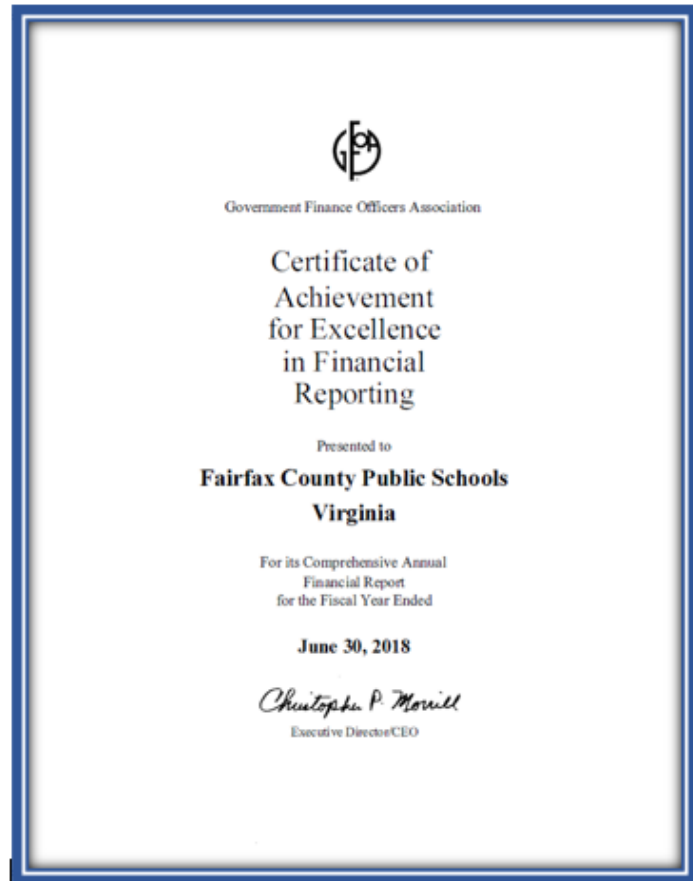


Awards for Excellence in Financial Reporting

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2018. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish a CAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. In addition, this report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. FCPS has received the Certificate of Achievement for Excellence in Financial Reporting for 25 consecutive years.



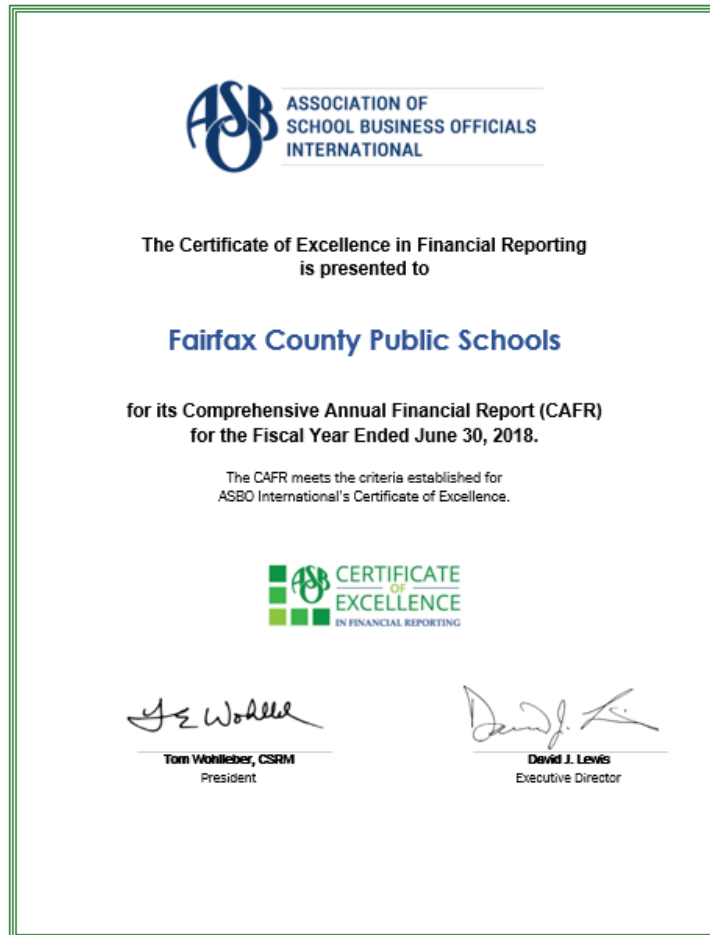
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS AWARD

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2018. FCPS has received this award for 25 consecutive years.

This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting.

The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. More than 500 school systems and educational institutions submit applications each year.

Participation in the Certificate of Excellence in Financial Reporting program validates FCPS' commitment to fiscal and financial integrity and enhances the credibility of FCPS' operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by FCPS in its CAFR based upon specific standards established by the Governmental Accounting Standards Board.







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.



Report of Independent Auditor

To the Board of Supervisors
County of Fairfax, Virginia

To the Fairfax County School Board
County of Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfax County Public Schools ("FCPS"), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise FCPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of FCPS, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplementary information, and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCPS' basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019, on our consideration of FCPS' 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 solely 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 effectiveness of FCPS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FCPS' internal control over financial reporting and compliance.



Tysons Corner, Virginia
November 11, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The Management's Discussion and Analysis 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 Fairfax County Public Schools' financial position and results of operations.



Management's Discussion and Analysis (Unaudited)

This discussion and analysis, a section of the Fairfax County Public Schools' (FCPS) Comprehensive Annual Financial Report (CAFR), provides a narrative overview and analysis of the financial activities of FCPS for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal in the introductory section of this CAFR.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- The liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$775.8 million at June 30, 2019, which represents net position.
- Total revenues of \$3,201.8 million were generated in fiscal year 2019. Expenses incurred were \$2,978.2 million, resulting in an increase in net position of \$223.6 million for the current year.
- General revenues, including the funds transferred from the County, totaled \$2,559.8 million and are available for all purposes. Such revenues were sufficient to fund the \$2,336.2 million excess of total operating costs over program-specific revenues. For the fiscal year 2019, program-specific revenues amounted to \$642.0 million.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about FCPS' major funds using the current financial resources measurement focus and modified accrual basis of accounting.

- FCPS' governmental funds reported a combined fund balance of \$201.4 million, representing a decrease of \$(17.8) million from the prior fiscal year.
- On June 30, 2019, the General Fund, which accounts for the main operating activities of FCPS, reported an ending fund balance of \$135.1 million, a decrease of \$(3.5) million from June 30, 2018. The unassigned portion of the General Fund's fund balance was \$0.1 million, which is available for future spending at FCPS' discretion.
- The Capital Projects Fund ended fiscal year 2019 with a fund balance of \$24.4 million, a decrease of \$(15.7) million over prior fiscal year. This is restricted for construction projects in progress or starting in the near future.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this CAFR comprises five sections: 1) report of independent auditor, 2) management's discussion and analysis, 3) basic financial statements, 4) required supplementary information, and 5) other supplementary information.

FCPS basic financial statements consist of two types of statements, each with a different perspective on FCPS' financial condition. First, the government-wide financial statements provide both long-term and short-term information about overall FCPS finances. On the other hand, the fund financial statements focus on the individual components of FCPS operations, providing more detail than the government-wide financial statements. The basic financial statements also include notes providing additional explanation and detailed information essential for gaining a full understanding of the data presented in the financial statements.

The financial statements and notes are followed by required supplementary information, consisting of the budget and actual comparison schedule for the General Fund and trend data pertaining to the pension and other postemployment benefit trust funds. In addition to these required elements, FCPS provides other supplementary

information that includes combining fund statements for the nonmajor governmental funds, budget and actual comparison schedules for the special revenue funds, combining fund statements for the internal service funds, combining fund statements for the pension and OPEB trust funds, and the statement of changes in assets and liabilities for the agency fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about FCPS activities as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the FCPS net position and financial position changes during the fiscal year.

The Statement of Net Position presents information on all of FCPS' assets, liabilities, and deferred outflows/inflows of resources with the difference as net position. Over time, increases or decreases in net position may serve as a useful indicator of FCPS' ability to cover costs and continue to provide services in the future.

The Statement of Activities presents information on the change in the FCPS net position providing the results of operations during the fiscal year. The statement highlights the extent to which, specific programs are able to cover their costs with user fees, grants, and contributions, as opposed to being financed with general revenues. 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 change in net position from year to year may serve as a gauge of FCPS' financial position performance.

All of FCPS' basic services are reported as governmental activities. These activities are financed primarily by charges for services and intergovernmental grants and contributions. The governmental funds and the internal service funds are included in governmental activities because these services only benefit FCPS.

FUND FINANCIAL STATEMENTS

Fund financial statements provide an additional level of detail about FCPS' major funds. A fund is a grouping of related accounts used to maintain control over resources for specific activities or objectives. FCPS uses fund accounting to track transactions in individual funds, as well as to ensure and demonstrate compliance with finance-related legal requirements. FCPS funds are divided into the following three classifications:

Governmental Funds - Governmental funds account for, in essence, the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 1) how cash and other financial assets, which can readily be converted to cash, flow in and out of the system and 2) the balances of spendable resources available at the end of the fiscal year.

The governmental funds provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources available for spending in the near future to finance FCPS' programs. Because this information does not encompass the additional long-term focus of the governmental activities in the government-wide financial statements, reconciliations are provided to explain the relationship.

The General Fund is the largest of the governmental funds, which is the main operating activities of FCPS. Information on the General Fund and the Capital Projects Fund, both of which are considered to be major funds, is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. All other governmental funds, which include the Food and Nutrition Services, Grants and Self-Supporting Programs, and Adult and Community Education special revenue funds, are collectively referred to as nonmajor governmental funds. Data for the three nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in combining statements elsewhere in the CAFR.

Proprietary Funds - Proprietary funds consist of FCPS' internal service funds and are used to account for activities financed and operated in a manner similar to private-sector businesses. In other words, costs are recovered primarily through user charges. Proprietary fund financial statements provide both long-term and short-term financial information. The internal service funds are used to account for FCPS' health benefits and insurance activities on a cost

reimbursement basis. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in combined statements elsewhere in the CAFR.

Fiduciary Funds - Fiduciary funds are used to account for resources that are held by FCPS for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support FCPS' programs. FCPS' fiduciary fund types consist of pension and OPEB trust funds, as well as an agency fund. The pension and OPEB trust funds are combined into a single, aggregated presentation in the fiduciary fund financial statements and are used to account for assets held in trust by FCPS for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) pension plan and to accumulate and invest funds for FCPS' postemployment health benefit subsidies for eligible retirees and their surviving spouses. Individual fund data for the pension and other postemployment benefit trust funds is provided in combining statements elsewhere in the CAFR.

The agency fund is reported separately in the fiduciary fund financial statements and is used to account for monies collected and disbursed in connection with student activities. These monies are only available to support student programs at their respective schools and not for FCPS as a whole.

FINANCIAL ANALYSIS OF GOVERNMENTAL ACTIVITIES

The Statement of Net Position and the Statement of Activities provide the financial status and operating results of FCPS as a whole.

STATEMENT OF NET POSITION

The following table provides a summary of FCPS' net position as of June 30, 2019 and 2018:

SUMMARY OF NET POSITION				
As of June 30				
(Dollars in Millions)				
	Governmental Activities			Percent
	2019	2018	Variance	Variance
ASSETS				
Current and other assets	\$ 517.0	\$ 485.4	\$ 31.6	6.5 %
Capital assets, net	2,588.7	2,505.5	83.2	3.3
Total assets	3,105.7	2,990.9	114.8	3.8
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	613.2	777.6	(164.4)	(21.1)
Deferred OPEB	61.6	59.1	2.5	4.2
Total deferred outflows of resources	674.8	836.7	(161.9)	(19.3)
LIABILITIES				
Current liabilities	170.2	123.4	46.8	37.9
Non-current liabilities	3,948.8	4,116.9	(168.1)	(4.1)
Total liabilities	4,119.0	4,240.3	(121.3)	(2.9)
DEFERRED INFLOWS OF RESOURCES				
Capital lease reduction	3.5	3.7	(0.2)	(5.4)
Deferred pensions	277.7	419.9	(142.2)	(33.9)
Deferred OPEB	156.1	163.1	(7.0)	(4.3)
Total deferred inflows of resources	437.3	586.7	(149.4)	(25.5)
NET POSITION				
Net investment in capital assets	2,505.4	2,418.5	86.9	3.6
Restricted	65.3	79.5	(14.2)	(17.9)
Unrestricted (deficit)	(3,346.5)	(3,497.4)	150.9	(4.3)
Total net position	\$ (775.8)	\$ (999.4)	\$ 223.6	(22.4) %

Net investment in capital assets is \$2,505.4 million, which is net of the outstanding debt for capital leases in the amount of \$83.3 million.

For fiscal year 2019, FCPS reported deferred outflows of resources of \$613.2 million related to pensions and \$61.6 million related to OPEB. The majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement systems, in addition to outflows attributable to the various components that impact pension and OPEB expense, amortization of changes due to actuarial assumptions, changes in proportionate share of contributions, and differences between expected or actual experience.

For fiscal year 2019, FCPS reported deferred inflows of resources for pension of \$277.7 million and OPEB of \$156.1 million, which represents a net amount attributable to the various components that impact pension and OPEB expense, amortization of changes due to actuarial assumptions, changes in proportionate share of contributions, and

differences between expected or actual experience. Deferred inflows of resources related to capital lease reduction from revisions to capital lease agreements decreased in fiscal year 2019 to \$3.5 million from \$3.7 million in fiscal year 2018.

STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in FCPS' net position for the fiscal years ended June 30, 2019 and 2018:

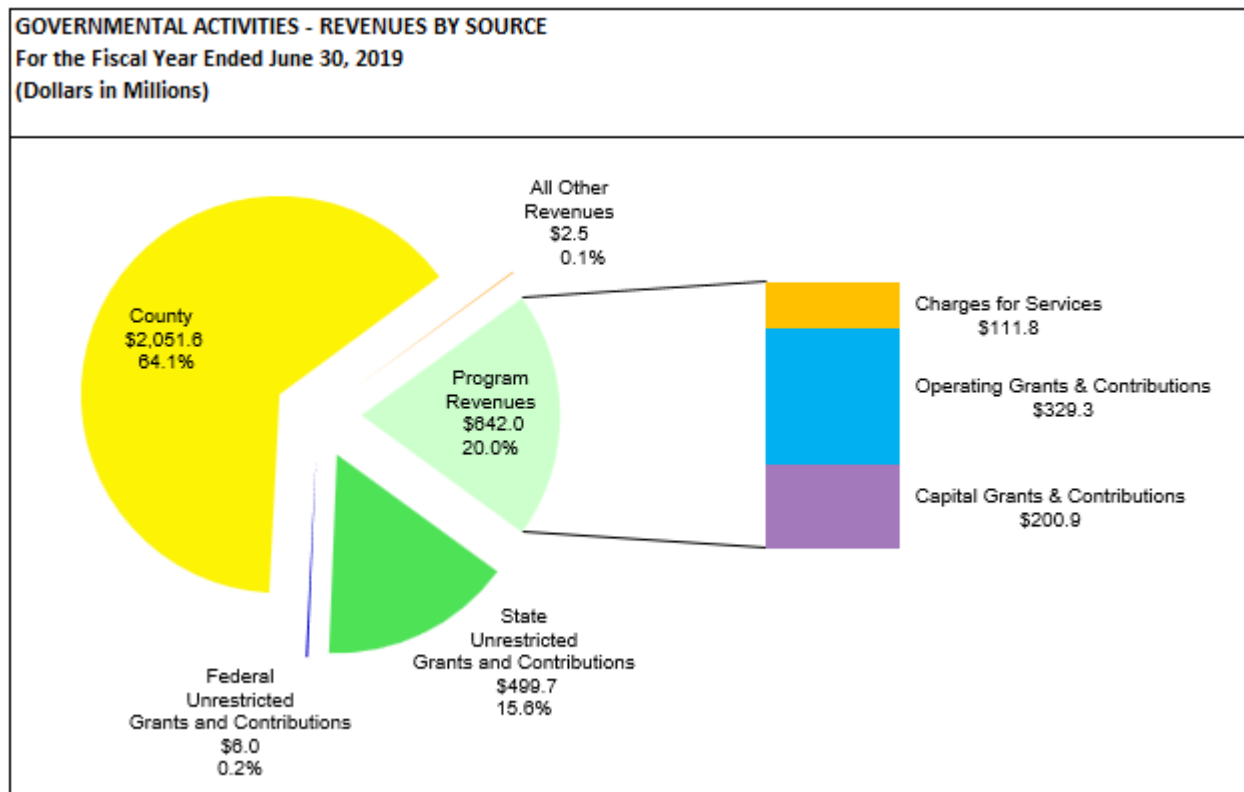
SUMMARY OF CHANGES IN NET POSITION
For the Fiscal Years Ended June 30
(Dollars in Millions)

	Governmental Activities			Percent
	2019	2018	Variance	Variance
REVENUES				
Program revenues:				
Charges for services	\$ 111.8	\$ 108.5	\$ 3.3	3.0 %
Operating grants and contributions	329.3	317.2	12.1	3.8
Capital grants and contributions	200.9	173.9	27.0	15.5
General revenues:				
Grants and contributions not restricted to specific purposes	2,557.3	2,442.7	114.6	4.7
Other	2.5	2.5	-	-
Total revenues	3,201.8	3,044.8	157.0	5.2
EXPENSES				
Instruction	2,518.7	2,443.2	75.5	3.1
Support programs	372.9	365.2	7.7	2.1
Food service	83.4	78.9	4.5	5.7
Interest on long-term debt	3.2	3.0	0.2	6.7
Total expenses	2,978.2	2,890.3	87.9	3.0
Increase in net position	223.6	154.5	69.1	44.7
Net position - July 1	(999.4)	(1,153.9)	154.5	(13.4)
Net position - June 30	\$ (775.8)	\$ (999.4)	\$ 223.6	(22.4) %

Total revenues for FCPS' governmental activities were \$3,201.8 million in fiscal year 2019, representing an increase of \$157.0 million, or 5.2 percent, over fiscal year 2018. The increase is primarily due to the County funding increase of \$84.7 million.

The total expenses of FCPS' programs for fiscal year 2019 were \$2,978.2 million, representing an increase of \$87.9 million or 3.0 percent over fiscal year 2018.

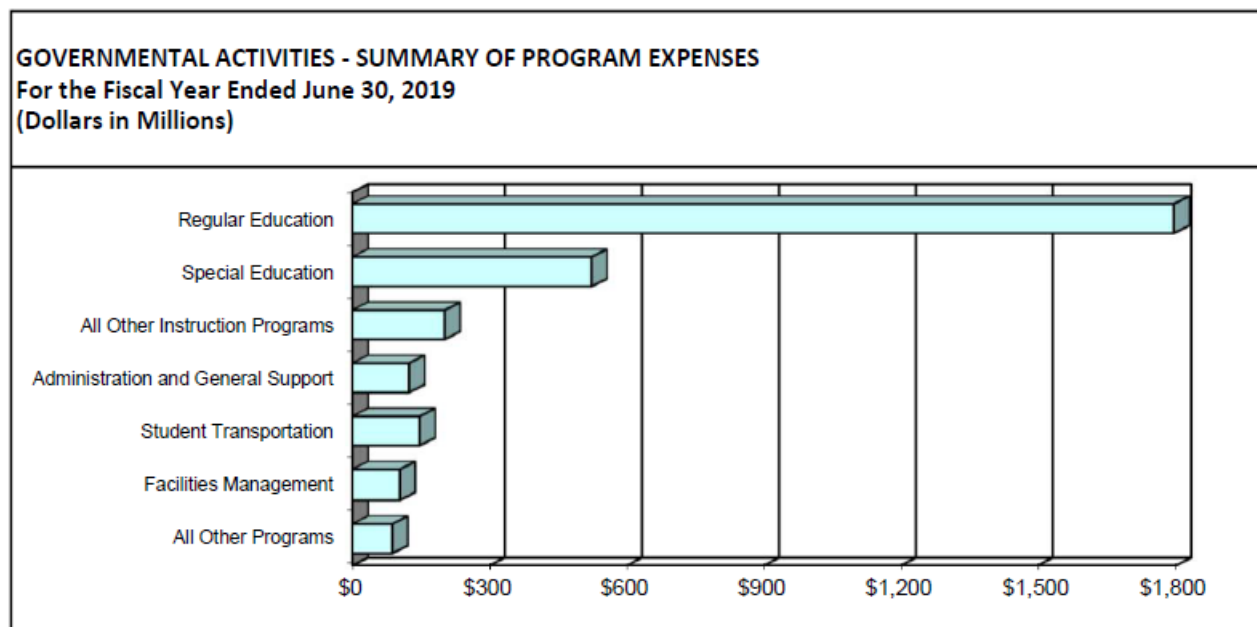
The following chart presents revenues by source for the fiscal year ended June 30, 2019:



The following items reflect the major increases in revenues during fiscal year 2019:

- \$84.7 million increase in funding from the County
- \$25.1 million increase in sale of general obligation bonds by the County
- \$23.5 million increase in Basic Aid and special education
- \$9.7 million increase in state sales tax
- \$7.5 million increase in state lottery funds
- \$3.7 million increase in federal grants consisting mainly of increases for IDEA and Impact Aid, offset by decrease in Title I
- \$2.8 million increase in other revenue sources for proffer-turf funding

The following chart compares the total expenses of each of FCPS' programs for the fiscal year ended June 30, 2019:



As the chart indicates, regular education is FCPS' largest program. Regular education includes activities and programs conducted during the regular instructional day for students in grades K-12. Special education, FCPS' second largest program, includes activities for students with special needs. Such activities include programs specifically designed to overcome disabilities, alternative education, Head Start, and preschool programs.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

ALL GOVERNMENTAL FUNDS

As noted earlier, FCPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of FCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing FCPS' short-term financing requirements. Fund balance is reported by purpose within these classifications as appropriate: nonspendable, restricted, committed and assigned and unassigned.

The following table presents a summary of fund balances of governmental funds as of June 30, 2019 and 2018:

FUND BALANCES OF GOVERNMENTAL FUNDS				
As of June 30				
(Dollars in Millions)				
	2019	2018	Variance	Percent Variance
General Fund				
Nonspendable	\$ 0.6	\$ 0.6	\$ -	- %
Committed	39.3	43.5	(4.2)	(9.7)
Assigned	95.1	92.5	2.6	2.8
Unassigned	0.1	2.0	(1.9)	(95.0)
Total General Fund	<u>135.1</u>	<u>138.6</u>	<u>(3.5)</u>	(2.5)
Capital Projects Fund				
Restricted	<u>24.4</u>	<u>40.1</u>	<u>(15.7)</u>	(39.2)
Total Capital Projects Fund	<u>24.4</u>	<u>40.1</u>	<u>(15.7)</u>	(39.2)
Nonmajor governmental funds				
Nonspendable	1.0	1.2	(0.2)	(16.7)
Restricted	40.9	39.4	1.5	3.8
Unassigned	-	(0.1)	0.1	(100.0)
Total nonmajor governmental funds	<u>41.9</u>	<u>40.5</u>	<u>1.4</u>	3.5
All governmental funds				
Nonspendable	1.6	1.8	(0.2)	(11.1)
Restricted	65.3	79.5	(14.2)	(17.9)
Committed	39.3	43.5	(4.2)	(9.7)
Assigned	95.1	92.5	2.6	2.8
Unassigned	0.1	1.9	(1.8)	(94.7)
Total governmental funds	<u>\$ 201.4</u>	<u>\$ 219.2</u>	<u>\$ (17.8)</u>	(8.1) %

As of June 30, 2019, FCPS' governmental funds had a combined fund balance of \$201.4 million, compared with \$219.2 million at June 30, 2018, resulting in a decrease of \$(17.8) million. The following represents the fiscal year 2019 fund balance classification:

- \$1.6 million is nonspendable for prepaid items and inventories
- \$65.3 million is restricted for capital construction, grants, food service, and adult and community education
- \$39.3 million is committed by the School Board for fiscal year 2020 operating budget requirements
- \$95.1 million is assigned for undelivered orders, fiscal year 2020 initiatives, and fiscal year 2021 operating budget requirements
- \$0.1 million is unassigned representing resources not associated with a specified purpose

MAJOR GOVERNMENTAL FUNDS

The General Fund is the main operating fund of FCPS. For fiscal year 2019, General Fund revenues, inclusive of other financing sources, totaled \$2,868.3 million, which represents an increase of \$139.0 million, or 5.1 percent, over the prior year. Expenditures for the General Fund, inclusive of other financing uses, increased by \$134.2 million, or 4.9 percent, over fiscal year 2018, totaling \$2,871.7 million. This resulted in a decrease in fund balance of \$(3.5) million. The per pupil cost increased \$526, from \$14,767 in fiscal year 2018 to \$15,293 in fiscal year 2019.

The Capital Projects Fund reported a total fund balance of \$24.4 million, a decrease of \$(15.7) million, or (39.2) percent, from fiscal year 2018. Other revenues in this fund for fiscal year 2019 totaled \$5.7 million, an increase of 2.1 million from fiscal year 2018. Expenditures increased by \$49.9 million, or 27.7 percent, from fiscal year 2018 due to the County increasing FCPS' annual bond proceeds limit from \$155.0 million to \$180.0 million, the cyclical nature of construction projects, and the timing of completions.

During fiscal year 2019, FCPS received \$180.0 million of bond proceeds from the County to fund capital projects. This is an increase of \$25.0 million over prior year. As of June 30, 2019, the unspent portion of this funding totaled \$76.7 million, which is represented as restricted cash and investments on the Balance Sheet.

GENERAL FUND BUDGETARY HIGHLIGHTS

The *Code of Virginia* (Code) requires the appointed Superintendent of the school division to submit a budget annually to the governing body, following approval of the advertised budget by the School Board.

The Superintendent presents FCPS' proposed budget to the School Board in early January. The School Board then conducts a series of public hearings and work sessions before adopting the advertised budget. The School Board's advertised budget is then forwarded to the County for inclusion in the County Executive's advertised budget. In early April, the County Board of Supervisors holds public hearings regarding the advertised budget and determines the amount of funding to be transferred to FCPS. The School Board then holds additional public hearings before approving the final budget in late May.

The approved budget governs all of the financial operations of FCPS beginning on July 1 and is modified on a quarterly basis as revenue sources and expenditure priorities change. FCPS' School Board approves all quarterly budget modifications.

The following table presents a summary comparison of the General Fund's original and final budgets with actual performance for the fiscal year ended June 30, 2019:

GENERAL FUND BUDGET AND ACTUAL COMPARISON

For the Fiscal Year Ended June 30, 2019

(Dollars in Millions)

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget
Total revenues	\$ 789.6	\$ 797.1	\$ 799.7	\$ 2.6
Total expenditures	2,841.3	2,924.8	2,821.6	(103.2)
Excess of expenditures over revenues	(2,051.7)	(2,127.7)	(2,021.9)	105.8
Total other financing sources, net of uses	2,022.0	2,018.4	2,018.4	-
Net change in fund balances	\$ (29.7)	\$ (109.3)	\$ (3.5)	\$ 105.8

During fiscal year 2019, the General Fund's final budget for revenues exceeded the original budget by \$7.5 million. The overall increase in revenues is primarily due to increase in federal aid of \$7.0 million.

Actual revenues were higher than final budget for revenues by \$2.6 million. Revenues exceeded projections by \$1.6 million in sales tax and \$1.3 million in various categories, offset by revenue that did not meet projections for Basic Aid and unspent federal grant awards to be carried forward to fiscal year 2020.

The final budget for expenditures exceeded the original budget by \$83.5 million, or 2.9 percent, higher than the original budget. The overall increase in expenditures is due to carryover of undelivered orders, school balance carryover, and flexibility reserve funding from fiscal year 2018.

Actual expenditures came in under the final budget for expenditures by \$103.2 million, or 3.5 percent, primarily due to the following:

- \$60.1 million in carryover and other commitments
- \$34.2 million in compensation savings as a result of higher than expected employee turnover
- \$2.0 million in fuel savings
- \$1.0 million in unexpended multiyear federal grants

The final budgeted total for other financing sources was less than the original budget by \$3.6 million.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

CAPITAL ASSETS

As of June 30, 2019, FCPS' investment in capital assets for governmental activities totaled \$2,588.7 million, net of accumulated depreciation of \$2,166.5 million and amortization of \$7.6 million. This represents a net increase in capital assets of \$83.2 million, or 3.3 percent, over the prior year.

The following table summarizes capital assets as of June 30, 2019 and 2018:

NET CAPITAL ASSETS		
As of June 30		
(Dollars in Millions)		
Capital Asset Category	Book Value (net of depreciation)	
	2019	2018
Land	\$ 46.8	\$ 46.8
Construction in progress	313.2	349.6
Equipment	108.8	110.6
Intangible Assets-Software/Licenses	5.7	6.5
Library collections	6.3	6.3
Buildings	621.0	643.0
Building improvements	1,437.0	1,292.1
Land improvements	49.9	50.6
Total	<u>\$ 2,588.7</u>	<u>\$ 2,505.5</u>

Net additions to capital assets during fiscal year 2019 include the following:

- \$85.7 million in multiyear major renovations and additions
- \$7.5 million to acquire 584 copiers
- \$3.5 million to acquire 35 buses
- (\$13.5) million disposal of equipment, including educational trailers, buses, copiers, computers, and other equipment

Additional detailed information regarding FCPS' capital assets, including the current year's activity, can be found in notes I.H and III.E in the notes to the financial statements.

LONG-TERM OBLIGATIONS

As of June 30, 2019, FCPS reported total long-term obligations in the amount of \$3,948.8 million, compared to \$4,116.9 million at June 30, 2018. The following table summarizes FCPS' long-term obligations as of June 30, 2019 and 2018:

LONG-TERM OBLIGATIONS		
As of June 30		
(Dollars in Millions)		
	2019	2018
Accrued rent	\$ 4.2	\$ 4.1
Compensated absences	35.0	33.7
Capital leases	83.3	87.0
Net pension liabilities	3,375.6	3,462.1
Net OPEB liabilities	386.2	466.7
Actuarial claims payable	64.5	63.3
Total	<u>\$ 3,948.8</u>	<u>\$ 4,116.9</u>

Additional detailed information regarding long-term obligations, including the current year's activity, can be found in notes I.I, I.J, and III.F in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary source of revenue for FCPS comes from the County, which in turn derives the majority of its revenue from real and personal property taxes. For fiscal year 2020, real estate tax rate remains at \$1.15 per \$100 of the assessed home value. The Personal property tax rate also remains unchanged in fiscal year 2020 at \$4.57 per \$100 of assessed personal property value.

FISCAL YEAR 2020 BUDGET

The fiscal year 2020 Approved Operating Expenditure Budget totals \$3.0 billion, an increase of \$114.7 million, or 4.0 percent, from the fiscal year 2019 Approved Budget. For fiscal year 2020, funds are budgeted that will allow FCPS to meet the basic needs of the school system and make continued investments in our teachers and in our classrooms in critical areas.

The following are highlights of the fiscal year 2020 expenditure budget:

- \$55.2 million for the continuation of the teacher salary scale enhancement
- \$46.8 million for a step increases for all eligible employees
- \$9.7 million increase in student services and maintenance contracts, system updates, leases and electricity rate
- \$8.2 million for nonteacher market scale adjustment of 1%
- \$7.5 million to cover employee health benefit coverage
- \$6.1 million classroom instruction support salary scale enhancement, step increase and market scale adjustment
- \$5.1 million retirement rate increases
- \$4.3 million staff contingency to address elementary school class sizes
- \$4.3 million FCPSOn (initiative for one-to-one devices) implementation at high schools
- \$3.9 million additional teachers for advance academic, world language and career and technical courses
- \$2.4 million increase hourly substitute and hourly living wage rates; additional equity and employee relations support and parent liaisons positions
- \$1.1 million extend assessment coach contracts, expand AVID program, additional custodians
- (\$6.3) million in savings due to decline in student enrollment and changes in student demographics
- (\$33.6) million in compensation base savings

CONTACTING FCPS MANAGEMENT

This summary is designed to provide a general overview of the financial condition of FCPS. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Assistant Superintendent of Financial Services, Department of Financial Services, 8115 Gatehouse Road, Falls Church, Virginia 22042 or by calling (571) 423-3750.

This CAFR can also be found on FCPS' website at: <https://www.fcps.edu/about-fcps/budget/financial-reports>



BASIC FINANCIAL STATEMENTS

The Basic Financial Statements subsection includes the government-wide statements, which incorporate the governmental activities of Fairfax County Public Schools 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 and the accompanying notes to the financial statements.

TRAINING



FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Net Position
June 30, 2019

EXHIBIT A

	Governmental Activities
ASSETS	
Cash on deposit with County of Fairfax, VA	\$ 387,032,447
Cash with fiscal agent	90,676
Receivables:	
Accounts	6,530,594
Accrued interest	211,628
Due from intergovernmental units:	
Federal government	17,687,816
Commonwealth of Virginia	26,158,047
County of Fairfax, VA	351,056
Other	593,541
Inventories	928,689
Prepaid items	723,229
Restricted cash and investments	76,710,356
Nondepreciable capital assets:	
Land	46,837,095
Construction in progress	313,203,452
Depreciable capital assets:	
Equipment	340,502,060
Library collections	19,604,782
Buildings and improvements	4,029,266,881
Accumulated depreciation	(2,166,472,135)
Intangible capital assets:	
Software and licenses	13,260,834
Accumulated amortization	(7,551,678)
Total assets	<u>3,105,669,370</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	613,218,481
Deferred outflows related to OPEB	61,634,668
Total deferred outflows of resources	<u>674,853,149</u>
LIABILITIES	
Accounts payable	49,146,245
Accrued salaries and withholdings	85,480,859
Accrued interest payable	631,397
Unearned revenues	17,923,532
Contract retainages	12,854,649
Deposits	4,124,886
Due to County of Fairfax, VA	14,400
Non-current liabilities:	
Due within one year:	
Accrued rent	30,097
Compensated absences	24,513,185
Capital leases	22,623,814
Actuarial claims payable	27,799,900
Due beyond one year:	
Accrued rent	4,162,118
Compensated absences	10,505,651
Capital leases	60,659,467
Net pension liability	3,375,593,256
Net OPEB liability	386,167,039
Actuarial claims payable	36,765,850
Total liabilities	<u>4,118,996,345</u>
DEFERRED INFLOWS OF RESOURCES	
Capital lease reduction	3,503,688
Deferred inflows related to pensions	277,680,623
Deferred inflows related to OPEB	156,136,914
Total deferred inflows of resources	<u>437,321,225</u>
NET POSITION	
Net investment in capital assets	2,505,368,010
Restricted for:	
Food and Nutrition Services	16,958,933
Grant programs	23,915,492
Capital Projects	24,388,803
Unrestricted (deficit)	(3,346,426,289)
Total net position	<u>\$ (775,795,051)</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Activities
For the Fiscal Year Ended June 30, 2019

EXHIBIT B

Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular education:					
Elementary school	\$ 942,715,547	\$ 19,414,539	\$ 57,047,327	\$ -	\$ (866,253,681)
Middle school	261,998,930	9,626,729	3,660,335	-	(248,711,866)
High school	589,964,633	16,066,821	26,169,967	-	(547,727,845)
Special education	522,714,625	2,343,265	50,133,988	-	(470,237,372)
Adult and community education	7,452,971	5,121,187	1,470,628	-	(861,156)
Instructional support	193,826,162	3,192,940	53,468,764	-	(137,164,458)
Total instruction	2,518,672,868	55,765,481	191,951,009	-	(2,270,956,378)
Support programs:					
Administration and general support	123,293,795	5,692,520	95,275,985	-	(22,325,290)
Student transportation	146,588,515	2,420,244	-	-	(144,168,271)
Facilities management	103,017,025	7,078,860	-	200,894,385	104,956,220
Total support programs	372,899,335	15,191,624	95,275,985	200,894,385	(61,537,341)
Food service	83,457,919	40,864,765	42,087,091	-	(506,063)
Interest on long-term debt	3,173,292	-	-	-	(3,173,292)
Total governmental activities	\$ 2,978,203,414	\$ 111,821,870	\$ 329,314,085	\$ 200,894,385	\$ (2,336,173,074)
General revenues:					
Grants and contributions not restricted to specific purposes:					
Federal government					6,010,975
Commonwealth of Virginia					499,661,489
County of Fairfax, VA					2,051,659,207
Revenue from the use of money					413,915
Other					2,038,634
Total general revenues					2,559,784,220
Change in net position					223,611,146
Net position - July 1, 2018					(999,406,197)
Net position - June 30, 2019					\$ (775,795,051)

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2019

EXHIBIT C

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash on deposit with County of Fairfax, VA	\$ 194,916,021	\$ 36,757	\$ 29,940,586	\$ 224,893,364
Cash with fiscal agent - Lindjord Trust	90,676	-	-	90,676
Receivables:				
Accounts	37,200	-	115,028	152,228
Accrued interest	90	-	69,362	69,452
Due from intergovernmental units:				
Federal government	8,305,094	-	9,382,722	17,687,816
Commonwealth of Virginia	17,042,013	-	9,116,034	26,158,047
County of Fairfax, VA	89,500	-	261,556	351,056
Other	593,541	-	-	593,541
Inventories	-	-	928,689	928,689
Prepaid Items	664,478	-	58,751	723,229
Interfund receivables	10,950,000	-	-	10,950,000
Restricted cash and investments	-	76,710,356	-	76,710,356
Total assets	\$ 232,688,613	\$ 76,747,113	\$ 49,872,728	\$ 359,308,454
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,149,068	\$ 24,417,384	\$ 1,095,485	\$ 38,661,937
Accrued salaries and withholdings	84,147,020	11,391	1,322,448	85,480,859
Contract retainages	-	12,854,649	-	12,854,649
Deposits	-	4,124,886	-	4,124,886
Interfund payables	-	10,950,000	-	10,950,000
Due to County of Fairfax, VA	14,400	-	-	14,400
Unearned revenues	248,659	-	5,613,252	5,861,911
Total liabilities	97,559,147	52,358,310	8,031,185	157,948,642
Fund balances:				
Nonspendable	664,478	-	987,440	1,651,918
Restricted	-	24,388,803	40,874,425	65,263,228
Committed	39,292,079	-	-	39,292,079
Assigned	95,081,955	-	-	95,081,955
Unassigned	90,954	-	(20,322)	70,632
Total fund balances	135,129,466	24,388,803	41,841,543	201,359,812
Total liabilities and fund balances	\$ 232,688,613	\$ 76,747,113	\$ 49,872,728	\$ 359,308,454

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet to the Statement of Net Position

Governmental funds

June 30, 2019

Fund balances - total governmental funds		\$ 201,359,812
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental funds' activities are not financial resources and, therefore, are not reported in funds.		
Nondepreciable capital assets	\$ 360,040,547	
Depreciable capital assets	4,389,346,612	
Accumulated depreciation	<u>(2,166,445,024)</u>	
Total		2,582,942,135
Intangible assets used in governmental funds' activities are not financial resources and, therefore, are not reported in the funds.		
Software and licenses	\$ 13,260,834	
Accumulated amortization	<u>(7,551,678)</u>	
Total		5,709,156
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 Position.		
Assets:		
Current assets	\$ 168,659,625	
Capital assets	27,111	
Accumulated depreciation	<u>(27,111)</u>	
Liabilities	<u>(87,383,949)</u>	
Total		81,275,676
Non-current liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest on long-term debt	\$ (631,397)	
Accrued rent	(4,192,215)	
Compensated absences	(34,746,566)	
Capital leases	<u>(83,283,281)</u>	
Total		(122,853,459)
Revisions of capital lease agreements resulting in a reduction of capital lease obligations are reported as deferred inflows in the Statement of Net Position, but they are not financial resources and, therefore, are not reported in the funds.		
		(3,503,688)
GAAP requires the reporting of net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions in the Statement of Net Position, however, they are not financial resources and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	\$ 613,218,481	
Net pension liability	(3,375,593,256)	
Deferred inflows related to pensions	<u>(277,680,623)</u>	
Total		(3,040,055,398)
GAAP requires the reporting of net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB in the Statement of Net Position, however, they are not financial resources and, therefore, are not reported in the funds.		
Deferred outflows related to OPEB	\$ 61,634,668	
Net OPEB liability	(386,167,039)	
Deferred inflows related to OPEB	<u>(156,136,914)</u>	
Total		(480,669,285)
Net position of governmental activities		<u>\$ (775,795,051)</u>
See accompanying notes to the financial statements.		

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT D
**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**
For the Fiscal Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Federal government	\$ 50,188,693	\$ -	\$ 80,794,650	\$ 130,983,343
Commonwealth of Virginia	678,133,689	-	12,570,950	690,704,639
County of Fairfax, VA	2,052,534,207	196,560,217	3,352,319	2,252,446,743
Charges for services:				
Tuition and fees	10,974,500	-	7,724,552	18,699,052
Food sales	-	-	40,864,765	40,864,765
Revenue from the use of money and property	4,260,700	-	427,886	4,688,586
Recovered costs - City of Fairfax, VA	47,158,189	294,984	-	47,453,173
Other	9,010,700	5,668,201	1,295,357	15,974,258
Total revenues	<u>2,852,260,678</u>	<u>202,523,402</u>	<u>147,030,479</u>	<u>3,201,814,559</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	908,416,254	-	34,292,908	942,709,162
Middle school	261,129,424	-	867,728	261,997,152
High school	581,501,066	-	8,459,568	589,960,634
Special education	516,156,914	-	6,554,168	522,711,082
Adult and community education	259,939	-	7,192,981	7,452,920
Instructional support	173,772,019	-	20,052,828	193,824,847
Support programs:				
Administration and general support	122,314,217	-	1,208,491	123,522,708
Student transportation	145,160,580	-	1,426,941	146,587,521
Facilities management	82,793,970	20,097,897	-	102,891,867
Food service	-	-	83,252,697	83,252,697
Capital outlay	26,609,454	210,230,949	737,464	237,577,867
Debt service:				
Principal	19,770,632	-	20,997	19,791,629
Interest	3,188,479	-	1,319	3,189,798
Total expenditures	<u>2,841,072,948</u>	<u>230,328,846</u>	<u>164,068,090</u>	<u>3,235,469,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,187,730</u>	<u>(27,805,444)</u>	<u>(17,037,611)</u>	<u>(33,655,325)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	12,146,072	18,530,745	30,676,817
Transfers out	(30,676,817)	-	-	(30,676,817)
Capital leases	16,017,504	-	23,960	16,041,464
Total other financing sources (uses), net	<u>(14,659,313)</u>	<u>12,146,072</u>	<u>18,554,705</u>	<u>16,041,464</u>
Net change in fund balances	(3,471,583)	(15,659,372)	1,517,094	(17,613,861)
Fund balances - July 1, 2018	138,601,049	40,048,175	40,529,107	219,178,331
Decrease in reserve for inventories	-	-	(204,658)	(204,658)
Fund balances - June 30, 2019	<u>\$ 135,129,466</u>	<u>\$ 24,388,803</u>	<u>\$ 41,841,543</u>	<u>\$ 201,359,812</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS		EXHBIT D-1
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, 2019		
Net change in fund balances - total governmental funds		\$ (17,613,861)
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is expensed over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 237,577,867	
Depreciate expense	<u>(153,354,390)</u>	
Total		84,223,477
Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		16,276
Losses on the disposal of capital assets are reported in the Statement of Activities. However, in governmental funds, the proceeds from sales are reported. The difference is the net depreciated value of the disposed capital assets.		(1,074,228)
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 Position and do not result in expenses in the Statement of Activities.		19,791,629
Proceeds from the issuance of long-term debt are reported as other financing sources in the governmental funds, increasing fund balance. In the government-wide statements, new debt increases non-current liabilities in the statement of Net Position and does not affect the Statement of Activities. This amount represents principal amounts of new capital leases.		(16,041,464)
In the government-wide statements, rent abatement charges impact accrued rent. In the governmental funds, this is not considered a current year expenditure.		(124,460)
In the government-wide statements, inventory changes impact net position. Inventory is recorded as an expenditure in the governmental fund statements as purchased. These expenditures are not adjusted for the net change in inventory.		(204,658)
In the Statement of Activities, compensated absences are measured by the amounts earned during the current fiscal year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This amount represents the net change in compensated absences.		(1,315,373)
Internal Service Funds are used by management to provide certain goods and services to governmental funds. The change in net position of these funds is reported within governmental activities in the Statement of Activities		1,409,427
Interest on capital leases is reported as expenditures in the governmental funds when it is due. However, in the Statement of Activities, interest is expenses as it accrues. This amount represents the net change in accrued interest on long-term debt.		16,506
Capital lease obligations are reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of deferred inflows relating to capital lease obligations are amortized over the life of each lase and expensed.		229,750
Contributions for pension benefits are reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of net pension liability, deferred outflows of resources, and deferred inflows of resources relating to pension accounting are expensed.		64,252,105
Contributions for OPEB benefits are reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of net OPEB liability, deferred outflows of resources, and deferred inflows of resources relating to OPEB accounting are expensed.		90,046,020
Change in net position of governmental activities		<u>\$ 223,611,146</u>
See accompanying notes to the financial statements.		

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Net Position
Proprietary Funds
June 30, 2019

EXHIBIT E

	Governmental Activities - Internal Service Activities
ASSETS	
Current assets:	
Cash on deposit with County of Fairfax, VA	\$ 162,139,083
Receivables:	
Accounts	6,378,366
Accrued interest	142,176
Total current assets	<u>168,659,625</u>
Non-current assets:	
Capital assets:	
Equipment	27,111
Accumulated depreciation	<u>(27,111)</u>
Total non-current assets	<u>-</u>
Total assets	<u>168,659,625</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,484,308
Unearned revenues	12,061,621
Compensated absences	190,589
Actuarial claims payable	<u>27,799,900</u>
Total current liabilities	<u>50,536,418</u>
Non-current liabilities:	
Compensated absences	81,681
Actuarial claims payable	<u>36,765,850</u>
Total non-current liabilities	<u>36,847,531</u>
Total liabilities	<u>87,383,949</u>
NET POSITION	
Unrestricted	81,275,676
Total net position	<u>\$ 81,275,676</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

EXHIBIT F

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 432,526,701
OPERATING EXPENSES	
Salaries and wages	4,049,486
Claims and benefits	415,982,089
Professional consultant services	12,019,667
Other operating expenses	388,035
Depreciation	2,504
Total operating expenses	432,441,781
Operating income	84,920
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	1,340,783
Loss on disposal of capital assets	(16,276)
Total nonoperating revenue, net	1,324,507
Change in net position	1,409,427
Total net position - July 1, 2018	79,866,249
Total net position - June 30, 2019	\$ 81,275,676

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

EXHIBIT G

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 435,132,079
Payments to employees	(4,049,486)
Payments for claims and health benefits	(414,754,401)
Payments for professional services	(10,796,232)
Payments for other operating expenses	(388,034)
Net cash provided by operating activities	<u>5,143,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,296,458</u>
Net cash provided by investing activities	<u>1,296,458</u>
Net increase in cash and cash equivalents	6,440,384
Cash and cash equivalents - July 1, 2018	155,698,699
Cash and cash equivalents - June 30, 2019	<u><u>\$ 162,139,083</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 84,920
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,504
Decrease in accounts receivable	2,195,877
Increase in accounts payable	1,223,435
Increase in unearned revenues	409,502
Decrease in compensated absences	(20,350)
Increase in actuarial claims payable	<u>1,248,038</u>
Total adjustments to operating income	<u>5,059,006</u>
Net cash provided by operating activities	<u><u>\$ 5,143,926</u></u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

EXHIBIT H

	Pension and Other Postemployment Benefit Trust Funds	Agency Fund - Student Activity
ASSETS		
Cash and cash equivalents	\$ 2,654,854	\$ -
Cash with fiscal agent	400,175	23,215,271
Cash collateral for securities on loan	143,637,529	-
Short-term investments	63,034,618	-
Receivables:		
Accounts	37,200	543,342
Interest and dividends	3,809,682	-
Securities sold	9,119,006	-
Prepaid	4,772	-
Investments, at fair value:		
U.S. government obligations	20,877,635	-
Asset and mortgage backed	1,153,618	-
Corporate bonds	59,556,544	-
International bonds	18,620,528	-
Convertible securities	4,120,335	-
Preferred securities	5,189,750	-
Commingled fixed income	575,050,619	-
Commingled equity	267,951,298	-
Stocks	670,619,312	-
Real estate	218,025,785	-
Global asset allocation	247,355,510	-
Better beta	130,756,594	-
Hedge funds	117,526,120	-
Private equity	115,300,063	-
Investment in pooled funds	145,499,842	-
Capital assets:		
Furniture and equipment	149,576	-
Accumulated depreciation	(111,338)	-
Total assets	<u>2,820,339,627</u>	<u>23,758,613</u>
LIABILITIES		
Capital leases	12,455	-
Accounts payable	2,132,988	356,844
Securities purchased	6,606,218	-
Securities lending collateral	143,637,529	-
Due to student groups	-	23,401,769
Total liabilities	<u>152,389,190</u>	<u>\$ 23,758,613</u>
NET POSITION		
Net position restricted for pension and other postemployment benefits	<u>\$ 2,667,950,437</u>	

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Benefit Trust Funds
For the Fiscal Year Ended June 30, 2019

EXHIBIT I

	Pension and Other Postemployment Benefit Trust Fund
Additions	
Contributions:	
Employer	\$ 131,269,720
Plan members	46,645,396
Total contributions	<u>177,915,116</u>
Investment earnings:	
From investing activities:	
Net appreciation in fair value of investments	102,641,779
Interest and dividends	30,436,781
Real estate income	4,227,412
Total gain from investing activities	<u>137,305,972</u>
Less investment expenses:	
Investment management fees	13,078,047
Investment consulting fees	345,535
Investment custodial fees	191,126
Investment salaries	248,470
Total investment expenses	<u>13,863,178</u>
Net gain from investing activities	<u>123,442,794</u>
From securities lending activities:	
Securities lending	3,849,455
Securities lending management fees	(3,231,213)
Net income from securities lending activities	<u>618,242</u>
Net investment gain	<u>124,061,036</u>
Total additions	<u>301,976,152</u>
Deductions	
Benefit payments	206,709,117
Refund of contributions	4,509,765
Administrative expenses	4,262,159
Total deductions	<u>215,481,041</u>
Change in net position	86,495,111
Net position - July 1, 2018	<u>2,581,455,326</u>
Net position - June 30, 2019	<u><u>\$ 2,667,950,437</u></u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

As of and for the year ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairfax County Public Schools (FCPS) is a corporate body operating under the constitution of the Commonwealth of Virginia (State) and the *Code of Virginia* (Code). The twelve voting members of the School Board are elected by the citizens of the County of Fairfax, Virginia (County) to serve four-year terms. Each of the County's nine magisterial districts has a member who represents its constituents. There are three at-large members and a non-voting student member selected by a countywide student advisory council to serve a one-year term. The School Board sets the educational policies of FCPS and appoints the Superintendent to implement them. In addition, the Superintendent administers operations, supervises personnel, and advises the School Board on all educational matters with a view toward enhancing students' learning, safety, and well-being.

A. REPORTING ENTITY

The financial reporting entity consists of the Primary Government, organizations for which the Primary Government is financially accountable (component units), and other organizations for which the nature and significance of their relationship with the Primary Government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities are so intertwined with the Primary Government that they are, in substance, the same as the Primary Government and therefore reported as part of the Primary Government.

Discretely presented component units entail reporting financial data in one or more columns separate from the financial data of the Primary Government.

FCPS' Primary Government includes all of its departments, boards, and associated agencies that are not legally separate. In accordance with standards established by accounting principles generally accepted in the United States of America (GAAP), FCPS has identified one component unit required to be included in its financial statements. The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is a legally separate entity that provides pension benefits exclusively for former employees of FCPS. The School Board appoints the majority of the trustees and has ultimate ability to impose its will. The School Board, in conjunction with its employees, provides all the funding for ERFC. Therefore, ERFC is considered to be a blended component unit and the results of its operations are reported within a single fund and combined with data from the Primary Government for financial presentation purposes.

FCPS is a component unit of the County since the County issues and services general obligation debt to finance the purchase or construction of school facilities. In addition, the County is FCPS' primary funding source.

B. BASIS OF FINANCIAL STATEMENT PRESENTATION AND FUND ACCOUNTING

FCPS' financial statements are prepared in conformity with GAAP, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The basic financial statements consist of the government-wide statements, including the Statement of Net Position and the Statement of Activities; fund financial statements (which provide more detailed financial information); and notes to the financial statements (which provide detailed narrative explanations of the accounting policies used by FCPS). They

serve to enhance user understanding of the data presented in the financial statements.

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements, the Statement of Net Position and the Statement of Activities, present financial information about FCPS as a whole. These statements include the financial activities of FCPS' Primary Government, except for the fiduciary activities because FCPS cannot use these assets to finance its operations. Activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses; however, interfund services provided and used are not eliminated in the process of consolidation. In accordance with GAAP, activities are reported in these statements as governmental.

The Statement of Net Position presents the overall financial condition of FCPS at June 30, 2019. The net position balance provides evidence of FCPS' ability to cover its costs and continue to provide services in the future.

The Statement of Activities clarifies the extent to which FCPS program revenues are sufficient to cover direct program expenses. Direct expenses are those that are associated with specific programs and, therefore, can be classified by activity. FCPS also reports certain administrative expenses that cannot be specifically associated with a given program. These indirect expenses are allocated to the programs based on a ratio of expenditures by program reported in the governmental fund statements. The net revenue or expense figure demonstrates whether the program is self-supporting or depends on general revenue sources. For the year ended June 30, 2019, most programs were heavily dependent on general revenues. Facilities management was the only program where the revenue sources exceeded program expenses.

Program revenues include: (a) charges for services such as tuition and fees, (b) operating grants and contributions, and (c) capital grants and contributions. Revenues that are not directly related to a program are reported as general revenues. These include funding provided by the County, as well as certain other unrestricted amounts received from the State and the Federal government.

2. FUND FINANCIAL STATEMENTS

FCPS classifies funds as governmental, proprietary, and fiduciary. Separate financial statements are produced for each classification. Major governmental funds are reported in separate columns in the governmental funds' financial statements. All other governmental funds are aggregated in a single column entitled, "Nonmajor Governmental Funds". Internal service funds are aggregated in a single column entitled, "Governmental Activities - Internal Service Funds", in the proprietary fund statements. FCPS' fiduciary funds are reported by type (pension, other postemployment benefit funds and agency fund) in the fiduciary fund statements.

Each fund is considered an independent fiscal activity that operates with a self-balancing set of accounts. Each fund reports cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein.

FCPS reports the following major governmental fund types:

- General Fund - the primary operating fund, which accounts for all financial resources, except those which are accounted for in another fund.
- Capital Projects Fund - the fund used to track financial transactions involved with acquisition, construction, or renovation of school sites, buildings, and other major capital improvements.

FCPS reports the following nonmajor governmental fund type:

- Special Revenue Funds - used to account for proceeds of specific revenue sources, other than for capital projects, in which expenditures are restricted for a specified purpose. The Food and Nutrition Services Fund accounts for sales proceeds from the school cafeterias. The Grants and Self-Supporting Programs Fund accounts for transactions related to grants and self-supporting programs, including the summer school program, that are not specifically reported in another fund. The Adult and Community Education Fund accounts for transactions arising from the programs and activities provided by the Office of Adult and Community Education.

FCPS reports the following additional fund types:

- Internal Service Funds - these are proprietary funds which account for the financial transactions associated with the provision of goods and services by one department in FCPS to another on a cost reimbursement basis. The Health Benefits Fund presents the results of transactions associated with the comprehensive health benefits self-insurance program. The Insurance Fund reports activities connected with FCPS' casualty liability obligations, including workers' compensation.
- Pension and Other Postemployment Benefits Funds - these are fiduciary funds used to account for assets held in a trustee capacity for the members and beneficiaries of ERFC, a single-employer defined benefit pension plan, and for the School Other Postemployment Benefits (OPEB) Trust Fund, a single-employer defined benefit plan to account for nonpension postemployment benefit commitments made by FCPS to its employees.
- Agency Fund - this is the Student Activity Fund, which accounts for money collected and disbursed at individual schools in connection with student athletic programs, classes, clubs, fund raisers, and private donations. Use of these funds is restricted to support student programs at the specific schools and is not available for FCPS as a whole.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are shown in the Statement of Net Position, including non-current assets (such as land, buildings, improvements, and other capital assets) and long-term liabilities (such as obligations for pensions, compensated absences, capital lease commitments, and actuarial claims payable).

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Statement of Activities demonstrates the degree to which program expenses are offset by associated revenues. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. County, State and Federal grants and contributions, which are not restricted for specific uses, are classified as general revenues. Revenue generated from the use of money is classified as general. The effect of interfund revenue was eliminated from these statements.

2. FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included in the Balance Sheet. Revenue is recorded when susceptible to accrual, that is, when measurable and available for funding of current appropriations. FCPS, in general, considers revenues available if it is received within 60 days after fiscal year-end, except for insurance claim reimbursements, which FCPS considers available if it is collected within 90 days after fiscal year-end.

Operating statements for these funds present increases and decreases in current financial resources. Increases result from the receipt of revenues and other financing sources, while decreases result from expenditures and other financing uses. Non-exchange revenues, where FCPS receives value without directly giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year when all eligibility requirements have been satisfied and the resources are available. Expenditures are reported in the fiscal year when the related fund liability is incurred, except that certain long-term obligations, such as expenditures related to compensated absences or capital leases, are recorded when payment is due. Depreciation expense, which is an allocation of cost, is not recorded in the governmental funds.

Since the governmental fund statements are prepared on a different measurement focus than government-wide statements, reconciliations are provided to aid the reader in understanding the differences.

Proprietary funds and pension and other postemployment benefit funds are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position.

The proprietary funds' operating statement presents increases (revenues) and decreases (expenses) in net position. The operating revenues are charges for services provided to other departments on a cost reimbursement basis, while the costs incurred to deliver these services are reported as operating expenses. Since insurance services typically pertain to multiple fiscal years, the change in the actuarially determined insurance liability from one year to the next is reported as an operating expense. Nonoperating revenues in the proprietary funds are generated from investing activities. The Statement of Cash Flows presents the cash inflows and outflows of the proprietary activities.

For the pension trust fund, both member and employer contributions to the plan are recognized in the period when contributions are due. For the employee benefit trust fund, employer contributions are recognized in the period in which the contributions are paid. For the pension and other postemployment benefit funds, benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The agency fund has no measurement focus, so it does not present an operating statement to report changes in equity. It uses the accrual basis of accounting to report assets and related liabilities.

D. UNEARNED REVENUES

Unearned revenues are liabilities that do not involve the application of the revenue availability criteria and, therefore, applies equally to both accrual and modified accrual financial statements. FCPS has several types of unearned revenues. Advance tuition and community use payments constitute two sources. These unearned revenues are reported in the General Fund. In the Food and Nutrition Services Fund, the unearned revenues reported represents balances in student accounts for prepaid purchases of school lunches, breakfasts, and snacks as of June 30, which will be used to purchase meals in the subsequent school year. Unearned revenues reported in the Grants and Self-Supporting Programs Fund is primarily attributable to advance tuition payments for summer school. The unearned revenues in the Adult and Community Education Fund stems from tuition payments to be applied to classes offered in the following fiscal year. Unearned revenues in the Health Benefits Fund represents coverage for the months of July and August withheld in advance from employees' paychecks from September through June.

E. CASH AND CASH EQUIVALENTS

Cash on deposit with the County represents the majority of FCPS' available cash. Placing these funds in an investment pool administered by the County enhances investment returns. At June 30, 2019, all of the County's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act establishes a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions. This ensures that the procedure for securing public deposits is uniform throughout the State. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

On a monthly basis, the County allocates interest, less an administrative charge, to some funds based on their respective average balances in pooled cash and investments. In accordance with the County's legally adopted operating budget, interest earned on FCPS' remaining funds is assigned directly to the County's General Fund.

Cash and cash equivalents in the Statement of Cash Flows and the Statement of Fiduciary Net Position represent amounts in the investment pool administered by the County, as such they are considered to be demand deposits under GAAP.

The figure reported for cash with fiscal agent in the Statement of Fiduciary Net Position stems from two sources:

- Receipts from ERFC pension investment sales occurring on the last day of the fiscal year, which could not be invested in the pooled cash fund until July 1, 2019.
- Available cash in the Local School Activity Fund accounts, all of which are fully insured through the FDIC or are fully collateralized in accordance with the Act.

F. INVESTMENTS

Cash on deposit with the County is maintained in an investment pool administered by the County. Money market investments that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost, which approximates fair value. Other investments are reported at fair value.

Investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date, which is usually the trade date, but could be up to seven business days after the trade date.

G. INVENTORIES AND PREPAID ITEMS

Inventories in the Food and Nutrition Services Fund are valued at cost. The consumption method of accounting for inventory is used in the government-wide statements. Under this method, inventory items are comprised of expendable supplies and are expensed as they are consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are expended when purchased. Inventory of the Food and Nutrition Services Fund, which consists of food products, are classified as nonspendable fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods. These transactions are recorded as prepaid assets in both the government-wide and fund financial statements using the consumption method. Prepaid items in the governmental funds are classified as nonspendable fund balance.

H. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and include land, construction in progress, equipment, library collections, buildings, improvements, and intangible assets. An asset must have a useful life of more than a year to be capitalized. Equipment, buildings, and improvements with a value of \$5,000 or more are capitalized. Land, construction in progress, software in development, and library collections are generally capitalized regardless of value. The costs of routine maintenance and repairs that do not add to asset values or materially extend asset lives are not capitalized.

Capital assets are recorded at acquisition cost, or at estimated historical cost, if acquisition cost is not available. Donated assets are recorded at their acquisition value at the time of receipt. Assets acquired through capital leases are recorded at the present value of the minimum lease payments, as stated in the agreements' amortization schedules.

No depreciation is taken in the year of acquisition for library collections. Depreciation on other capital assets commences when the assets are purchased or are substantially complete and ready to be placed into operation.

The straight-line depreciation/amortization method is used over the following array of estimated useful lives:

Capital Assets	Useful Lives (Years)
Equipment:	
Buses and other vehicles	5-10
Office and other	3-20
Library collections	5
Buildings	20-50
Improvements	10-25
Software and licenses	5-12

Intangible assets lack physical substance, are nonfinancial in nature, and have an initial useful life greater than one year. The intangible assets recognized by FCPS are software products and licenses. The intangibles are valued at historic cost. No indirect costs are incorporated into the valuations for internally generated software. The cost threshold for individual asset recognition is \$100,000.

Preliminary cost of software development (Stage 1) is expensed. Software in the application development stage (Stage 2) is capitalized. Amortization on software under development commences when software is operational. Any subsequent expenses and training costs are expensed (Stage 3).

I. COMPENSATED ABSENCES AND ACCRUED WAGES AND BENEFITS

FCPS employees earn annual leave pay based on a prescribed formula tied to years of service. Employees with less than 10 years of service are allowed to accumulate a maximum of 240 hours as of fiscal year-end and employees with more than 10 years of service may accumulate 320 hours. Any excess hours are converted to the unused sick leave balance.

The accrued wages and benefits liability stems from employees who retired, resigned, or were terminated during the fiscal year, and, as of June 30, had not received payment for their accrued annual leave or severance pay. In addition, a number of FCPS employees are paid on a biweekly schedule that does not align precisely with the fiscal year. Any salaries and fringe benefits that were incurred during the fiscal year, but not paid as of June 30, are accrued as current liabilities in the applicable funds.

J. LONG-TERM OBLIGATIONS

Long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements. These obligations are segregated between current and long-term components. In the government-wide financial statements, the long-term obligations are further divided between those due within one year and those due beyond a year.

Certain long-term obligations, such as claims and judgments and compensated absences that will be paid from current financial resources, are recorded as liabilities of the governmental funds. Capital lease payments are recorded as they are due and no liability is reported at fiscal year-end in the governmental funds.

K. PENSIONS

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV. Retirement Plans and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

FCPS recognizes a net pension liability, which represents FCPS' proportionate share of the excess of the total pension liability over the fiduciary net position of the pensions reflected in the actuarial reports of FCERS and VRS. For EFRC, FCPS recognizes the entire net pension liability. The net pension liability is measured as of FCPS' prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the changes. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions, changes in proportionate share, or other inputs and differences between expected or actual experience) are amortized over the weighted-average remaining service life of all participants in the respective pension plans and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources relating to pensions and pension expense, information about the fiduciary net position of FCPS' pension plans and the additions to/deductions from FCPS plans' net fiduciary position have been determined on the same basis as they are reported by the retirement plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In government-wide financial statements, OPEB is required to be recognized and disclosed using the accrual basis of accounting (see Note V. OPEB and RSI section immediately following the Notes to Financial Statements), regardless of the amount recognized as OPEB expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

FCPS recognizes a net OPEB liability, which represents FCPS' proportionate share of the excess of the total OPEB liability over the fiduciary net position of the OPEB reflected in the actuarial reports of FCPS OPEB

plan, VRS HIC plan and VRS GLI plan. For the FCPS OPEB plan, FCPS recognizes the entire net OPEB liability. The net OPEB liability for the FCPS OPEB plan is measured as of FCPS' current fiscal year-end. The net OPEB liability for the VRS HIC and VRS GLI plans are measured as of FCPS' prior fiscal year-end. Changes in the net OPEB liability are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the changes. The changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions, changes in proportionate share, or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective OPEB plans and are recorded as a component of OPEB expense beginning with the period in which they are incurred.

For purposes of measuring the net OPEB liability and deferred outflows of resources and deferred inflows of resources relating to OPEB and OPEB expense, information about the fiduciary net position of FCPS' OPEB plans and the additions to/deductions from FCPS plans' net fiduciary position have been determined on the same basis as they are reported by the OPEB plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on OPEB investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

M. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In accordance with GAAP, FCPS recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources which is defined as a consumption of net position that is applicable to a future reporting period. FCPS has two items which qualify for reporting in this category, deferred pensions and OPEB. Refer to Notes IV. Retirement Plans and V. OPEB for a detailed listing of the deferred outflows of resources related to pensions and OPEB, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources which is defined as an acquisition of net position that is applicable to a future reporting period. FCPS has three items which qualify for reporting in this category, deferred inflow of resources related to pension and OPEB, and capital lease reduction related to revisions of capital lease agreements. Refer to Notes IV. Retirement Plans and V. OPEB for a detailed listing of the deferred inflows of resources related to pensions and OPEB, respectively.

N. NET POSITION

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. In the government-wide and proprietary fund financial statements, FCPS' net position is categorized as follows:

- Net investment in capital assets which represents the portion of capital-related assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations to acquire these assets
- Restricted, which represents the amount of net position that is externally restricted for food and nutrition services, grant programs, and capital projects
- Unrestricted deficit, which represents net position, which are neither restricted nor capital-related

In the fiduciary fund financial statements, FCPS' net position is categorized as restricted for pension and other postemployment benefits, which represent the amount of assets accumulated for the payment of benefits to the members and beneficiaries of the ERFC pension and FCPS OPEB plans.

O. RECOVERED COSTS

Reimbursements from the City of Fairfax, Virginia (City) for operating City owned schools and providing educational services to City students are recorded as recovered costs in the governmental fund financial statements. During fiscal year 2019, reimbursements totaled \$47,158,189 for educational services, in addition to \$294,984 for construction projects performed on the City's behalf through FCPS Capital Projects Fund.

P. USE OF ESTIMATES

The presentation 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 these estimates.

Q. TAX STATUS

FCPS, as a local school division, and political subdivision of the State, is not subject to Federal, State, or local income taxes. Accordingly, no provision for income taxes was recorded.

R. RESTRICTED ASSETS

Restricted assets are liquid assets that have third-party limitations on their use. FCPS reports restricted cash and investments in the Capital Projects Fund, which represents unspent amounts from the County's issuance of general obligation bonds. The County issues general obligation debt to finance the construction of school facilities on behalf of FCPS because the Code precludes school divisions issuing debt or levying taxes. When both restricted and unrestricted resources are available for use, FCPS' policy is to use restricted resources first, and then unrestricted resources, as they are needed. As of June 30, 2019, restricted cash and investments reported in the Capital Projects Fund totaled \$76,710,356.

S. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The following GASB statements were also implemented in fiscal year 2019. The implementation of these new standards did not have a material impact on FCPS' financial statements for fiscal year 2019.

GASB Statement No. 83 "Certain Asset Retirement Obligations"

GASB Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"

GASB Statement No. 90 "Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61"

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following reconciliations accompany the governmental fund statements:

Reconciliation of the Balance Sheet to the Statement of Net Position - this reconciliation explains the differences between total fund balances as reflected on the governmental funds Balance Sheet and net position for governmental activities as shown on the government-wide Statement of Net Position.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - this reconciliation explains the differences between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances

and the change in net position for governmental activities as shown on the government-wide Statement of Activities.

The reconciling differences are a result of the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

III. DETAILED NOTES TO ALL FUNDS

A. NONFIDUCIARY DEPOSITS AND INVESTMENTS

1. DEPOSIT AND INVESTMENT POLICIES

The County maintains an investment policy to pursue the following objectives:

- Preserve capital
- Protect investment principal
- Maintain sufficient liquidity to meet operating requirements
- Conform with Federal, State, and other legal requirements
- Diversify as a means to avoid incurring unreasonable risks connected to specific security types or individual financial institutions
- Achieve a rate of return consistent with relevant market benchmarks

Oversight of investment activity is the responsibility of the County's Investment Committee, which is comprised of the County's chief financial officer and certain key County management and investment staff.

The County's policy calls for pooling, for investment purposes, all funds available to it and its component units that are not otherwise required to be kept separate. The County's investment policy, therefore, applies to the activities of the County's reporting entity, including FCPS, for both pooled and separate funds.

The Code authorizes the purchase of the following types of investments:

- Commercial paper
- US Treasury, agency securities and US Treasury strips
- Certificates of deposit and bank notes
- Insured Deposits
- Demand Deposit Accounts and savings accounts
- 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, the African Development Bank, the International Bank for Reconstruction and Development
- Obligations of the State and its instrumentalities; of counties, cities, towns, and other public bodies located within the State and other state and local government units
- Qualified investment pools

The County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, security lending programs, asset-backed securities, hedged debt, obligations of

sovereign governments, obligations of the State and its instrumentalities, obligations of counties, cities, towns, and other public bodies located within the State and obligations of state and local government units located within other states.

2. FAIR VALUE MEASUREMENT

The County's pooled investments are reported at fair value, except for money market funds and investments that have a remaining maturity at the time of purchase of one year or less. These are carried at amortized cost, which approximates fair value. The fair value of all investments is determined annually and is based on current market prices.

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the source and type of information used to determine the fair value of the asset. Level 1 information is quoted prices in accessible active markets, Level 2 would utilize information that is observable, either directly or indirectly from a source other than an active market, and Level 3 includes unobservable information to arrive at the valuation. Fair value measurements in their entirety are categorized based on the lowest level of input that is significant to their valuation.

3. INTEREST RATE RISK

The County'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 County 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 or less. All other pooled funds are invested primarily in short-term securities, with a maximum maturity of two years.

As of June 30, 2019, the pooled investments allocated to the County's component units, of which FCPS is designated a majority share, is presented below:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Commercial Paper	\$ 76,982,924	67
Corporate Notes	109,398,562	459
Money Market Funds	16,853,440	1
Negotiable Certificates of Deposit	167,549,876	120
VA Investment Pool LGIP	47,183,941	53
Total	<u>\$ 417,968,743</u>	
Portfolio weighted average maturity		187

4. CREDIT RISK

The County'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 County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisors with which the County does business. In addition, the County 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 are not placed in securities that have been assigned a negative short-term rating by Moody's Investors Service, Inc. (Moody's) Watchlist or Standard and Poor's, Inc. (S&P) Credit Watch. County policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government agency and GSE instruments should have a rating of Prime-1 by Moody's and A-1 by S&P. In those instances when a GSE does not have a rating, a thorough credit and financial analysis will be

conducted by county investment staff.

- Prime quality commercial paper must be rated by at least two of the following: Moody's, with a rating of P-1; S&P, A-1; Fitch Investor's Services, Inc. (Fitch), F-1; or by Duff and Phelps, Inc., D-1.
- Mutual funds must have a rating of AAA or better by S&P, Moody's, or another nationally recognized rating agency.
- Negotiable certificates of deposit must have a rating of at least A-1 by S&P and P-1 by Moody's if less than one year, and a rating of AA by S&P if more than one year.
- Banker's acceptances must be rated by at least two of the following: Moody's, with a rating of P-1; S&P, A-1; Fitch, F-1; or by Duff and Phelps, Inc., D-1.
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P.
- LGIP bond fund must have a rating of AAA by S&P, and "AAAm" by S&P for VIP Stable NAV Liquidity Pool.
- Supranationals must have a rating of AAA by S&P or Moody's.

As of June 30, 2019, the County had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities:

Credit Quality Rating *					
AA		A-1		AAA-m	
Corporate Notes		Commercial Paper		Money Market Funds	
19.4%		13.9%		3.0%	
		Negotiable CD		LGIP	
		30.1%		8.5%	
19.4%		44.0%		11.5%	
				Unrated	
				Demand Deposit	
				Accounts	
				2.8%	
				Collateralized CDs	
				22.3%	
				25.1%	

* Credit quality ratings are determined using S&P's short-term and long-term ratings, which approximates the greatest degree of risk as of June 30, 2019.

5. CONCENTRATION OF CREDIT RISK

The County's investment policy sets the following allocation percentage limits for the types of securities held in its pooled investment portfolio:

U.S. Treasury securities and agencies	100%	maximum
Negotiable certificates of deposit	40%	maximum
Banker's acceptances	35%	maximum
Commercial paper	35%	maximum
Repurchase agreements	30%	maximum
Mutual funds	30%	maximum
Virginia investment pool - daily liquidity	30%	maximum
Corporate notes	25%	maximum
Non-negotiable certificates of deposit	25%	maximum
Virginia investment pool - LGIP Bond Fund	25%	maximum
Insured certificates of deposit	15%	maximum
Bank demand deposit	10%	maximum
Supranationals	10%	maximum

In addition, not more than five 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, corporate notes, and negotiable certificate of deposits. The County seeks to maintain five percent of the investment portfolio in a combination of mutual funds, demand deposit accounts or open repurchase agreements to meet liquidity requirements.

6. CUSTODIAL CREDIT RISK

For deposits, custodial credit risk is the prospect that in the event that a depository financial institution fails, the County may not recover its deposits. In accordance with the Act, all of the County's deposits are covered by the FDIC 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 names 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, so 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 counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per County policy, all of the investments purchased with pooled funds are insured, collateralized, or registered or are securities held by the County or its agent in the County's name.

B. FIDUCIARY INVESTMENTS

1. ERFC

Fair Value Measurements

ERFC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. ERFC's assessment of the significance of particular inputs to these fair value measurements require judgment and considers factors specific to each asset or liability.

The following table shows the fair value leveling of the investments for ERFC:

INVESTMENTS MEASURED BY FAIR VALUE HIERARCHY LEVEL				
Investments by fair value level	6/30/2019	Fair Value Measures Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Short-term securities	\$ 63,034,618	\$ 44,731,589	\$ 18,303,029	\$ -
Debt securities				
Asset and mortgage backed	1,153,618	-	1,153,618	-
Corporate bonds	59,556,544	-	59,556,544	-
International bonds	18,620,528	-	18,620,528	-
Convertible securities	4,120,335	449,917	3,670,418	-
US Government Obligations	20,877,635	20,877,635	-	-
Total debt securities	104,328,660	21,327,552	83,001,108	-
Equity investments				
Basic industries	108,953,660	108,953,660	-	-
Consumer services	227,782,724	227,782,724	-	-
Financial industries	129,060,221	129,060,221	-	-
REITS	12,278,378	12,278,378	-	-
Technology	178,037,943	178,037,943	-	-
Utilities	14,506,386	14,506,386	-	-
Preferred securities	5,189,750	5,077,100	112,650	-
Total equity investments	675,809,062	675,696,412	112,650	-
Total investments and short-term securities measured by fair value hierarchy level	\$ 843,172,340	\$ 741,755,553	\$ 101,416,787	\$ -

Short-term securities include investments in money market-type securities reported at cost, which approximates fair value.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique or a bid evaluation.

Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Bid evaluations may include reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, and reference data including market research publications.

Investments measured at fair value and investments measured at net asset value (NAV) are presented in the following table.

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)				
	6/30/2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity investments				
Commingled large cap equity funds	\$ 147,559,747	\$ -	Daily	None
Commingled emerging markets equity funds	120,391,551	-	Daily	3 days
Total equity investments measured at the NAV	267,951,298	-		
Fixed income investments				
Commingled domestic fixed income funds	392,040,443	-	Daily	None
Commingled emerging markets debt funds	90,019,057	-	Monthly	30 days
Commingled unconstrained fixed income funds	92,991,119	-	Daily, Semi-Monthly	1-30 days
Total fixed income investments measured at the NAV	575,050,619	-		
Private equity - private equity partnerships	115,300,063	100,777,393	Not eligible	N/A
Global asset allocation - commingled GAA funds	247,355,510	-	Daily, Monthly	1-30 days
Better beta - commingled better beta fund	130,756,594	-	Monthly	5 days
Real estate - commingled real estate equity funds	209,700,721	-	Daily, Quarterly	1-90 days
Real estate - private real estate fund	8,325,064	29,422,354	Not Eligible	N/A
Absolute return - commingled absolute return funds	117,526,120	-	Monthly	30 days
Total investments measured at the NAV	\$ 1,671,965,989	\$ 130,199,747		
TOTAL INVESTMENTS AND SHORT-TERM SECURITIES	\$ 2,515,138,329			

- Commingled Large Cap Equity Funds - The objective of this index fund is to invest in securities and collective funds that together are designed to track the performance of the Russell 1000®.
- Commingled Emerging Markets Equity Funds - The fund invests in common stocks and other forms of equity investments issued by emerging market companies of all sizes to obtain long-term capital appreciation.
- Commingled Domestic Fixed Income Funds - One fund in this type is an index fund that invests in securities and collective funds that together are designed to track the performance of the Bloomberg Barclays US Aggregate Index. The other fund in this type seeks a high level of current income by investing primarily in a diversified portfolio of high-, medium- and low-grade debt securities.
- Commingled Emerging Markets Debt Funds - This fund invests in fixed income securities of “emerging” or developing countries to achieve high current income and long-term capital growth.
- Commingled Unconstrained Fixed Income Funds - The funds in this type invests in all types of U.S. and non-U.S. fixed income securities in any market (including emerging markets), across a global range of credit, currencies and interest rates to seek positive absolute returns.
- Private Equity Partnerships - This type includes investments in limited partnerships, which generally include the following strategies: buyouts, venture capital, mezzanine, distressed debt, growth equity and special situations. These investments have an approximate life of 10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. As of June 30, 2019, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the plan’s ownership interest in partners’ capital.
- Commingled Global Asset Allocation Funds - This type consists of funds with an unconstrained, non-benchmark oriented investment approach that invest in actively managed mutual funds including developed and emerging bonds and stocks, real estate, commodities, and absolute-return oriented strategies. The objective of this strategy is to provide maximum real return with preservation of capital.

- **Commingled Better Beta Funds** - This fund invests in a broad mix of asset classes including, but not limited to, currencies, fixed income, inflation linked bonds, equities and commodity markets. The objective is to provide attractive returns in any type of economic environment.
- **Commingled Real Estate Equity Funds** - One of the funds in this category actively manages a core portfolio of U.S. equity real estate investments to maximize income. The second fund in this category maximizes total return by investing primarily in global, publicly traded companies whose principal business is the ownership, management and/or development of income producing and for-sale real estate properties. The third fund in this category seeks to provide a moderate level of current income and high residual property appreciation by investing in a balanced mix of stabilized value-added properties with appreciation potential. The fourth fund in this category invests primarily in U.S. well-leased retail, warehouse, storage, and residential properties with a focus on income.
- **Private Real Estate** - This fund is a limited partnership that makes secondary investments in various types of real estate and real estate related entities, such as commingled real estate funds, limited partnerships, joint ventures, real estate operating companies and non-traded REIT vehicles.
- **Commingled Absolute Return Funds** - The fund in this category invests in actively managed funds which invest in a broad range of securities and alternative investments across global markets. The fund seeks to provide high absolute and risk-adjusted returns.

Deposit and Investment Policies

The authority to establish pension funds is set forth in Sections 51.1-800 of the Code, which provides that the County may purchase investments for pension funds, including common and preferred stocks and corporate bonds, that meet the standard of judgment and care set forth in Section 51.1-124 of the Code. ERFC does not have investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents five percent or more of net position restricted for pensions.

Investment Policy

Investment decisions for ERFC are made by the Board of Trustees (Board), which are based on information and/or recommendations provided by the investment advisors selected by the Board or ERFC staff. The policy may be amended as necessary by the Board and is reviewed at least annually. There were no significant investment policy changes during the fiscal year. ERFC's asset structure is enumerated in the investment policy and reflects a proper balance of ERFC's needs for liquidity, growth of assets and the risk tolerance of the Board.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.88 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Derivative Financial Instruments

As permitted by the Code, ERFC invests in derivative instruments on a limited basis in accordance with the Board's investment policy. Derivatives provide a means for ERFC to increase earnings and/or hedge against potential losses. There are a number of risks associated with derivative instruments, including:

- Market risk, resulting from fluctuations in interest and currency rates;
- Credit worthiness of counter parties to any contracts consummated
- Credit worthiness of mortgages related to collateralized mortgage obligations (CMOs).

Investment managers must obtain specific authorization from the Board prior to purchasing securities on margin or leverage.

In addition, ERFC had indirect investments in derivatives through its ownership interest in the Better Beta fund, one Private Equity manager, two of the Real Estate managers, three of the fixed income managers, and one of the Global Asset Allocation managers. These portfolios are commingled funds in which ERFC has a percentage ownership. Derivatives in these portfolios consisted of interest rate swaps and caps, which reduce the effect of interest rate fluctuations by converting floating rate financing into fixed rate loans for real estate investments. Futures, because they are more liquid than over-the-counter derivatives, have among the lowest transaction costs available, carry minimal counterparty risk and are de facto currency hedged. Non Deliverable Forward's (NDF's) obtain exposure to a currency and its interest rate where the actual purchase of onshore debt is difficult. The interest rate exposure comes through the difference between the spot foreign exchange rate and the forward foreign exchange rate, and through investing the US dollar cash used as collateral in short-dated US bonds. Forward commodity contracts hedge changes in cash flows due to market price fluctuations related to the expected purchase of a commodity. Currency forwards are used for hedging non-USD denominated physical instruments back to the base currency. Options are contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. Credit Default Swaps (CDS) are contracts that offer guarantees against the nonpayment of loans. At June 30, 2019, exposure to interest rate swaps was \$(24,627,795), exposure to interest rate caps was \$2,127,551, exposure to futures contracts was \$12,629,970, exposure to NDFs was \$185,858, exposure to forward commodity contracts was \$1,101,129, exposure to currency forward contracts was \$8,435,870, exposure to options was \$61,211, exposure to CDS was \$72,456, and exposure to total return swaps was \$(17,876).

Securities Lending

The Board's policy permits the fund to participate in a securities lending program. This program is administered by ERFC's custodian. 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 issued by approved banks, and other securities of a quality specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of the fair value for domestic securities and 105 percent for international securities. ERFC did not impose any restrictions during the period on the number of loans the custodian made on its behalf. The custodian provides for full indemnification to ERFC for any losses that might occur in the program due to the failure of a broker/dealer to return the borrowed security or a failure to pay ERFC for income of the securities while on loan. The fair value of collateral is monitored daily by the custodian.

Cash collateral is invested in a fund maintained by the custodian or its affiliate. The custodian's stated policy is to maintain a weighted-average maturity not to exceed 60 days. Investment income from the securities lending program is shared 75/25 by ERFC and the custodian, respectively. At year-end, ERFC had no overall credit risk exposure to borrowers because the amounts ERFC owed the borrowers exceeded the amounts the borrowers owed ERFC.

Cash received as collateral for securities on loan is shown on the Statement of Fiduciary Net Position. On June 30, 2019, cash received as collateral and the related liability was \$143,637,529. As of June 30, 2019, the fair value of securities on loan for cash collateral was \$140,268,137. Securities received as collateral are not reported as assets and liabilities since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

On June 30, 2019, the array of securities ERFC had on loan for cash and non-cash collateral took this form:

Securities	Fair Value	Cash Collateral
Domestic corporate bonds	\$ 20,510,387	\$ 21,161,921
International stock	1,687,542	1,756,665
Domestic stock	97,158,122	99,371,443
US Government	20,912,086	21,347,500
Total	\$ 140,268,137	\$ 143,637,529

Interest Rate Risk

Three of ERFC's five fixed income managers use the modified duration method to control interest rate risk. The other two fixed managers use the effective duration method. Regarding maturity, ERFC does not place limits on these fixed income managers. However, it does expect the average duration to be within 30 percent of the portfolio's benchmark. One of the managers utilizing the effective duration method is expected to be within 50 percent of the Bloomberg Barclays Capital Government/Credit Index.

As of June 30, 2019, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

Investment Category	Amount	Effective Duration	Percentage of Fixed
Asset Backed	\$ 1,153,618	5.99	1.1%
Convertible Securities	4,120,335	3.36	3.9%
Corporate Bonds	59,556,544	5.74	57.1%
International Bonds	18,620,528	5.87	17.9%
US Government Obligations	20,877,635	10.54	20.0%
Total	\$ 104,328,660		100.00%

Weighted duration in years: 6.63

Short-term		
Short-term Investment Funds	\$ 18,303,029	-
US Treasury Bills	44,731,589	0.22
Total Short-Term	\$ 63,034,618	

Credit Risk

ERFC's policy on credit quality states that the average credit quality of the portfolio must be at least A. Up to 20 percent of the portfolio may be invested in below investment grade (that is, Moody's Baa or Standard & Poor's BBB ratings). If a security has a split rating, the lower rating will be considered in meeting the minimum quality standard. One of ERFC's fixed income managers may invest up to 35 percent in below investment grade securities. For this manager, if a security has a split rating, the higher rating shall be considered.

The credit quality summary of ERFC's portfolio as of June 30, 2019, is portrayed below:

Investment Type	Amount	Rating	Percent of Fixed
US Government Obligations	\$ 20,877,635	AAA	20.1%
Asset and Mortgage Backed	1,153,618	A	1.1%
Convertible Securities	303,134	A	0.3%
	710,346	BBB	0.7%
	2,628,460	BB	2.5%
	478,395	CCC	0.5%
Corporate Bonds	1,861,738	AAA	1.8%
	3,261,634	AA	3.1%
	15,369,679	A	14.7%
	20,758,366	BBB	19.9%
	13,206,361	BB	12.7%
	5,098,766	B	4.9%
International Bonds	1,493,649	AAA	1.4%
	149,774	AA	0.1%
	5,548,944	A	5.3%
	3,897,713	BBB	3.7%
	5,315,778	BB	5.1%
	2,214,670	B	2.1%
Total Fixed Income	\$ 104,328,660		100.0%
Short-Term:			
Short-term Investment Funds	18,303,029	Unrated	
US Treasury Bills	44,731,589	AAA	
Total Short-Term	\$ 63,034,618		

Concentration of Credit Risk

ERFC's policy limits the securities of any one issuer to 10% at cost and 15% at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. As of June 30, 2019, ERFC had four active fixed income managers and one passive fixed income manager. The active manager portfolios had values of \$224.6 million, \$21.2 million, \$258.2 million and \$90.0 million. The indexed portfolio had a value of \$133.8 million. The fair value of the largest issue other than the U.S. Government in the portfolios of the active managers, excluding pooled funds, was only 2.39 percent of that portfolio.

Deposits

At June 30, 2019, short-term investments with the custodial bank totaled \$63,034,618. These investments are collateralized with securities held by the agent in ERFC's name or are in a short-term investment pool.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, ERFC's funds will be lost. However, ERFC's investments and deposits are not exposed to custodial credit risk since they are held by the agent in ERFC's name. Other investments such as mutual funds, a short-term investment pool and a cash collateral investment pool, which invests cash collateral for securities on loan, are not exposed to custodial risk due to their non-physical form. As such, ERFC does not have a custodial credit risk policy.

The mix of investments held by the custodian on June 30, 2019, was as follows:

Investment Type	Fair Value
Stocks	\$ 670,619,312
Bonds, Mortgage and Convertible Securities	83,451,025
US Government Obligations	20,877,635
Preferred Securities	5,189,750
Real Estate	218,025,785
Global Asset Allocation	247,355,510
Better Beta	130,756,594
Hedge Fund of Funds	117,526,120
Private Equity	115,300,063
Commingled Fixed Income Funds	575,050,619
Commingled Equity Funds	267,951,298
Subtotal investments	2,452,103,711
Cash collateral for securities on loan	143,637,529
Total	\$ 2,595,741,240

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. ERFC's currency risk exposures primarily exist in the international equity and active fixed income holdings. At the present time, there are no specific foreign currency guidelines for equities or active fixed income investments, however, equity and fixed income managers are all measured against specific performance standard and risk guidelines identified in ERFC's investment policy.

The following chart provides a summary of ERFC's foreign currency risk as of June 30, 2019:

Currency	Cash & Cash Equivalents	Equity	Fixed Income Securities	Preferred Securities	Private Equity	Grand Total
AUSTRALIAN DOLLAR	\$ 35,899	\$ 11,044,666	\$ -	\$ -	\$ -	\$ 11,080,565
BRAZILIAN REAL	3,988	2,708,482	-	254,214	-	2,966,684
CANADIAN DOLLAR	181,023	24,064,642	765,186	-	-	25,010,851
CHILEAN PESO	-	1,162,271	-	-	-	1,162,271
CHINESE YUAN RENMINBI	48,720	-	-	-	-	48,720
DANISH KRONE	61,809	6,859,660	-	-	-	6,921,469
EURO CURRENCY UNIT	560,839	69,541,700	-	4,651,385	4,400,265	79,154,189
HONG KONG DOLLAR	167,968	17,860,944	-	-	-	18,028,912
INDONESIAN RUPIAH	2,338	20,198	-	-	-	22,536
ISRAELI SHEKEL	1,452	808,708	-	-	-	810,160
JAPANESE YEN	210,154	41,239,563	-	-	-	41,449,717
MALAYSIAN RINGGIT	2,288	2,743,385	-	-	-	2,745,673
MEXICAN PESO	28,638	1,017,317	2,209,444	-	-	3,255,399
NEW TAIWAN DOLLAR	4,029	2,773,906	-	-	-	2,777,935
NEW ZEALAND DOLLAR	2,364	509,470	-	-	-	511,834
NORWEGIAN KRONE	28,046	1,690,850	1,111,202	-	-	2,830,098
PHILIPPINES PESO	3,962	-	-	-	-	3,962
POLISH ZLOTY	521	164,618	-	-	-	165,139
POUND STERLING	169,913	48,614,272	-	-	-	48,784,185
QATARI RIYAL	11,540	307,299	-	-	-	318,839
RUSSIAN RUBLE (NEW)	558	-	-	-	-	558
SINGAPORE DOLLAR	561	1,423,915	-	-	-	1,424,476
SOUTH AFRICAN RAND	5,716	1,447,899	-	-	-	1,453,615
SOUTH KOREAN WON	21,196	10,135,901	-	62,532	-	10,219,629
SWEDISH KRONA	13,915	5,990,110	-	-	-	6,004,025
SWISS FRANC	554,582	18,250,801	-	-	-	18,805,383
THAILAND BAHT	(13,530)	3,265,816	-	-	-	3,252,286
TURKISH LIRA	10,379	3,591,704	-	-	-	3,602,083
UAE DIRHAM	-	69,137	-	-	-	69,137
Grand Total	\$ 2,118,868	\$ 277,307,234	\$ 4,085,832	\$ 4,968,131	\$ 4,400,265	\$ 292,880,330

2. SCHOOL OPEB TRUST FUND

Deposit and Investment Policies

The authority to establish a trust fund for the purpose of accumulating and investing other postemployment benefits is set forth in Section 15.2-1544 of the Code, which provides for the purchase of investments that meet the standard of judgment and care set forth in Section 51.1-803 of the Code.

FCPS invests the School OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other postemployment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. FCPS' respective shares in the Pooled Trust are reported in the School OPEB Trust Fund's financial statements. Investment decisions are made by the Board of Trustees (Trustees) of the Pooled Trust.

The Trustees adopted an investment policy to establish investment objectives, risk tolerance levels, and asset allocation parameters. The investment objective is to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Pooled Trust is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. Portfolio I is structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Portfolio II is structured to achieve an expected rate of return of 6.5%. The investment performance of each Portfolio is reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

The Pooled Trust's assets are separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio is invested in a broadly diversified manner by asset class, style and capitalization, which control volatility levels.

The asset allocation policies for the Portfolios are outlined in the table below:

	Portfolio I		Portfolio II	
	Target Percentages of Total Assets	Allocation Range	Target Percentages of Total Assets	Allocation Range
Total Equity	59%	49% - 69%	32%	22% - 42%
Total Fixed Income	21%	16% - 26%	58%	48% - 68%
Total Real Assets	10%	5% - 15%	5%	0% - 10%
Diversified Hedge Funds	10%	5% - 15%	5%	0% - 10%

The Pooled Trust and each Portfolio is monitored on a continual basis for consistency in investment philosophy, return relative to objectives, and investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. Each Portfolio is reviewed by the Trustees on a regular basis, but results are evaluated over longer time periods. The Trustees regularly review each manager in order to confirm that the factors underlying the performance expectations remain in place.

The Trustees meet a minimum of four times a year to review quarterly performance and asset allocation. The investment policy is reviewed and updated at least annually.

Fair Value Measurement

For aggregation purposes, FCPS views the OPEB Trust Fund investment as single level three valuation as discussed in Note III.B.1. On June 30, 2019, the School OPEB Trust Fund had the following fair value leveling of investments in the Virginia Pooled OPEB Trust Fund (Pooled Trust):

INVESTMENTS MEASURED BY FAIR VALUE HIERARCHY LEVEL				
Fair Value Measures Using				
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by fair value level	6/30/2019	Level 1	Level 2	Level 3
Mutual Funds				
Vanguard Institutional Index Fund	\$ 44,238,370	\$ -	\$ -	\$ 44,238,370
Baird Core Plus Bond Fund	10,051,793	-	-	10,051,793
Pioneer Opportunistic Core Plus	10,033,967	-	-	10,033,967
Vanguard Total Bond Market Fund	9,917,615	-	-	9,917,615
Black Rock Strategic Income	5,978,322	-	-	5,978,322
AEW Core Property Trust	6,362,142	-	-	6,362,142
USB Trumbull Growth & Income Fund	3,380,611	-	-	3,380,611
Gresham TAP Fund	3,758,002	-	-	3,758,002
Total Mutual Funds	93,720,822	-	-	93,720,822
Stocks				
Cortina Small Cap Growth	7,734,190	-	-	7,734,190
Integrity Small Cap Value	7,513,298	-	-	7,513,298
Baring Focused International Plus	10,558,770	-	-	10,558,770
Marathon-London International	10,059,557	-	-	10,059,557
AllianceBernstein EM Strategic Core	8,102,147	-	-	8,102,147
K2 Mauna Kea LLC	7,811,058	-	-	7,811,058
Total Stocks	51,779,020	-	-	51,779,020
Total investments measured by fair value hierarchy level	\$ 145,499,842	\$ -	\$ -	\$ 145,499,842

The Pooled Trust uses the following methods when valuing investments.

Common Stocks, Mutual Funds, Exchange Traded Funds are publicly traded investments, and are valued daily at the closing price reported on the active market on which the individual securities are traded.

The Pooled Trust invests in commingled accounts for which quoted prices are not available in active markets for identical instruments. The Pooled Trust utilizes the NAV per share, as determined by the respective investment manager, as the estimated fair value. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

Limited Partnership - Fund of Hedge Funds - This fund invests in a number of underlying hedge funds which pursue various strategies. The strategies pursued by the underlying hedge funds include: credit, equity, macro, multi-strategy, and relative value. The Pooled Trust's interest in the fund is valued at the NAV of units of the collective partnership. The NAV is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the Pooled Trust could not redeem its investment at the NAV per unit reported by the fund. Participant purchases may occur monthly. Redemptions are available quarterly upon 70 days' notice.

Limited Partnership - Private Equity Fund - This fund invests in the equity of a variety of privately held companies. The Pooled Trust's interest in the fund is valued at the Pooled Trust's ownership interest in the collective limited partners' capital. The Pooled Trust's ownership interest in limited partners' capital is used as a practical expedient to estimate

fair value. This investment can never be redeemed with the fund. Instead, the nature of investments of this type is that distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund will be liquidated over a period of six to twelve years. It is probable that the Pooled Trust's investment in this fund will be sold at an amount different from Pooled Trust's ownership interest in limited partners' capital as of June 30, 2019. The effective date of this fund is December 1, 2015 and it made its inaugural investment in the same month. Barring unusual circumstances, the fund values recent investments in nonmarketable securities at acquisition cost. The primary valuation methodology used to determine the fair value of the fund's investments at June 30, 2019 was recent arms-length financing rounds in which the partnership or other partnerships managed by the general partner had participated. As of June 30, 2019, all underlying investments of the fund were valued at cost.

Partnership - Real Estate Funds - One fund invests primarily in commercial, industrial, and multi-family residential properties. The other invests in multi-family residential, hotels, industrial, and office properties. Both funds are valued at the NAV of units of the collective partnership. The NAV is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the Pooled Trust could not redeem its investment at the NAV per unit reported by the fund. The real estate partnerships provides quarterly valuations to the Pooled Trust. For one fund, individual properties are valued internally by the investment manager quarterly. Internal valuations are completed using valuation techniques such as income capitalization, sales comparison, and cost approaches. Independent external appraisals are generally completed annually for the first fund, quarterly for the other. Redemptions are available quarterly upon 45 days' and 60 days' notice respectively.

Concentration of Credit Risk

The Pooled Trust does not have investments (other than U.S. government, agency, and guaranteed obligations) in any one organization that represent five percent or more at market value of net position held in trust for OPEB benefits. The Pooled Trust does not have investments assigned to any single investment manager that represent 25 percent or more at market value of net position, or more than 20 percent of the fund at market value invested in one industry.

More extensive information about the Pooled Trust, including the classification of individual investments and related risks, can be obtained by writing to VACo/VML Finance, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

C. DUE FROM INTERGOVERNMENTAL UNITS

Amounts due from the Federal government are attributed primarily to the Individuals with Disabilities Education Act (IDEA) grant in the General Fund; and to Title I, Title II, Title III, Medicaid and National School Lunch Program grants in the nonmajor governmental funds. IDEA is designed to ensure that all school-age handicapped children are provided a free, appropriate public education. Title I and II programs enhance the instruction for disadvantaged children. Title III program improves education of limited English proficient children. Medicaid program provides medical coverage for children in families of low income. The National School Lunch Program makes lunch available to school children and encourages the consumption of domestic nutritious agricultural commodities.

A significant portion of the receivable from the State in the General Fund is attributed to State sales taxes due to FCPS. The Virginia Retail Sales and Use Tax Act require one and one-eighth cent of every five cents collected in State sales tax to be distributed to school divisions based on school-age population.

FCPS provides special education services for eligible students, including those who reside outside of FCPS' school boundaries. These services are provided on a fee-based system. The receivables from other jurisdictions are related to outstanding invoices for services provided to other localities within the Washington Metropolitan area as well as those from out-of-state public school systems. The receivable from the County represents funds owed to FCPS for custodial services and school use, reimbursements for the School Age Child Care (SACC) program and lunches served at certain County senior citizen centers.

Amounts due from governments as of June 30, 2019, were as follows:

Fund	Federal Government	Commonwealth of Virginia	County	Other Jurisdictions	Total
General Fund	\$ 8,305,094	\$ 17,042,013	\$ 89,500	\$ 593,541	\$ 26,030,148
Food and Nutruition Fund	1,640,298	-	237,758	-	1,878,056
Grants and Self-Supporting Programs Fund	7,437,612	9,116,034	23,798	-	16,577,444
Adult and Community Education	304,812	-	-	-	304,812
Total	\$ 17,687,816	\$ 26,158,047	\$ 351,056	\$ 593,541	\$ 44,790,460

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transactions occur only at year-end for financial statement presentations. FCPS' General Fund advances money to other funds as needed to offset year-end cash deficits. The deficits occur due to timing differences between payments for expenditures and the receipt of cash to cover them. The \$10,950,000 advance to the Capital Projects Fund is a result of the cash shortage in the Construction Non-Bond & Payroll Fund.

The composition of interfund receivables and payables balances as of June 30, 2019, was as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 10,950,000	\$ -
Capital Projects Fund	-	10,950,000
Total	\$ 10,950,000	\$ 10,950,000

The primary purpose for interfund transfers is to provide funding for FCPS' operations, and capital projects. The breakdown of interfund transfers for the fiscal year ended June 30, 2019 was as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 30,676,817
Capital Projects Fund	12,146,072	-
Grants and Self-Supporting Fund	18,209,261	-
Adult and Community Education Fund	321,484	-
Total	\$ 30,676,817	\$ 30,676,817

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2019 is shown below:

Governmental Activities	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Non-depreciable/non-amortizable capital assets:				
Land	46,837,095	\$ -	\$ -	\$ 46,837,095
Construction in progress	349,557,031	179,523,064	(215,876,643)	313,203,452
Total non-depreciable/non-amortizable capital assets	396,394,126	179,523,064	(215,876,643)	360,040,547
Depreciable/amortizable capital assets:				
Equipment	336,224,811	27,910,647	(23,633,398)	340,502,060
Library collections	24,657,995	2,048,160	(7,101,373)	19,604,782
Buildings	1,274,899,863	2,100,214	-	1,277,000,077
Building improvements	2,426,203,074	240,938,973	(513,235)	2,666,628,812
Land improvements	82,159,392	3,478,600	-	85,637,992
Software/licenses	13,260,834	-	-	13,260,834
Total depreciable/amortizable capital assets	4,157,405,969	276,476,594	(31,248,006)	4,402,634,557
Accumulated depreciation/amortization:				
Equipment	(225,626,074)	(26,559,781)	20,479,494	(231,706,361)
Library collections	(18,321,571)	(2,142,800)	7,101,373	(13,362,998)
Buildings	(631,869,421)	(24,112,940)	-	(655,982,361)
Building improvements	(1,134,102,574)	(95,613,003)	45,255	(1,229,670,322)
Land improvements	(31,620,302)	(4,129,791)	-	(35,750,093)
Software/licenses	(6,755,603)	(796,075)	-	(7,551,678)
Total accumulated depreciation/amortization	(2,048,295,545)	(153,354,390)	27,626,122	(2,174,023,813)
Depreciable/amortizable capital assets, net	2,109,110,424	123,122,204	(3,621,884)	2,228,610,744
Total capital assets, net	\$ 2,505,504,550	\$ 302,645,268	\$ (219,498,527)	\$ 2,588,651,291

Depreciation was charged to governmental programs during fiscal year 2019 as shown:

Governmental Activities	Depreciation Expense
Instruction:	
Regular education:	
Elementary school	\$ 48,595,944
Middle school	13,505,755
High school	30,412,024
Special education	26,945,361
Adult and community education	384,192
Instructional support	9,991,524
Support programs:	
Administration and general support	6,367,502
Student transportation	7,556,476
Facilities management	5,303,998
Food service	4,291,614
Total	<u>\$ 153,354,390</u>

F. LONG-TERM OBLIGATIONS

Internal service funds long-term obligations are included as part of government activities because these funds generally serve the governmental funds. Net pension liability, net OPEB liability, accrued rent, compensated absences, and capital leases are generally liquidated from the General Fund. Actuarial claims payable are liquidated in the internal service funds.

The County issues general obligation debt for FCPS and carries this debt on their books. However, FCPS is responsible for the outstanding obligations indicated below.

The table below summarizes the changes in the long-term obligations of FCPS for the year ended June 30, 2019:

Governmental Activities	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within One Year
Accrued rent	\$ 4,067,755	\$ 3,278,076	\$ (3,153,616)	\$ 4,192,215	\$ 30,097
Compensated absences	33,723,813	24,901,692	(23,606,669)	35,018,836	24,513,185
Capital leases	87,033,446	16,041,464	(19,791,629)	83,283,281	22,623,814
Actuarial claims payable	63,317,712	3,675,791	(2,427,753)	64,565,750	27,799,900
Net pension liability	3,462,085,457	296,013,304	(382,505,505)	3,375,593,256	-
Net OPEB liability	466,690,768	200,029,129	(280,552,858)	386,167,039	-
Total	\$ 4,116,918,951	\$ 543,939,456	\$ (712,038,030)	\$ 3,948,820,377	\$ 74,966,996

1. CAPITAL LEASES

FCPS entered into non-cancelable capital lease agreements as lessee for school buses, maintenance vehicles, trailers, computers, copiers, and an administrative building. These capital leases are recorded at the present value of their future minimum lease payments as of the inception date and expire at various times through fiscal year 2023, with the exception of the administrative building lease, which extends until fiscal year 2035.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Fiscal Year	Total
2020	\$ 25,824,839
2021	19,434,129
2022	10,564,460
2023	5,450,637
2024	3,471,375
2025-2029	17,343,500
2030-2034	17,338,375
2035	3,469,625
Total Minimum Obligations	102,896,940
Portion representing interest	(19,613,659)
Present value of minimum lease payments	\$ 83,283,281

The following schedule lists the capital assets that were acquired under the capital leases that remained outstanding on June 30, 2019:

Asset Class	Acquisition Cost	Accumulated Depreciation	Net
Capital assets:			
Land	\$ 6,000,000	\$ -	\$ 6,000,000
Equipment:			
Buses	50,469,258	(19,846,677)	30,622,581
Computers	15,042,578	(7,411,764)	7,630,814
Copiers	31,564,589	(16,117,156)	15,447,433
Buildings	56,910,185	(16,719,303)	40,190,882
Total	<u>\$ 159,986,610</u>	<u>\$ (60,094,900)</u>	<u>\$ 99,891,710</u>

2. DEBT SERVICE RESPONSIBILITY

The Code prohibits FCPS from having borrowing or taxing authority. The County issues and services general obligation debt to finance the purchase or construction of school facilities. The debt is not secured by the assets purchased or constructed by FCPS, but by the full faith and credit and taxing authority of the County. Since FCPS is not obligated to repay principal or interest on any general obligation debt incurred on FCPS' behalf, the debt is recorded in the County's government-wide financial statements.

G. OPERATING LEASES

FCPS has obligations under several long-term, non-cancelable lease agreements in connection with real estate and equipment. Most of the real estate leases contain a provision for an annual increase ranging from three to five percent. A long-term operating lease agreement was entered into in fiscal year 2016 that provided for an abatement of the rent for the first 14 months. In accordance with GAAP, the operating lease rent expense recognition is spread on a straight-line basis over the 156 full-time equivalent month lease term. As a result, for fiscal year 2019, \$3,278,076 was recognized as accrued rent with respect to this lease. During fiscal year 2019, the total expenditures for real estate operating leases amounted to \$3,137,816. In addition, FCPS has equipment leases for copiers. The expenditures on these leases totaled \$54,008.

On June 30, 2019, the future minimum operating lease commitments were as follows:

Fiscal Year	Real Estate	Equipment	Total
2020	5,259,590	54,988	5,314,578
2021	5,415,832	44,492	5,460,324
2022	5,576,725	35,457	5,612,182
2023	5,742,408	14,327	5,756,735
2024	5,913,024	-	5,913,024
2025-beyond	6,088,720	-	6,088,720
Total	<u>\$ 33,996,299</u>	<u>\$ 149,264</u>	<u>\$ 34,145,563</u>

H. CONSTRUCTION COMMITMENTS

On June 30, 2019, FCPS had contractual commitments of \$262,480,306 in the Capital Projects Fund for the construction of various projects.

I. FUND BALANCE

Governmental fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the School Board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The two major types of fund balances are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent as they are not expected to be converted to cash or they are legally or contractually required to remain intact. This classification includes prepaid items and inventories.

In addition to nonspendable fund balance, FCPS classifies spendable fund balances based on the following hierarchy of spending constraints:

- **Restricted:** Fund balances that are constrained by external parties, constitutional provisions or enabling legislation.
- **Committed:** Fund balances that impose constraints by the action of the School Board.
- **Assigned:** Fund balances that are resources set aside for particular purposes by FCPS management, but are neither restricted nor committed. It is management's intent to obtain School Board approval in the following fiscal year.
- **Unassigned:** Fund balance of the General Fund that is not constrained for any particular purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The School Board reviews and amends the budget on a quarterly basis. Commitment of fund balance is established and approved by the School Board at the final fiscal year end quarterly budget review. All subsequent changes to the budget plan to add, reduce, or redirect resources to other purposes are also accomplished by board resolution. As a result, all unrestricted amounts directed toward a purpose are shown as committed. Balances shown as assigned in the General Fund represent encumbrances which would otherwise be unassigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. FCPS considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available.

When utilizing unrestricted balances, committed balances are applied first, followed by assigned then unassigned balances. FCPS has classified fund balances based on the following hierarchy:

- **Nonspendable:** The nonspendable fund balance of \$1,651,918 includes prepaid items and inventories of \$723,229 and \$928,689, respectively, among all governmental funds.
- **Restricted:** The restricted fund balance of \$65,263,228 includes funds from Food Service, Grants Programs and Capital Projects.
- **Committed:** The committed portion of the fund balance includes amounts that can be used for the specific purposes that was determined by Board action during or prior to end of the fiscal year. The School Board committed \$39,292,079 for fiscal year's 2020 operating budget requirements. Within the committed fund balance is the School Board flexibility reserve which is committed to meet unforeseen circumstances. Any unused portion is carried forward to the next fiscal year with the School Board approval.
- **Assigned:** The assigned fund balance of \$95,081,955 for school operations includes \$60,052,706 for outstanding encumbrances and other fiscal year balance carryovers; \$10,586,480 for fiscal year 2020 operating budget; and \$24,442,769 for fiscal year 2021 operating budget.

- Unassigned: The unassigned fund balance totals \$70,632 which will be utilized by the School Board during future budget development. This amount is comprised of \$90,954 from the General Fund and a deficit of \$(20,322) from the Adult and Community Education Fund.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ 928,689	\$ 928,689
Prepaid Items	664,478	-	58,751	723,229
	664,478	-	987,440	1,651,918
Restricted:				
Capital Projects	-	24,388,803	-	24,388,803
Grant Programs, Summer Fund and Remediation	-	-	23,915,492	23,915,492
Food Service	-	-	16,958,933	16,958,933
	-	24,388,803	40,874,425	65,263,228
Committed:				
Set Aside for FY 2020 Budget	24,534,408	-	-	24,534,408
School Board Flexibility Reserve	8,000,000	-	-	8,000,000
Centralized Instructional Resources Reserve	3,750,178	-	-	3,750,178
Fuel Contingency	2,000,000	-	-	2,000,000
Set Aside for Revised BA Lanes	1,007,493	-	-	1,007,493
	39,292,079	-	-	39,292,079
Assigned:				
Outstanding Encumbered Obligations	27,217,995	-	-	27,217,995
Schools/Projects Carryover	26,352,039	-	-	26,352,039
Set Aside for 2021 Beginning Balance	24,442,769	-	-	24,442,769
Department Critical Needs Carryover	6,482,672	-	-	6,482,672
Major Maintenance	3,550,970	-	-	3,550,970
Staffing Contingency	3,330,266	-	-	3,330,266
CIS Salary Scale	700,000	-	-	700,000
Equity Plan for Discipline Policies and Practice	600,787	-	-	600,787
Intranet Accessibility	450,000	-	-	450,000
Edison Stem Lab	430,000	-	-	430,000
Title IX Softball Fields	413,000	-	-	413,000
Restraint and Seclusion Professional Development	300,000	-	-	300,000
Middle School After School Program	208,908	-	-	208,908
Trades For Tomorrow	202,549	-	-	202,549
Equity Plan for Online Discipline Tool	200,000	-	-	200,000
Hygiene Products Program Pilot	200,000	-	-	200,000
	95,081,955	-	-	95,081,955
Unassigned	90,954	-	(20,322)	70,632
Total Fund Balance	<u>\$ 135,129,466</u>	<u>\$ 24,388,803</u>	<u>\$ 41,841,543</u>	<u>\$ 201,359,812</u>

IV. RETIREMENT PLANS

FCPS employees participate in ERFC, the Fairfax County Employees' Retirement System (FCERS), and the Virginia Retirement System (VRS) Teacher Retirement Plan. Information about these plans is provided as follows.

A. ERFC

Plan Description

ERFC is a legally separate, single-employer pension plan established under the Code to provide pension benefits to all full-time educational and administrative support employees who are employed by FCPS and who are not covered by another County plan. The plan contains two primary defined benefit structures, ERFC and ERFC 2001. The original structure, ERFC, became effective July 1, 1973, and is coordinated with the benefits that members expect to receive from VRS and Social Security. It remains in effect, however, it is closed to new members employed after June 30, 2001. Effective July 1, 2001, all newly hired full-time educational and administrative support employees are enrolled in ERFC 2001; it was closed to new members employed after June 30, 2017.

On April 27, 2017, the School Board voted to modify the ERFC 2001 Plan effective July 1, 2017. For ERFC members hired on or after July 1, 2017, retirement eligibility was raised, the period for calculating a member's final average salary was increased and the cost-of-living adjustment was changed to be based on the Consumer Price Index. For all members, the annual interest rate credited on member accounts was reduced.

Benefits Provided

Benefit provisions for ERFC and ERFC 2001 are established and may be amended by ERFC's Board of Trustees (ERFC Board) subject to approval by the School Board. All members are vested for benefits after five years of service. The ERFC benefit formula was revised effective July 1, 1988, following changes to VRS, which ERFC has historically supplemented. The benefit structure is designed to supplement VRS and Social Security benefits to provide a level retirement benefit throughout retirement.

ERFC 2001 has a stand-alone structure. Member contributions for ERFC and ERFC 2001 are made through an arrangement that results in a deferral of taxes on the contributions. Further details of member contributions may be found in Article III of the ERFC and ERFC 2001 Plan Documents.

ERFC and ERFC 2001 provide for a variety of benefit payment types. ERFC's payment types include Service Retirement, Reduced Service, Disability, Death-in-Service, and Deferred Retirement. ERFC 2001's payment types include Service Retirement, Death-in-Service, and Deferred Retirement. Minimum eligibility requirements for full service benefits for ERFC is either (a) age 65 with 5 years of service or (b) age 55 with 25 years of service. Minimum eligibility requirements for full service benefits for ERFC 2001 Tier 1 is either (a) age 60 with five years of service or (b) any age with 30 years of service. Minimum eligibility requirements for full service benefits from ERFC 2001 Tier 2 is either (a) age and service equal 90 (the rule of 90) or (b) full Social Security age with five years of service. Annual post-retirement cost-of-living (COLA) increases are effective each March 31. Participants in their first full year of retirement from ERFC 2001 Tier 1 receive a 1.49 percent increase. Participants who retire on or after January 1 receive no COLA increase that first March. Under ERFC 2001 Tier 2, the first COLA will equal approximately half of the full COLA amount. Thereafter, the full COLA will equal 100 percent of the Consumer Price Index for all Urban Consumers (CPI-U) for the Washington, D.C., metropolitan area for the period ending in November of each year, capped at 4%. Additional detail regarding all benefit payment types can be found in the actuarial valuation and/or plan documents.

At December 31, 2018, the date of the most recent actuarial valuation, ERFC's membership was composed of:

Retirees and beneficiaries currently receiving benefits	12,101
Terminated employees entitled to benefits but not yet receiving them	4,996
Active plan members	22,048
Total	39,145

Contributions

The contribution requirements for ERFC and ERFC 2001 members and the employer are established and may be amended by the ERFC Board with the approval of the School Board. The requirements are based upon a fundamental financial objective of having rates of contribution that remain relatively level from generation to generation of employees. To determine the appropriate employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, ERFC has actuarial valuations prepared annually. Members are required to contribute 3 percent of annual salary. The employer is required to contribute at an actuarially determined rate which was 6.26 percent for fiscal year 2019. Employer contributions to the pension plan were \$96,982,911 and \$91,704,877 for the years ended June 30, 2019 and June 30, 2018 respectively.

The actuarial valuations as of odd numbered years are used to set the employer contribution rate for the two-year period beginning 18 months after the valuation date. As such, the December 31, 2015 valuation recommended that the contribution rate for the two-year period beginning July 1, 2017 to June 30, 2019 be increased from 5.6 percent to 6.24 percent. However, the December 31, 2016 valuation resulted in an actuarially determined rate of 6.26 percent, which the Board of Trustees elected to implement for the fiscal year ending June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, ERFC's net pension liability was \$792,156,393 and was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 and rolled forward to June 30, 2018 measurement date. For the year ended June 30, 2018, FCPS recognized pension expense of \$117,582,790 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,157,967	\$ (16,912,901)
Change in assumptions	41,258,977	-
Net difference between expected and actual earnings on pension plan investments	18,784,355	-
FCPS' contributions subsequent to the measurement date	96,982,911	-
Total	\$ 181,184,210	\$ (16,912,901)

A total of \$96,982,911 reported as deferred outflows of resources related to pensions resulting from FCPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	(45,132,264)
2021		(20,322,747)
2022		12,142,342
2023		(6,969,066)
2024		(6,011,884)
Thereafter		(994,779)
	\$	<u>(67,288,398)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2018. Significant actuarial assumptions used in the valuation include:

Actuarial Assumptions	
Inflation	2.75%
Salary increases, including inflation	3.75% to 9.05%
Investment rate of return	7.25%

Mortality rates were based on RP-2014 mortality healthy annuitant total data set table with fully generation two-dimensional sex distinct MP-2016 projection scale.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in conjunction with a formal study of experience during the period January 1, 2010 to December 31, 2014. Based on the analysis of expected investment return, asset allocation and relevant Actuarial Standards of Practice, the rate was lowered to 7.25 percent. The investment consultant's inflation expectation is 2.75 percent.

Best estimates of arithmetic real rates of return as of the measurement date are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	13.0%	5.92%
Domestic Small Cap Equity	5.5%	6.71%
International	17.0%	
International Equity		6.71%
Emerging Market Equity		9.46%
Real Estate	7.5%	4.98%
Fixed Income	29.0%	
Core Fixed Income		1.14%
Diversified Fixed Income		2.50%
Absolute Return Fixed Income		1.67%
Emerging Market Debt (Local)		4.38%
Global Asset Allocation	15.0%	4.76%
Absolute Return	8.0%	3.86%
Private Equity	5.0%	8.73%
Risk Parity	-	4.45%
	<u>100.0%</u>	

Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that ERFC member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, ERFC's fiduciary net position was projected to be available to make all projected future benefit payments of current ERFC members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability			
	Increases (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2017	<u>\$ 3,094,309,317</u>	<u>\$ 2,304,281,654</u>	<u>\$ 790,027,663</u>
Changes for the year:			
Service cost	88,599,697	-	88,599,697
Interest	221,106,804	-	221,106,804
Differences between expect and actual experience	12,140,768	-	12,140,768
Contributions - employer	-	91,704,877	(91,704,877)
Contributions - employee	-	44,169,100	(44,169,100)
Net investment income	-	188,145,489	(188,145,489)
Benefit payments, including refunds of employee contributions	(177,720,296)	(177,720,296)	-
Administrative expense	-	(4,300,927)	4,300,927
Net changes	<u>144,126,973</u>	<u>141,998,243</u>	<u>2,128,730</u>
Balances at June 30, 2018	<u>\$ 3,238,436,290</u>	<u>\$ 2,446,279,897</u>	<u>\$ 792,156,393</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following table presents ERFC's net pension liability, calculated using a single discount rate of 7.25 percent as well as what ERFC's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
FCPS' ERFC net pension liability	\$ 1,167,815,003	\$ 792,156,393	\$ 416,497,783

Pension Plan Fiduciary Net Position

ERFC is considered a part of FCPS' reporting entity and ERFC's financial statements are included in FCPS' basic financial statements as a trust fund.

Information concerning ERFC as a whole, including pension plan's fiduciary net position, is available in FCPS' CAFR for the fiscal year ended June 30, 2019. Additionally, ERFC issues a publicly available annual financial report that includes financial statements and required supplementary information, which may be obtained by writing to the Educational Employee's Supplementary Retirement System of Fairfax County, 8001 Forbes Place, Suite 300, Springfield, VA 22151 or the report is also available online ERFC's website at www.fcps.edu/erfc/erfc-retirement-forms-publications-and-resources.

B. FCERS

Plan Description

FCERS is a single-employer defined benefit pension plan, which covers only employees of the County and component units of the County. The plan covers full-time and certain part-time FCPS employees who are not covered by ERFC or VRS.

Benefits Provided

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of service, (b) for Plans A and B, attain the age of 50 with age plus years of service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. 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. 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. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or entry into the Deferred Retirement Option Program (DROP). The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, DROP was established for eligible members of the FCERS. 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.

Contributions

The contribution requirements of FCERS members are established and may be amended by County ordinances including member contribution rates. Plan A and Plan C require member contributions of 4.0 percent of compensation up to the maximum Social Security wage base and 5.33 percent of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33 percent of compensation.

FCPS is required to contribute at an actuarially determined rate, which for the year ended June 30, 2019, was 27.14 percent of annual covered payroll. In the event the FCERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters. Employer contributions to the pension plan were \$56,681,774 and \$50,782,437 for the years ended June 30, 2019 and June 30, 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, FCPS reported a liability of \$444,409,864 for its proportionate share of the net pension liability. The net pension liability was determined based on an actuarial valuation as of June 30, 2018 using the December 31, 2017 data rolled forward to June 30, 2018. At June 30, 2018, FCPS's proportion was 26.93 percent, a decrease of 0.22 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, FCPS recognized pension expense of \$67,193,876. At June 30, 2019, FCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,020,558	\$ (14,502,262)
Changes of assumptions	9,233,090	-
Net difference between projected and actual earnings on pension plan investments	46,611,572	-
Change in proportion applicable to FCPS	-	(8,289,460)
FCPS' contributions subsequent to the measurement date	56,681,774	-
Total	<u>\$ 133,546,994</u>	<u>\$ (22,791,722)</u>

A total of \$56,681,774 reported as deferred outflows of resources related to pensions resulting from FCPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 31,371,804
2021	18,117,082
2022	2,963,974
2023	1,620,638
	<u>\$ 54,073,498</u>

Actuarial Assumptions

The total pension liability for the year ended June 30, 2018 was determined as part of the December 31, 2017, actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2018. Significant actuarial assumptions used in the valuation include:

Actuarial Assumptions	
Discount rate, net plan investment expenses	7.25%
Inflation	2.75%
Salary increases, including inflation	2.75% + merit
Investment rate of return, net of plan investment expenses	7.25%
Mortality	Health and Disability Annuity RP-2014 Combined Mortality projected to RPEC-2015

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2017.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the FCERS' target asset allocation as of June 30, 2019, are summarized below:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation*
US Equity	5.6%	16.0%
US Small Cap Equity	7.8%	4.0%
International Developed Markets	5.6%	7.0%
International Emerging Markets	10.1%	3.0%
Private Equity	14.4%	2.0%
Core Bonds	2.1%	25.0%
High Yield Bonds	4.6%	10.0%
Global Bonds	0.9%	5.0%
Emerging Markets Debt	4.8%	2.0%
Real Estate	6.8%	8.0%
Absolute Return	11.3%	20.0%
Risk Parity	6.5%	15.0%
Commodities	5.9%	5.0%

*Target totals may exceed 100% due to futures and other derivatives

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made according to FCERS' stated policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of FCPS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents FCPS' proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what FCPS' share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
FCPS' proportionate share of the FCERS net pension liability	\$ 624,376,203	\$ 444,409,864	\$ 293,633,181

Pension Plan Fiduciary Net Position

FCERS is considered a part of the County's reporting entity and FCERS' financial statements are included in the County's basic financial statements as a pension trust fund.

Information concerning FCERS as a whole, including pension plan's fiduciary net position, is available in the County CAFR for the fiscal year ended June 30, 2019. Additionally, FCERS 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, 12015 Lee Jackson Memorial Highway, Suite 350, Fairfax, Virginia 22033, by calling (703) 279-8200, or by accessing the information at <http://www.fairfaxcounty.gov/retirement/financial-publications>.

C. VRS

Plan Description

VRS is a cost-sharing, multiple-employer retirement system, which administers two defined benefit plans and a hybrid plan that combines the features of a defined benefit plan and a defined contribution plan. These plans are administered by the State and provide coverage for State employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. All full-time, salaried, permanent employees of VRS-participating employers are automatically covered under VRS. All employees hired after January 1, 2014 are automatically enrolled in the Hybrid Plan. Contributions made by members and participating VRS employers are invested to provide future retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. FCPS contributes to VRS on behalf of its covered professional employees.

Benefits Provided

Benefit provisions are established and governed by Section 51.1 of the Code. Changes to the Code can be made only by an act of the Virginia General Assembly. All benefits vest at five years of creditable service. Benefits under the Defined Contribution component of the Hybrid Plan are always 100% vested. To be eligible for unreduced retirement benefits, an individual must meet the following criteria: (a) attain the age of 65 with five years of service or age 50 with 30 years of service for Plan 1, (b) for Plan 2 and the Defined Benefit component of the Hybrid Plan, attain normal social security retirement age with five years of service or combination of age and service equals 90 or (c) for the Defined Contribution component of the Hybrid Plan, terminate employment.

To be eligible for reduced retirement benefits, an individual must meet the following criteria: (a) attain the age of 55 with five years of service or age 50 with 10 years of service for Plan 1, (b) for Plan 2 and the Defined Benefit component of the Hybrid Plan, attain the age of 60 with five years of service or (c) for the Defined Contribution component of the Hybrid Plan, terminate employment.

Annual retirement benefits are payable monthly for life in an amount equal to (a) 1.7 percent of eligible members' average final compensation for each year of credited service under Plan 1, (b) 1.65 percent of eligible members' average final compensation for each year of creditable service on or after January 1, 2013 and 1.7 percent on creditable service before January 1, 2013 for Plan 2, or (c) 1.0 percent of eligible members' average final compensation for each year of creditable service for the Defined Benefit component of the Hybrid Plan.

A health insurance credit provides retirees who have 15 or more years of creditable service with reimbursement to assist with the cost of health insurance premiums. The credit is a dollar amount set by the General Assembly for each year of service.

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.0 percent of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2019 was 15.68 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarial rate for the Teacher Retirement Plan was 15.68 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the Code, as amended, the contributions were funded at 100.00 percent of the actuarial rate for the year ended June 30, 2019. Employer contributions to the pension plan were \$242,912,277 and \$240,020,797 for the years ended June 30, 2019 and June 30, 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, FCPS reported a liability of \$2,139,026,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. FCPS' proportion of the net pension liability was based on FCPS' actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, FCPS' proportion was 18.19 percent as compared to 18.16 percent at June 30, 2017.

For the year ended June 30, 2019, FCPS recognized pension expense of \$142,732,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, FCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (182,903,000)
Net difference between projected and actual earnings on pension plan investments	-	(45,362,000)
Change of Assumptions	25,531,000	-
Changes in proportion and differences between FCPS contributions and proportionate share of contributions	30,044,000	(9,711,000)
FCPS' contributions subsequent to the measurement date	242,912,277	-
Total	\$ 298,487,277	\$ (237,976,000)

A total of \$242,912,277 reported as deferred outflows of resources related to pensions resulting from FCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (20,026,000)
2021	(43,653,000)
2022	(88,017,000)
2023	(23,352,000)
2024	(7,353,000)
	\$ (182,401,000)

Actuarial Assumptions

The total pension liability for VRS was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions	
Inflation	2.5%
Salary increases, including inflation	3.5% to 5.95%
Investment rate of return, net of plan investment expense, including inflation (a)	7.0%

(a) Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates			
	Pre-Retirement	Post-Retirement	Post-Disablement
	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table-RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Long-term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
		Inflation	2.50
Expected arithmetic nominal return (a)			7.30 %

(a) The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by FCPS for VRS will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100.0 percent of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to continue to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, VRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of FCPS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents FCPS' proportionate share of the net pension liability using the discount rate of 7.0 percent, as well as what FCPS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
FCPS' proportionate share of the VRS net pension liability	\$ 3,267,414,000	\$ 2,139,026,999	\$ 1,205,025,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS net position is available in the separately issued VRS 2018 CAFR, which may be obtained from the VRS website at www.varetire.org, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

D. SUMMARY OF PENSION PLANS

The following table presents a summary of pension amounts by each defined benefit plan as of the measurement date of June 30, 2018 to the Statement of Net Position:

	ERFC	FCERS	VRS	Total
Deferred Outflows of Resources:				
Differences between expected and actual experience	\$ 24,157,967	\$ 21,020,558	\$ -	\$ 45,178,525
Employer contributions made in FY 2019	96,982,911	56,681,774	242,912,277	396,576,962
Changes in assumptions	41,258,977	9,233,090	25,531,000	76,023,067
Net difference between projected and actual earnings on pension plan investments	18,784,355	46,611,572	-	65,395,927
Changes in proportionate share of contributions	-	-	30,044,000	30,044,000
Deferred Outflows of Resources	<u>\$ 181,184,210</u>	<u>\$ 133,546,994</u>	<u>\$ 298,487,277</u>	<u>\$ 613,218,481</u>
Deferred Inflows of Resources:				
Differences between expected and actual experience	\$ (16,912,901)	\$ (14,502,262)	\$ (182,903,000)	\$ (214,318,163)
Changes in proportionate share of contributions	-	(8,289,460)	(9,711,000)	(18,000,460)
Net difference between projected and actual earnings on pension plan investments	-	-	(45,362,000)	(45,362,000)
Deferred Inflows of Resources	<u>\$ (16,912,901)</u>	<u>\$ (22,791,722)</u>	<u>\$ (237,976,000)</u>	<u>\$ (277,680,623)</u>
Pension expense for the year ended June 30, 2019	<u>\$ 117,582,790</u>	<u>\$ 67,193,876</u>	<u>\$ 142,732,000</u>	<u>\$ 327,508,666</u>
Net pension liability as of June 30, 2019	<u>\$ 792,156,393</u>	<u>\$ 444,409,864</u>	<u>\$ 2,139,026,999</u>	<u>\$ 3,375,593,256</u>

V. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FCPS employees participate in the FCPS OPEB Plan, the Virginia Retirement System Teacher Health Insurance Credit (HIC) OPEB Plan and the Virginia Retirement System Group Life Insurance (GLI) OPEB Plan. Information about these plans is provided as follows.

A. FCPS OPEB PLAN

Plan Description

The FCPS OPEB Plan (the Plan) is a single-employer defined benefit plan administered by FCPS. The Plan provides the opportunity to continue participation in medical/dental, vision, and life insurance benefits for eligible retirees and their spouses. The plan benefits correspond with benefits available to active employees. Benefit provisions are established and may be amended by the School Board. Fiduciary oversight is provided by the members of the Local Finance Board for OPEB. The Plan does not issue a stand-alone financial report.

Benefits Provided

In order to participate in the Plan, an employee must meet retirement criteria for either VRS, ERFC, or FCERS. Employees are eligible to continue health insurance coverage after retirement, provided that retiring employees have health coverage in effect for at least 60 months when they stop working. Upon retirement FCPS no longer contributes to the premium payments and the participant becomes responsible for 100% of premiums less any applicable subsidies.

A retiree and/or spouse who is at least 55 of years of age and participates in an FCPS-administered health insurance plan will receive an explicit subsidy ranging from \$15 to \$175 per month, based on years of service and the retirement plan in which the retiree is covered. In addition, FCPS provides an implicit subsidy by allowing retirees to participate in the health insurance plans at the group premium rates calculated on the entire universe of active and retired employees. This subsidy occurs because, on an actuarial basis, the current and future claims of the retiree participants are expected to result in higher per person costs to the insurance plans than will be the experience for active employees.

For fiscal year 2019, required disclosures for the FCPS OPEB liability and the Plan's fiduciary net position are made simultaneously. Participant data for current fiscal year and prior year is as follows:

	Fiscal Years Ending	
	June 30, 2019	June 30, 2018
<u>Medical</u>		
Actives		
Count	20,309	20,309
Average age	45.7	45.7
Average service	10.8	10.8
Retirees and spouses		
Count	10,037	10,037
Average age	71.5	71.5
<u>Life Insurance</u>		
Actives		
Count	4,705	4,705
Average age	52.2	52.2
Average service	11.5	11.5
Retirees and spouses		
Count	2,546	2,546
Average age	71.3	71.3

Contributions

Contributions to the School OPEB Trust Fund are determined and may be amended by the School Board. The contributions are set at a minimum to satisfy the current year's projected pay-as-you-go benefits costs. The School Board may provide additional amounts to prefund future costs. Contributions to the Plan were \$34,286,809 and \$59,806,266 for the years ended June 30, 2019 and June 30, 2018, respectively. The costs of administering the plan are paid for by the Plan through the use of investment income and employer contributions.

FCPS OPEB Plan Reporting

FAIRFAX COUNTY PUBLIC SCHOOLS Statement of Fiduciary Net Position Other Postemployment Benefit Trust Fund	Fiscal Year Ending June 30, 2019
ASSETS	
Receivables, accounts	\$ 37,200
Receivables, securities sold	1,009,123
Investments in pooled funds	145,499,842
Total Assets	<u>146,546,165</u>
LIABILITIES	
Accounts payable	37,200
Total Liabilities	<u>37,200</u>
Net position restricted for postemployment benefits other than pensions	<u>\$ 146,508,965</u>

FAIRFAX COUNTY PUBLIC SCHOOLS Statement of Changes in Fiduciary Net Position Other Postemployment Benefit Trust Fund	Fiscal Year Ending June 30, 2019
ADDITIONS	
Contributions:	
Employer	\$ 34,286,809
Total Contributions	<u>34,286,809</u>
Investment Income	
Net increase in fair value of investments	6,428,539
Administrative expenses	(95,003)
Total Investment Income	<u>6,333,536</u>
Total Additions	<u>40,620,345</u>
DEDUCTIONS	
Benefits payments/refunds	29,286,809
Total Deductions	<u>29,286,809</u>
Change in net position	<u>11,333,536</u>
Net position - June 30, 2018	135,175,429
Net position - June 30, 2019	<u>\$ 146,508,965</u>

Net FCPS OPEB Liability

FCPS OPEB Plan's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of net OPEB liability for the FCPS OPEB Plan is as follows:

Total OPEB liability	\$ 183,525,004
Plan Fiduciary Net Position (market value of assets)	(146,508,965)
Net OPEB liability as of June 30, 2019	\$ 37,016,039
Plan fiduciary net position as a percentage of the OPEB liability	79.83%

Actuarial Assumptions

Significant actuarial assumptions used in the valuation include:

Methods and Assumptions Used to Determine Contribution Rates	
Actuarial cost method	Entry age normal
Asset method	Fair market value
Salary increases	10.00% trending down to 3.75%
Investment rate of return, net of OPEB plan investment expense, including inflation	7.00%, prior year rate was 7.00%
Retirement age	Varies by age and pension plan
Mortality	RP-2014 Mortality Table fully generational, projected using scale MP-2016. Disabled mortality is assumed to be RP-2014 Disabled Mortality Table fully generational, projected using scale MP-2016.
Healthcare cost trend rate	7.0% - 10.0% decreasing to 4.5%

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments are determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Expected Nominal Rate of Return	Allocation
Large Cap U.S. Equity	6.80%	26.0%
Small Cap U.S. Equity	7.30%	10.0%
International (Non-U.S.) Equity (Developed)	7.50%	13.0%
Emerging Markets Equity	8.10%	5.0%
Core U.S. Fixed Income (Market Duration)	3.10%	7.0%
Long Duration Bonds-Credit	3.80%	14.0%
Hedge Fund of Funds (Median Manager)	4.00%	10.0%
Private Real Estate (Broad Market)	5.10%	7.0%
Private Equity	9.60%	5.0%
Commodities	4.70%	3.0%
Total Portfolio		100.0%

There are no concentrations in any one organization that represent five percent or more of the fiduciary net position in the plan. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense was 4.66 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing actual invested.

The plan's funds are invested in domestic and international equity and fixed income funds through the Virginia Pooled OPEB Trust Fund established as the investment vehicle for participating employers. FCPS is not involved in the administration of these funds. Further information about the Virginia Pooled OPEB Trust Fund sponsored by VML/VACo., including financial statements, can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that FCPS contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments of current active and inactive employees / current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net FCPS OPEB Liability to Changes in the Discount Rate

The following represents the net FCPS OPEB liability calculated using the discount rate of 7.0 percent, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Total OPEB liability	\$ 205,160,295	\$ 183,525,004	\$ 164,716,275
Plan fiduciary net position	(146,508,965)	(146,508,965)	(146,508,965)
Net OPEB liability	<u>\$ 58,651,330</u>	<u>\$ 37,016,039</u>	<u>\$ 18,207,310</u>

Sensitivity of the Net FCPS OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the net FCPS OPEB liability calculated using the stated healthcare trend rates (7.0/10.0 percentages decreasing to 4.5 percent), as well as what the liability would be if it were calculated using a healthcare trend rates that is 1-percentage-point lower (6.0/9.0 percentages decreasing to 3.5 percent) or 1-percentage-point higher (8.0/11.0 percentages decreasing to 5.5 percent) than the current healthcare trend rates:

	1% Decrease (Varied decreasing to 3.5%)	Current Trend Rate (Varied decreasing to 4.5%)	1% Increase (Varied decreasing to 5.5%)
Total FCPS OPEB liability	\$ 175,830,018	\$ 183,525,004	\$ 192,404,597
Plan fiduciary net position	(146,508,965)	(146,508,965)	(146,508,965)
Net FCPS OPEB liability	<u>\$ 29,321,053</u>	<u>\$ 37,016,039</u>	<u>\$ 45,895,632</u>

FCPS OPEB Expense, Deferred Outflows of Resources and Deferred and Inflows of Resources Related to FCPS OPEB

For the year ended June 30, 2019, FCPS recognized FCPS OPEB plan expense of \$(49,567,978). At June 30, 2019, FCPS reported deferred outflows of resources and deferred inflows of resources related to FCPS OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,019,359	\$ (21,109,254)
Net difference between projected and actual earnings on FCPS OPEB plan investments	1,078,155	
Change of assumptions	-	(120,557,660)
Total	<u>\$ 25,097,514</u>	<u>\$ (141,666,914)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to the FCPS OPEB plan will be recognized in the FCPS OPEB plan expense as follows:

Year ended June 30:		
2020	\$	(23,336,040)
2021		(23,336,040)
2022		(23,336,038)
2023		(22,839,765)
2024		(20,904,513)
Thereafter		(2,817,004)
	\$	<u>(116,569,400)</u>

Changes in the Net FCPS OPEB Liability

	Fiscal Year Ending June 30, 2019
Total FCPS OPEB Liability	
Service cost	\$ 5,220,696
Interest cost	17,156,591
Changes of benefit terms	(39,066,967)
Difference between expected and actual experiences	(24,767,704)
Benefits payments, including refunds of employee contributions	(29,286,809)
Net Change in Total FCPS OPEB Liability	(70,744,193)
Total FCPS OPEB Liability - Beginning	254,269,197
Total FCPS OPEB Liability - Ending (a)	<u>\$ 183,525,004</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 34,286,809
Net Investment Income	6,422,536
Benefits payments, including refunds of employee contributions	(29,286,809)
Administrative Expense	(89,000)
Net Change in Plan Fiduciary Net Position	11,333,536
Plan Fiduciary Net Position - Beginning	135,175,429
Plan Fiduciary Net Position - Ending (b)	<u>\$ 146,508,965</u>
Net FCPS OPEB Liability - Ending (a) - (b)	<u>\$ 37,016,039</u>

B. VRS HEALTH INSURANCE CREDIT (HIC) OPEB

Plan Description

The HIC OPEB plan is a cost-sharing, multiple-employer plan administered by VRS. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the HIC OPEB plan. The plan provides health insurance credit to eligible retirees. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the Virginia General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Benefits Provided

In order to participate, retirees must have at least 15 years of service credit. The HIC OPEB plan provides the following benefits for eligible employees:

- At Retirement - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the month benefit is either (a) \$4.00 per month, multiplied by twice the amount of service credit, or (b) \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by Section 51.1-1401(E) of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20 percent of covered employee compensation for employees in the HIC OPEB plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the HIC OPEB plan were \$18,590,218 and \$18,089,758 for the years ended June 30, 2019 and June 30, 2018, respectively.

HIC OPEB Liabilities, HIC OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB

At June 30, 2019, FCPS reported a liability of \$230,889,000 for its proportionate share of the net HIC OPEB liability. The net HIC OPEB liability was measured as of June 30, 2018 and the total HIC OPEB liability used to calculate the net HIC OPEB liability was determined by an actuarial valuation as of that date. FCPS' proportion of the net HIC OPEB liability was based on FCPS' actuarially determined employer contributions to the HIC OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, FCPS' proportion was 18.18 percent as compared to 18.15 percent at June 30, 2017.

For the year ended June 30, 2019, FCPS recognized HIC OPEB expense of \$19,212,000. Since there was a change in proportionate share between measurement dates, a portion of the HIC OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, FCPS reported deferred outflows of resources and deferred inflows of resources related to HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share	\$ 2,241,000	\$ -
Differences between expected and actual experience	-	(1,144,000)
Net difference between projected and actual earnings on HIC OPEB plan investments	-	(173,000)
Change of assumptions	-	(2,009,000)
FCPS' contributions subsequent to the measurement date	18,590,218	-
Total	<u>\$ 20,831,218</u>	<u>\$ (3,326,000)</u>

A total of \$18,590,218 reported as deferred outflows of resources related to HIC OPEB resulting from FCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net HIC OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIC OPEB will be recognized in HIC OPEB expense as follows:

Year ended June 30:	
2020	\$ (213,000)
2021	(214,000)
2022	(214,000)
2023	(103,000)
2024	(136,000)
Thereafter	(205,000)
	<u>\$ (1,085,000)</u>

Actuarial Assumptions

The total HIC OPEB liability for VRS was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions	
Inflation	2.5%
Salary increases, including inflation	3.5% to 5.95%
Investment rate of return, net of plan investment expense, including inflation (a)	7.0%

(a) Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table- RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Long-term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	<u>100.00 %</u>		<u>4.80 %</u>
		Inflation	<u>2.50</u>
Expected arithmetic nominal return (a)			<u>7.30 %</u>

(a) The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by FCPS for the VRS HIC plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100.0 percent of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Sensitivity of FCPS' Proportionate Share of the Net HIC OPEB Liability to Changes in the Discount Rate

The following presents FCPS' proportionate share of the net HIC OPEB liability using the discount rate of 7.0 percent, as well as what FCPS' proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
FCPS' proportionate share of the VRS net HIC OPEB liability	\$ 257,879,000	\$ 230,889,000	\$ 207,929,000

HIC OPEB Plan Fiduciary Net Position

Detailed information about the HIC OPEB plan's fiduciary net position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2018-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

C. VRS GROUP LIFE INSURANCE (GLI) OPEB

Plan Description

The GLI OPEB plan is a cost-sharing, multiple-employer plan administered by VRS. All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the GLI OPEB plan upon employment.

In addition to Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI plan. For members who elect the optional group life insurance coverage, the insurer bills FCPS directly for the premiums. FCPS deducts these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB plan. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefits Provided

The benefits payable under the GLI OPEB plan have the following components:

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances. These benefits include accidental dismemberment, safety belt, repatriation, felonious assault and accelerated death option.

The benefit amounts provided to members covered under the GLI OPEB plan are subject to a reduction factor. The benefit amount reduces by 25.0 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25.0 percent on each subsequent January 1 until it reaches 25.0 percent of its original value. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI OPEB plan. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,279 effective July 1, 2018.

Contributions

The contribution requirement for active employees is governed by Sections 51.1-506 and 51.1-508 of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. The total rate for the GLI OPEB plan was 1.31 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79 percent (1.31 x 60 percent) and the employer component was 0.52 percent (1.31 x 40 percent). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the GLI OPEB plan were \$8,116,936 and \$7,700,163 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to GLI OPEB

At June 30, 2019, FCPS reported a liability of \$118,262,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. FCPS' proportion of the net GLI OPEB liability was based on FCPS' actuarially determined employer contributions to the GLI OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, FCPS' proportion was 7.79 percent as compared to 7.80 percent at June 30, 2017.

For the year ended June 30, 2019, FCPS recognized GLI OPEB expense of \$1,308,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, FCPS reported deferred outflows of resources and deferred inflows of resources related to GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate share	\$ 1,797,000	\$ (256,000)
Differences between expected and actual experience	5,792,000	(2,099,000)
Net difference between projected and actual earnings on GLI OPEB plan investments	-	(3,854,000)
Change of assumptions	-	(4,935,000)
FCPS' contributions subsequent to the measurement date	8,116,936	-
Total	<u>\$ 15,705,936</u>	<u>\$ (11,144,000)</u>

A total of \$8,116,936 reported as deferred outflows of resources related to GLI OPEB resulting from FCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to GLI OPEB will be recognized in GLI OPEB expense as follows:

Year ended June 30:		
2020	\$	(1,325,000)
2021		(1,397,000)
2022		(1,450,000)
2023		(348,000)
2024		492,000
Thereafter		473,000
	\$	<u>(3,555,000)</u>

Actuarial Assumptions

The total GLI OPEB liability for VRS was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions	
Inflation	2.5%
Salary increases, including inflation	3.5% to 5.95%
Investment rate of return, net of plan investment expense, including inflation (a)	7.0%
(a) Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.	

Mortality Rates

Pre-Retirement	Post-Retirement	Post-Disablement
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% rates for males and females

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table-RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Long-term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
		Inflation	2.50
Expected arithmetic nominal return (a)			7.30 %
(a) The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.			

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per VRS guidance and made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the employer rate. Through the fiscal year ending June 30, 2018, the rate contributed by FCPS for the GLI OPEB plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100.0 percent of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, GLI OPEB plan's fiduciary net position was projected to be available to make all projected future benefit

payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of FCPS' Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents FCPS' proportionate share of the net GLI OPEB liability using the discount rate of 7.0 percent, as well as what FCPS' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
FCPS' proportionate share of the VRS net GLI OPEB liability	\$ 154,556,000	\$ 118,262,000	\$ 88,793,000

GLI OPEB Plan Fiduciary Net Position

Detailed information about the GLI OPEB plan's fiduciary net position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2018-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

D. SUMMARY OF OPEB PLANS

The following table presents a summary of OPEB amounts by each plan as of the measurement date of June 30, 2019 for the FCPS OPEB plan and June 30, 2018 for the HIC OPEB plan and GLI OPEB plan to the Statement of Net Position:

	FCPS OPEB	VRS HIC OPEB	VRS GLI OPEB	Total
Deferred Outflows of Resources:				
Differences between expected and actual experience	\$ 24,019,359	\$ -	\$ 5,792,000	\$ 29,811,359
Employer contributions made in FY 2019	-	18,590,218	8,116,936	26,707,154
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	1,078,155	-	-	1,078,155
Changes in proportionate share of contributions	-	2,241,000	1,797,000	4,038,000
Deferred Outflows of Resources	<u>\$ 25,097,514</u>	<u>\$ 20,831,218</u>	<u>\$ 15,705,936</u>	<u>\$ 61,634,668</u>
Deferred Inflows of Resources:				
Differences between expected and actual experience	\$ (21,109,254)	\$ (1,144,000)	\$ (2,099,000)	\$ (24,352,254)
Changes of assumptions	(120,557,660)	(2,009,000)	(4,935,000)	(127,501,660)
Changes in proportionate share of contributions	-	-	(256,000)	(256,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(173,000)	(3,854,000)	(4,027,000)
Deferred Inflows of Resources	<u>\$ (141,666,914)</u>	<u>\$ (3,326,000)</u>	<u>\$ (11,144,000)</u>	<u>\$ (156,136,914)</u>
OPEB expense for the year ended June 30, 2019	<u>\$ (46,567,978)</u>	<u>\$ 19,212,000</u>	<u>\$ 1,308,000</u>	<u>\$ (26,047,978)</u>
Net OPEB liability as of June 30, 2019	<u>\$ 37,016,039</u>	<u>\$ 230,889,000</u>	<u>\$ 118,262,000</u>	<u>\$ 386,167,039</u>

VI. OTHER INFORMATION

A. RELATED PARTIES

With the exception of the County, which funds a large portion of FCPS' budget, and ERFC, a blended component unit of FCPS, which the School Board created and oversees, FCPS did not conduct business with any other related parties in fiscal year 2019.

B. RISK MANAGEMENT

FCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee illnesses and injuries; and natural disasters.

FCPS maintains internal service funds for workers' compensation claims, property losses, casualty claims, and health insurance benefits. The School Board believes it is cost effective to manage risks by a combination of self-insurance and the purchase of commercial insurance policies. Liabilities are reported in the internal service 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. Since actual liability claims depend on complex factors such as inflation, changes in governing laws and standards, and court awards, the process used in computing liability claims is reevaluated periodically to take into consideration the history, frequency, 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 recorded at an undiscounted rate.

In addition to the self-insurance program, FCPS purchases commercial property and casualty insurance, cyber liability insurance, bonds, fiduciary liability insurance, and catastrophic accident insurance for Virginia High School League student participants. In the past three fiscal years, there have been no instances where claims settlements exceeded commercial insurance coverage limits. In fiscal year 2019, there were no significant reductions in insurance coverage from the prior year.

Changes in the balances of liability claims during fiscal years 2018 and 2019 are as follows:

	Health Benefits	Insurance	Total
July 1, 2017 - liability balance	\$ 19,655,000	\$ 45,638,015	\$ 65,293,015
Claims and changes in estimates	375,588,043	11,707,685	387,295,728
Claims Payments	(375,723,043)	(13,547,988)	(389,271,031)
June 30, 2018 - liability balance	19,520,000	43,797,712	63,317,712
Claims and changes in estimates	403,285,091	12,717,348	416,002,439
Claims Payments	(402,956,091)	(11,798,310)	(414,754,401)
June 30, 2019 - liability balance	<u>\$ 19,849,000</u>	<u>\$ 44,716,750</u>	<u>\$ 64,565,750</u>

C. CONTINGENT LIABILITIES

FCPS is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of its operations. Management believes that the amount of loss, if any, is not material to FCPS' financial condition.

FCPS receives grant funds, principally from the Federal government, for various educational programs. Certain expenditures of these funds are subject to audit by the grantor. FCPS is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of FCPS management, no material refunds will be required as a result of expenditures disallowed by the grantors.

D. TERMINATION BENEFITS

Public Health Service Act

FCPS provides health care benefits as required by Federal law under the Public Health Service Act (PHSA). This benefit was previously required by the Consolidated Omnibus Budget Reconciliation Act (COBRA). PHSA requires employers that sponsor group health plans to provide a continuation of group coverage to terminated employees and their dependents in qualifying circumstances where coverage would normally end. FCPS provides 18 to 36 months of optional postemployment healthcare to employees and their dependents that elect to continue healthcare coverage. The election to be covered is at the request of the employees. The employees are required to pay 102 percent of the premium costs for themselves and their dependents, which include a two percent administrative fee. The premium costs to the employees and their dependents are the established premium equivalent rates for each respective plan year; accordingly, no liability is recorded for PHAS benefits. On June 30, 2019, there were 82 participants receiving benefits under PHSA.

A large American flag is being held by two young girls in a grassy field. The girl on the left is wearing a colorful tie-dye t-shirt and blue shorts, and the girl on the right is wearing a blue patterned t-shirt and blue shorts. Both are wearing bright yellow safety vests. The background shows a residential street with houses and trees.

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

The Required Supplementary Information subsection includes:

- Budgetary comparison schedule for the General Fund, which accounts for all revenues and expenditures of Fairfax County Public Schools that are not required to be accounted for in other funds
- Trend data and the schedule of employer contributions for the Educational Employees' Supplementary Retirement System of Fairfax County and the School Other Postemployment Benefits Trust Fund
- The notes to the required supplementary information



FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2019

EXHIBIT J

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	\$ 43,820,479	\$ 50,863,085	\$ 50,188,693	\$ (674,392)
Commonwealth of Virginia	675,763,619	676,294,812	678,133,689	1,838,877
Charges for services:				
Tuition and fees	11,186,922	11,186,922	10,974,500	(212,422)
Revenue from the use of money and property	3,686,259	3,686,259	4,260,700	574,441
Recovered costs	46,874,813	46,874,813	47,158,189	283,376
Other	8,238,584	8,238,584	9,010,700	772,116
Total revenues	<u>789,570,676</u>	<u>797,144,475</u>	<u>799,726,471</u>	<u>2,581,996</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	921,297,554	926,494,730	912,618,410	13,876,320
Middle school	264,750,625	269,463,302	262,124,904	7,338,398
High school	591,801,743	604,824,092	584,726,639	20,097,453
Special education	531,738,203	539,159,710	516,335,689	22,824,021
Adult and community education	226,107	126,635	259,939	(133,304)
Instructional support	159,830,820	179,516,091	177,850,918	1,665,173
Support programs:				
Administration and general support	124,934,508	139,227,503	127,673,888	11,553,615
Student transportation	161,864,124	170,239,136	157,002,110	13,237,026
Facilities management	84,895,986	95,760,827	82,991,847	12,768,980
Total expenditures	<u>2,841,339,670</u>	<u>2,924,812,026</u>	<u>2,821,584,344</u>	<u>103,227,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,051,768,994)</u>	<u>(2,127,667,551)</u>	<u>(2,021,857,873)</u>	<u>105,809,678</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from County of Fairfax, VA	2,052,534,207	2,052,534,207	2,052,534,207	-
Transfers out to other governmental funds	(27,039,363)	(30,676,817)	(30,676,817)	-
Transfers out to County of Fairfax, VA	(3,471,100)	(3,471,100)	(3,471,100)	-
Total other financing sources, net	<u>2,022,023,744</u>	<u>2,018,386,290</u>	<u>2,018,386,290</u>	<u>-</u>
Net change in fund balances	<u>\$ (29,745,250)</u>	<u>\$ (109,281,261)</u>	<u>\$ (3,471,583)</u>	<u>\$ 105,809,678</u>

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Changes in Net Pension Liability and Related Ratios
ERFC Pension Plan
Last Ten Fiscal Years (1)

EXHIBIT K

	CAFR Reporting Year				
	Measurement Date June 30 of prior year				
	2019	2018	2017	2016 (2)	2015 (2)
Total Pension Liability					
Service Cost	\$ 88,599,697	\$ 78,925,763	\$ 77,760,915	\$ 77,493,999	\$ 75,787,752
Interest on the Total Pension Liability	221,106,804	209,515,636	205,720,047	198,938,575	192,723,577
Changes of benefit terms	-	(1,038,793)	-	-	-
Difference between expected and actual experience of the Total Pension Liability	12,140,768	19,857,344	(11,011,883)	(17,051,192)	(19,051,630)
Changes of assumptions	-	23,334,195	45,752,095	-	-
Benefits payments, including refunds of employee contributions	(177,720,296)	(173,385,583)	(170,347,847)	(167,842,576)	(167,049,790)
Net Change in Total Pension Liability	\$ 144,126,973	\$ 157,208,562	\$ 147,873,327	\$ 91,538,806	\$ 82,409,909
Total Pension Liability - Beginning	3,094,309,317	2,937,100,755	2,789,227,428	2,697,688,622	2,615,278,713
Total Pension Liability - Ending (a)	\$ 3,238,436,290	\$ 3,094,309,317	\$ 2,937,100,755	\$ 2,789,227,428	\$ 2,697,688,622
Plan Fiduciary Net Position					
Contributions - Employer	\$ 91,704,877	\$ 80,094,538	\$ 76,599,695	\$ 74,324,396	\$ 74,174,082
Contributions - Employee	44,169,100	43,062,632	41,383,642	39,982,963	40,018,590
Net Investment Income	188,145,489	250,981,777	(15,766,967)	32,083,908	304,640,803
Benefits payments, including refunds of employee contributions	(177,720,296)	(173,385,583)	(170,347,847)	(167,842,576)	(167,049,790)
Pension Plan Administrative Expense	(4,300,927)	(4,059,408)	(4,004,882)	(3,751,825)	(3,629,320)
Net Change in Plan Fiduciary Net Position	141,998,243	196,693,956	(72,136,359)	(25,203,134)	248,154,365
Plan Fiduciary Net Position - Beginning	2,304,281,654	2,107,587,698	2,179,724,057	2,204,927,191	1,956,772,826
Plan Fiduciary Net Position - Ending (b)	\$ 2,446,279,897	\$ 2,304,281,654	\$ 2,107,587,698	\$ 2,179,724,057	\$ 2,204,927,191
Net Pension Liability - Ending (a) - (b)	792,156,393	790,027,663	829,513,057	609,503,371	492,761,431
Plan fiduciary net position as a percentage of Total Pension Liability	75.54%	74.47%	71.76%	78.15%	81.73%
Covered Payroll	\$ 1,469,629,439	\$ 1,430,259,607	\$ 1,374,735,094	\$ 1,328,419,881	\$ 1,324,537,175
Net Pension Liability as a Percentage of Covered Payroll	53.90%	55.24%	60.34%	45.88%	37.20%

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect measurement date presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Contributions
ERFC Pension Plan
Last Ten Fiscal Years (1)

EXHIBIT K-1

	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2019	\$ 96,982,911	\$ 96,982,911	\$ -	\$ 1,549,247,780	6.3 %
2018	93,543,467	91,704,877	1,838,590	1,469,629,439	6.2
2017	80,305,269	80,145,997	159,272	1,430,259,607	5.6
2016	76,069,503	76,599,695	(530,192)	1,374,735,094	5.6
2015	74,791,177	74,324,396	466,781	1,328,419,881 (2)	5.6 (2)

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is the first year implemented; additional years will be displayed as they become available.

(2) Restated from prior year in accordance with the updated definition of covered-employee payroll per GASB No.82.

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of FCPS' Proportionate Share of Net Pension Liability and Related Ratios
FCERS Pension Plan
Last Ten Fiscal Years (1)

EXHIBIT K-2

	CAFR Reporting Year				
	Measurement Date June 30 of prior year				
	2019	2018	2017	2016	2015
FCPS' proportion of net pension liability	26.93%	27.15%	27.20%	28.03%	28.21%
FCPS' proportionate share of net pension liability	\$ 444,409,864	\$ 439,330,794	\$ 415,142,671	\$ 360,555,377	\$ 293,867,011
FCPS' covered payroll	200,800,463	198,340,140	192,679,291	192,655,643	189,438,838
FCPS' proportionate share of net pension liability as a percentage of covered payroll	221.32%	221.50%	215.46%	187.15%	155.13%
Plan fiduciary net position as a percentage of the total pension liability	70.50%	69.90%	70.20%	74.20%	78.33%

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Contributions
FCERS Pension Plan
Last Ten Fiscal Years (1)

EXHIBIT K-3

		Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	FCPS' Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$	56,681,774	\$ 56,681,774	\$ -	\$ 208,849,573	27.1 %
2018		50,782,437	50,782,437	-	200,800,463	25.3
2017		45,419,892	45,419,892	-	198,340,140	22.9
2016		43,370,176	43,370,176	-	192,679,291	22.5
2015	(2)	38,820,112	38,820,112	-	192,655,643	20.1

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect fiscal year presentation.

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of FCPS' Proportionate Share of Net Pension Liability and Related Ratios
VRS Pension Plan
Last Ten Fiscal Years (1)

EXHIBIT K-4

	CAFR Reporting Year				
	Measurement Date June 30 of prior year				
	2019	2018	2017	2016	2015
FCPS' proportion of the net pension liability	18.19%	18.16%	17.95%	17.89%	18.15%
FCPS' proportionate share of the net pension liability	\$ 2,139,026,999	\$ 2,232,727,000	\$ 2,515,447,000	\$ 2,251,917,000	\$ 2,193,660,000
FCPS' covered payroll	1,470,715,666	1,432,051,405	1,368,572,241	1,330,241,479	(2) 1,327,488,219
FCPS' proportionate share of net pension liability as a percentage of covered payroll	145.44%	155.91%	183.80%	169.29%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	74.81%	72.92%	68.28%	70.68%	70.88%

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect measurement date presentation.

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Contributions
VRS Pension Plan
Last Ten Fiscal Years (1)

EXHIBIT K-5

		Actuarial Determined Contribution		Actual Contribution	Contribution Deficiency (Excess)		FCPS' Covered Payroll	Contribution as a Percentage of Covered Payroll	
2019	\$	242,912,277	\$	242,912,277	\$	-	\$ 1,549,185,402	15.7	%
2018		240,020,797		240,020,797		-	1,470,715,666	16.3	
2017		233,710,789		209,938,736		23,772,053	1,432,051,405	14.7	
2016		192,421,257		192,421,257		-	1,368,572,241	14.1	
2015	(2)	192,885,015		192,885,015		-	1,330,241,479	14.5	

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Changes in Net OPEB Liability and Related Ratios
FCPS OPEB Plan
Last Ten Fiscal years (1)

EXHIBIT L

	Fiscal Year		
	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 5,220,696	\$ 8,319,993	N/A
Interest on the Total OPEB Liability	17,156,591	29,187,359	N/A
Changes of benefit terms	(39,066,967)	-	N/A
Difference between expected and actual experience of the			
Total OPEB Liability	(24,767,704)	33,883,573	N/A
Changes of assumptions	-	(170,067,992)	N/A
Benefits payments, including refunds of employee			
contributions	(29,286,809)	(54,806,266)	N/A
Net Change in Total OPEB Liability	(70,744,193)	(153,483,333)	N/A
Total OPEB Liability - Beginning	254,269,197	\$ 407,752,530	N/A
Total OPEB Liability - Ending (a)	\$ 183,525,004	\$ 254,269,197	\$ 407,752,530
Plan Fiduciary Net Position			
Contributions - Employer	\$ 34,286,809	\$ 59,806,266	\$ 22,404,000
Contributions - Employee	-	-	-
Net Investment Income	6,422,536	11,564,600	13,288,807
Benefits payments, including refunds of employee			
contributions	(29,286,809)	(54,806,266)	(17,404,000)
Administrative Expense	(89,000)	(86,550)	(83,537)
Net Change in Plan Fiduciary Net Position	11,333,536	16,478,050	18,205,270
Plan Fiduciary Net Position - Beginning	135,175,429	118,697,379	100,492,109
Plan Fiduciary Net Position - Ending (b)	\$ 146,508,965	\$ 135,175,429	\$ 118,697,379
Net OPEB Liability - Ending (a) - (b)	\$ 37,016,039	\$ 119,093,768	\$ 289,055,151
Plan Fiduciary Net Position as a percentage of Total			
OPEB Liability	79.83%	53.16%	29.11%
Covered Payroll	\$ 1,393,958,673	\$ 1,340,334,878	\$ 1,256,877,000
Net OPEB Liability as a Percentage of Covered Payroll	2.66%	8.89%	23.00%

(1) The schedule is intended to show information for 10 years. Fiscal year 2017 is the first year implemented; additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Contributions
FCPS OPEB Plan
Last Ten Fiscal Years (1)

Exhibit L-1

	Fiscal Year		
	2019	2018	2017 (3)
Actuarially determined contribution (2)	\$ 29,286,809	\$ 54,806,266	N/A
Contributions made in relation to the actuarially determined contribution	34,286,809	59,806,266	N/A
Contribution deficiency (excess)	(5,000,000)	(5,000,000)	N/A
Covered payroll	1,393,958,673	1,340,334,878	N/A
Contributions as a percentage of covered payroll	2.46%	4.46%	N/A

(1) The schedule is intended to show information for 10 years. Fiscal year 2017 is the first year implemented; additional years will be displayed as they become available.

(2) Fiscal year 2017 was based on actuarially required contribution calculation.

(3) GASB 75 was effective for employer fiscal year beginning after June 15, 2017.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Investment Returns
FCPS OPEB Plan
Last Ten Fiscal Years (1)

EXHIBIT L-2

	Fiscal Year		
	2019	2018	2017
Annual money-weighted rate of return net of investment expense	4.66%	9.50%	12.86%

(1) The schedule is intended to show information for 10 years. Fiscal year 2017 is the first year implemented; additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT L-3
Schedule of FCPS' Proportionate Share of Net OPEB Liability and Related Ratios
VRS HIC OPEB Plan
Last Ten Fiscal Years (1)

	CAFR Reporting Year Measurement Date June 30 of prior year	
	2019	2018
FCPS' proportion of net OPEB liability	18.18%	18.15%
FCPS' proportionate share of net OPEB liability	\$ 230,889,000	\$ 230,217,000
FCPS' covered payroll	1,470,711,793	1,432,191,455
FCPS' proportionate share of net OPEB liability as a percentage of covered payroll	15.70%	16.07%
Plan fiduciary net position as a percentage of the total OPEB liability	8.08%	7.04%

(1) The schedule is intended to show information for 10 years. Fiscal year 2018 is first year implemented, additional years will be displayed as they become available.

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT L-4
Schedule of Employer Contributions
VRS HIC OPEB Plan
Last Ten Fiscal Years

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contributions Deficiency (Excess)	FCPS' Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 18,590,218	\$ 18,590,218	\$ -	\$ 1,549,185,402	1.2 %
2018	18,089,758	18,089,758	-	1,470,711,793	1.2
2017	17,615,955	15,897,325	1,718,630	1,432,191,455	1.1
2016	16,152,458	14,509,835	1,642,623	1,368,852,341	1.1
2015	15,699,867	14,103,271	1,596,596	1,330,497,219	1.1
2014	15,534,713	14,738,061	796,652	1,327,753,219	1.1
2013	14,936,911	14,170,916	765,995	1,276,659,075	1.1
2012	13,247,015	7,359,453	5,887,562	1,226,575,477	0.6
2011	12,697,395	7,054,108	5,643,287	1,175,684,745	0.6
2010	13,413,188	8,876,939	4,536,249	1,197,606,086	0.7

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT L-5
Schedule of FCPS' Proportionate Share of Net OPEB Liability and Related Ratios
VRS GLI OPEB Plan
Last Ten Fiscal Years (1)

	CAFR Reporting Year Measurement Date June 30 of prior year	
	2019	2018
FCPS' proportion of net OPEB liability	7.79%	7.80%
FCPS' proportionate share of net OPEB liability	\$ 118,262,000	\$ 117,380,000
FCPS' covered payroll	1,480,800,510	1,438,996,361
FCPS' proportionate share of net OPEB liability as a percentage of covered payroll	7.99%	8.16%
Plan fiduciary net position as a percentage of the total OPEB liability	51.22%	48.86%

(1) The schedule is intended to show information for 10 years. Fiscal year 2018 is first year implemented, additional years will be displayed as they become available.

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT L-6
Schedule of Employer Contributions
VRS GLI OPEB Plan
Last Ten Fiscal Years

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contributions Deficiency (Excess)	FCPS' Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 8,116,936	\$ 8,116,936	\$ -	\$ 1,560,950,089	0.5 %
2018	7,700,163	7,700,163	-	1,480,800,510	0.5
2017	7,482,781	7,482,781	-	1,438,996,361	0.5
2016	7,286,313	6,598,925	687,388	1,374,775,965	0.5
2015	7,072,543	6,405,322	667,221	1,334,442,126	0.5
2014	7,062,141	6,395,901	666,240	1,332,479,417	0.5
2013	6,789,585	6,149,058	640,527	1,281,053,810	0.5
2012	5,442,504	3,463,412	1,979,092	1,236,932,717	0.3
2011	5,215,539	3,318,980	1,896,559	1,185,349,861	0.3
2010	4,338,166	2,317,988	2,020,178	1,205,046,111	0.2

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

Fairfax County Public Schools
June 30, 2019

I. BUDGETARY COMPARISON SCHEDULE

The *Code of Virginia* requires the appointed superintendent of Fairfax County Public Schools (FCPS) to submit a budget to the County of Fairfax, Virginia (County) Board of Supervisors (BOS), with the approval of the School Board.

The preparation of FCPS' budget begins with the Superintendent soliciting input from parents and community leaders on the School Board's budget priorities. In January, the Superintendent releases the proposed budget and meets with the community, County, and employee groups to discuss it. The School Board reviews the proposed budget and holds work sessions and public hearings.

February through April, the School Board adopts the advertised budget. The Superintendent forwards the FCPS advertised budget to the County for funding consideration. The County Executive releases the County's advertised budget including a proposed transfer to FCPS. The Virginia General Assembly adopts the state budget. The School Board presents its budget to the BOS. The County adopts its budget and determines the transfer to FCPS.

In May, the School Board holds public hearings and work sessions and makes final funding decisions based on the most current information. The School Board adopts its approved budget. The approved budget governs the financial operations of the school system beginning on July 1.

The County legally adopts annual budgets all FCPS appropriated governmental funds, except for the Capital Projects Fund in which budgetary control is achieved on a project-by-project basis. The modified accrual basis is used in budgeting for governmental funds and the budgets are consistent with accounting principles generally accepted in the United States of America, with the following exceptions:

- Transactions for capital leases, when initiated, are not budgeted as offsetting expenditures and other financing sources; and
- Transactions between FCPS and the County are budgeted as other financing sources (uses).

All annual appropriations lapse at fiscal year-end. The current budget is re-evaluated three times during the year based on current projections and amended accordingly by the School Board and the BOS.

The budget is controlled at certain legal and administrative levels. The legal controls are placed at the individual fund level and the administrative controls are placed at the object level, which is at the expenditure category for each office and school within a fund. Management may amend the approved budget at the administrative level within the same fund. Amendments, changes, or transfers at the legal level require the specific approval of the School Board.

The following schedule reconciles the General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Exhibit D, to the amounts on the Budgetary Comparison Schedule—Budget and Actual (Budgetary Basis), Exhibit J for the fiscal year ended June 30, 2019:

	Basis Differences			
	Actual - GAAP Basis (Exhibit D)	Capital Leases	Transactions between FCPS and the County	Actual - Budget Basis (Exhibit J)
General Fund				
Total revenues	\$ 2,852,260,678	\$ -	\$ (2,052,534,207)	\$ 799,726,471
Total expenditures	(2,841,072,948)	16,017,504	\$ 3,471,100	(2,821,584,344)
Total other financing sources	(14,659,313)	(16,017,504)	2,049,063,107	2,018,386,290
Net change in fund balances	\$ (3,471,583)	\$ -	\$ -	\$ (3,471,583)

II. PENSIONS AND OPEB

PENSIONS

Ten-year historical trend information for FCPS' retirement systems is presented as required supplementary information. This information is intended to help users assess each system's financial health 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 fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Expressing plan net position as a percentage of the total pension liability provides one indication of each system's financial health. 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 net pension liability and covered payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the system.

The Schedule of Changes in Net Pension Liability and Related Ratios illustrates whether each plan's net position is increasing or decreasing over time relative to the total pension liability and the net pension liability as it relates to covered payroll.

The Schedule of Employer Contributions provides historical context for the amount of contributions in the current period. The contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Information pertaining to FCPS retirement systems can be found in Note IV.D to the financial statements.

OPEB

1. FCPS OPEB

Beginning in fiscal year 2017 GAAP required information related to the total and net OPEB liability, information associated with the actuarially determined contribution, and investment returns to be presented.

Information pertaining to the FCPS OPEB Plan can be found in Notes III.B.2 and IV.E to the financial statements. Disclosures associated with the GASB 74 requirements are found in Note IV.E to the financial statements.

There have been no actuarially material changes to the FCPS OPEB benefit provisions since the prior actuarial valuation. The financial accounting valuation reflects the following assumption changes:

- Claims and trend assumptions were updated to reflect more recent plan experience
- The mortality scale was updated from MP-2014 to MP-2016

2. VRS HIC

There have been no actuarially material changes to the VRS HIC benefit provisions since the prior actuarial valuation. The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the VRS HIC for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement,post-retirement healthy,and disabled)	Updated to a more current mortality table-RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

3. VRS GLI

There have been no actuarially material changes to the VRS HIC benefit provisions since the prior actuarial valuation. The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the VRS HIC for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement,post-retirement healthy,and disabled)	Updated to a more current mortality table-RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

A dental professional, a woman with dark hair tied back, wearing teal scrubs, is focused on working on a dental model. She is using a dental mirror and a probe to examine the model, which is a white plastic skull with red and white teeth. The model is mounted on a stand. The background is a blurred clinical setting.

OTHER SUPPLEMENTARY INFORMATION

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

- Combining statements for the nonmajor governmental funds
- Budgetary comparison schedules for the special revenue funds
- Combining statements for the internal service funds
- Combining statements for the pension and other postemployment benefit funds
- Statement of changes in assets and liabilities for the Student Activity Fund





NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (except for major capital projects) that are restricted to expenditures for specific purposes.

- Food and Nutrition Services Fund—used to account for the procurement, preparation, and serving of student breakfasts, snacks, and lunches. The primary revenue sources are receipts derived from food sales and the Federal school lunch program.
- Grants and Self-Supporting Programs Fund—used to account for Federal, State, non-profit, and private industry grants that support instructional programs. This fund is also used to account for the summer school program.
- Adult and Community Education Fund—used to account for activities resulting from programs provided by the Office of Adult and Community Education. These programs include basic skills education, high school completion, English for Speakers of Other Languages, apprenticeship and occupational skills instruction, and various consumer education and special interest courses. The main revenue source is tuition charged to the participants.



FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

EXHIBIT M

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food and Nutrition Services	Grants Self-Supporting Programs	Adult and Community Education	
ASSETS				
Cash on deposit with County of Fairfax, VA	\$ 18,955,821	\$ 10,641,762	\$ 343,003	\$ 29,940,586
Receivables:				
Accounts	47,321	11,085	56,622	115,028
Accrued interest	37,668	15,790	15,904	69,362
Due from intergovernmental units:				
Federal government	1,640,298	7,437,612	304,812	9,382,722
Commonwealth of Virginia	-	9,116,034	-	9,116,034
County of Fairfax, VA	237,758	23,798	-	261,556
Inventories	928,689	-	-	928,689
Prepaid Items	29,292	-	29,459	58,751
Total assets	<u>\$ 21,876,847</u>	<u>\$ 27,246,081</u>	<u>\$ 749,800</u>	<u>\$ 49,872,728</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 793,253	\$ 260,284	\$ 41,948	\$ 1,095,485
Accrued salaries and withholdings	800,249	84,622	437,577	1,322,448
Unearned revenues	2,366,431	2,985,683	261,138	5,613,252
Total liabilities	<u>3,959,933</u>	<u>3,330,589</u>	<u>740,663</u>	<u>8,031,185</u>
Fund balances:				
Nonspendable	957,981	-	29,459	987,440
Restricted	16,958,933	23,915,492	-	40,874,425
Unassigned	-	-	(20,322)	(20,322)
Total fund balances	<u>17,916,914</u>	<u>23,915,492</u>	<u>9,137</u>	<u>41,841,543</u>
Total liabilities and fund balances	<u>\$ 21,876,847</u>	<u>\$ 27,246,081</u>	<u>\$ 749,800</u>	<u>\$ 49,872,728</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT N
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds			
	Food and Nutrition Services	Grants Self-Supporting Programs	Adult and Community Education	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental:				
Federal government	\$ 39,668,446	\$ 40,097,090	\$ 1,029,114	\$ 80,794,650
Commonwealth of Virginia	1,390,484	10,230,546	949,920	12,570,950
County of Fairfax, VA	-	3,352,319	-	3,352,319
Charges for services:				
Tuition and fees	-	2,682,716	5,041,836	7,724,552
Food sales	40,864,765	-	-	40,864,765
Revenue from the use of money and property	247,276	111,131	69,479	427,886
Other	48,953	1,190,470	55,934	1,295,357
Total revenues	82,219,924	57,664,272	7,146,283	147,030,479
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	-	34,292,908	-	34,292,908
Middle school	-	867,728	-	867,728
High school	-	8,283,113	176,455	8,459,568
Special education	-	6,554,168	-	6,554,168
Adult and community education	-	-	7,192,981	7,192,981
Instructional support	-	20,052,828	-	20,052,828
Support programs:				
Administration and general support	-	1,208,491	-	1,208,491
Student transportation	-	1,426,941	-	1,426,941
Food service	83,252,697	-	-	83,252,697
Capital outlay	225,033	512,431	-	737,464
Debt service:				
Principal	15,732	2,966	2,299	20,997
Interest	525	385	409	1,319
Total expenditures	83,493,987	73,201,959	7,372,144	164,068,090
Deficiency of revenues under expenditures	(1,274,063)	(15,537,687)	(225,861)	(17,037,611)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	18,209,261	321,484	18,530,745
Capital leases	23,960	-	-	23,960
Total other financing sources	23,960	18,209,261	321,484	18,554,705
Net change in fund balances	(1,250,103)	2,671,574	95,623	1,517,094
Fund balances - July 1, 2018	19,371,675	21,243,918	(86,486)	40,529,107
Decrease in reserve for inventories	(204,658)	-	-	(204,658)
Fund balances - June 30, 2019	\$ 17,916,914	\$ 23,915,492	\$ 9,137	\$ 41,841,543

FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)
Food and Nutrition Services Fund
For the Fiscal Year Ended June 30, 2019

EXHIBIT O

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	\$ 39,757,378	\$ 39,757,378	\$ 39,668,446	\$ (88,932)
Commonwealth of Virginia	1,252,382	1,252,382	1,390,484	138,102
Charges for services:				
Food sales	44,288,020	44,288,020	40,864,765	(3,423,255)
Revenue from the use of money and property	53,248	53,248	247,276	194,028
Other	-	50,000	48,953	(1,047)
Total revenues	<u>85,351,028</u>	<u>85,401,028</u>	<u>82,219,924</u>	<u>(3,181,104)</u>
EXPENDITURES				
Current:				
Food service	<u>101,967,724</u>	<u>104,772,703</u>	<u>83,470,027</u>	<u>21,302,676</u>
Total expenditures	<u>101,967,724</u>	<u>104,772,703</u>	<u>83,470,027</u>	<u>21,302,676</u>
Net change in fund balances	<u>\$ (16,616,696)</u>	<u>\$ (19,371,675)</u>	<u>\$ (1,250,103)</u>	<u>\$ 18,121,572</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)
Grants and Self-Supporting Programs Fund
For the Fiscal Year Ended June 30, 2019

EXHIBIT P

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	\$ 38,161,720	\$ 48,564,158	\$ 40,097,090	\$ (8,467,068)
Commonwealth of Virginia	10,002,489	11,806,622	10,230,546	(1,576,076)
Charges for services:				
Tuition and fees	2,646,625	2,646,625	2,682,716	36,091
Revenue from the use of money and property	-	-	111,131	111,131
Other	380,107	1,385,491	1,190,470	(195,021)
Total revenues	<u>51,190,941</u>	<u>64,402,896</u>	<u>54,311,953</u>	<u>(10,090,943)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	33,357,877	39,047,796	34,584,680	4,463,116
Middle school	383,275	979,138	867,728	111,410
High school	7,227,493	9,802,263	8,286,461	1,515,802
Special education	4,961,690	5,848,927	6,554,168	(705,241)
Instructional support	18,369,040	36,041,005	20,273,490	15,767,515
Support programs:				
Administration and general support	7,175,372	12,820,253	1,208,491	11,611,762
Student transportation	1,762,968	2,669,011	1,426,941	1,242,070
Total expenditures	<u>73,237,715</u>	<u>107,208,393</u>	<u>73,201,959</u>	<u>34,006,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,046,774)</u>	<u>(42,805,497)</u>	<u>(18,890,006)</u>	<u>23,915,491</u>
OTHER FINANCING SOURCES				
Transfers in from other governmental funds	18,209,261	18,209,261	18,209,261	-
Transfers in from County of Fairfax, VA	3,352,319	3,352,319	3,352,319	-
Total other financing sources	<u>21,561,580</u>	<u>21,561,580</u>	<u>21,561,580</u>	<u>-</u>
Net change in fund balances	<u>\$ (485,194)</u>	<u>\$ (21,243,917)</u>	<u>\$ 2,671,574</u>	<u>\$ 23,915,491</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)
Adult and Community Education Fund
For the Fiscal Year Ended June 30, 2019

EXHIBIT Q

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	\$ 1,657,252	\$ 1,029,115	\$ 1,029,114	\$ (1)
Commonwealth of Virginia	892,142	801,846	949,920	148,074
Charges for services:				
Tuition and fees	6,532,878	6,532,878	5,041,836	(1,491,042)
Revenue from the use of money and property	39,976	39,976	69,479	29,503
Other	186,274	186,274	55,934	(130,340)
Total revenues	<u>9,308,522</u>	<u>8,590,089</u>	<u>7,146,283</u>	<u>(1,443,806)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
High school	157,503	184,485	176,455	8,030
Adult and community education	8,451,357	8,640,604	7,195,689	1,444,915
Total expenditures	<u>8,608,860</u>	<u>8,825,089</u>	<u>7,372,144</u>	<u>1,452,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>699,662</u>	<u>(235,000)</u>	<u>(225,861)</u>	<u>9,139</u>
OTHER FINANCING SOURCES				
Transfers in from other governmental funds	<u>235,000</u>	<u>321,484</u>	<u>321,484</u>	<u>-</u>
Net change in fund balances	<u>\$ 934,662</u>	<u>\$ 86,484</u>	<u>\$ 95,623</u>	<u>\$ 9,139</u>





INTERNAL SERVICE FUNDS

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.

- Health Benefits Fund—a self-insurance fund used to account for the transactions associated with the comprehensive health benefits self-insurance program. This fund also provides for payment of eligible health care and dependent care expenses for employees participating in the flexible spending account program.
- Insurance Fund—a self-insurance fund used to account for Fairfax County Public Schools' casualty liability obligations, including workers' compensation.



FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

EXHIBIT R

	Health Benefits	Insurance	Total Internal Service Funds
ASSETS			
Current assets:			
Cash on deposit with County of Fairfax, VA	\$ 111,279,456	\$ 50,859,627	\$ 162,139,083
Receivables:			
Accounts	6,378,366	-	6,378,366
Accrued interest	142,176	-	142,176
Total current assets	<u>117,799,998</u>	<u>50,859,627</u>	<u>168,659,625</u>
Non-current assets:			
Capital assets:			
Equipment	-	27,111	27,111
Accumulated depreciation	-	(27,111)	(27,111)
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>117,799,998</u>	<u>50,859,627</u>	<u>168,659,625</u>
LIABILITIES			
Current liabilities:			
Accounts payable	10,260,855	223,453	10,484,308
Unearned revenues	12,061,621	-	12,061,621
Compensated absences	148,220	42,369	190,589
Actuarial claims payable	18,856,550	8,943,350	27,799,900
Total current liabilities	<u>41,327,246</u>	<u>9,209,172</u>	<u>50,536,418</u>
Non-current liabilities:			
Compensated absences	63,523	18,158	81,681
Actuarial claims payable	992,450	35,773,400	36,765,850
Total non-current liabilities	<u>1,055,973</u>	<u>35,791,558</u>	<u>36,847,531</u>
Total liabilities	<u>42,383,219</u>	<u>45,000,730</u>	<u>87,383,949</u>
NET POSITION			
Unrestricted	75,416,779	5,858,897	81,275,676
Total net position	<u>\$ 75,416,779</u>	<u>\$ 5,858,897</u>	<u>\$ 81,275,676</u>

FAIRFAX COUNTY PUBLIC SCHOOLS

EXHIBIT S

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2019

	Health Benefits	Insurance	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 418,345,394	\$ 14,181,307	\$ 432,526,701
OPERATING EXPENSES			
Salaries and wages	2,950,505	1,098,981	4,049,486
Claims and benefits	403,272,507	12,709,582	415,982,089
Professional consultant services	10,603,258	1,416,409	12,019,667
Other operating expenses	33,202	354,833	388,035
Depreciation	-	2,504	2,504
Total operating expenses	416,859,472	15,582,309	432,441,781
Operating gain/(loss)	1,485,922	(1,401,002)	84,920
NONOPERATING REVENUES			
Interest revenue	1,340,783	-	1,340,783
Loss on disposal of capital assets	-	(16,276)	(16,276)
Total nonoperating revenue (expense)	1,340,783	(16,276)	1,324,507
Change in net position	2,826,705	(1,417,278)	1,409,427
Total net position - July 1, 2018	72,590,074	7,276,175	79,866,249
Total net position - June 30, 2019	\$ 75,416,779	\$ 5,858,897	\$ 81,275,676

FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2019

EXHIBIT T

	Health Benefits	Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 420,950,772	\$ 14,181,307	\$ 435,132,079
Payments to employees	(2,950,505)	(1,098,981)	(4,049,486)
Payments for claims and health benefits	(402,956,091)	(11,798,310)	(414,754,401)
Payments for professional services	(9,337,312)	(1,458,920)	(10,796,232)
Payments for other operating expenses	(33,201)	(354,833)	(388,034)
Net cash provided by (used in) operating activities	<u>5,673,663</u>	<u>(529,737)</u>	<u>5,143,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>1,296,458</u>	-	<u>1,296,458</u>
Net cash provided by investing activities	<u>1,296,458</u>	-	<u>1,296,458</u>
Net (decrease) increase in cash and cash equivalents	6,970,121	(529,737)	6,440,384
Cash and cash equivalents - July 1, 2018	<u>104,309,335</u>	<u>51,389,364</u>	<u>155,698,699</u>
Cash and cash equivalents - June 30, 2019	<u><u>\$ 111,279,456</u></u>	<u><u>\$ 50,859,627</u></u>	<u><u>\$ 162,139,083</u></u>
Reconciliation of operating gain/loss to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,485,922	\$ (1,401,002)	\$ 84,920
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	2,504	2,504
Decrease in accounts receivable	2,195,877	-	2,195,877
Increase (decrease) in accounts payable	1,265,946	(42,511)	1,223,435
Increase in unearned revenues	409,502	-	409,502
Decrease in compensated absences	(12,584)	(7,766)	(20,350)
Increase in actuarial claims payable	329,000	919,038	1,248,038
Total adjustments to operating income (loss)	<u>4,187,741</u>	<u>871,265</u>	<u>5,059,006</u>
Net cash provided by (used in) operating activities	<u><u>\$ 5,673,663</u></u>	<u><u>\$ (529,737)</u></u>	<u><u>\$ 5,143,926</u></u>



A man with a beard, wearing a blue graduation cap and gown, is shown in profile from the waist up. He is standing behind a wooden podium, looking towards the right. The background is dark and out of focus.

FIDUCIARY FUNDS

Pension and Other Postemployment Benefits Trust Funds are used to account for assets held by Fairfax County Public Schools (FCPS) in a trustee capacity under terms of a formal trust agreement.

- Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)—used to account for assets held for the members and beneficiaries of ERFC, a single-employer defined benefit pension plan.
- School Other Postemployment Benefits (OPEB) Trust Funds—used to account for accumulating and investing assets for FCPS' postemployment health benefit subsidies for eligible retirees and their surviving spouses. The School OPEB Trust Fund is a single-employer other postemployment defined benefit plan.
- The Student Activity Fund is used to account for monies collected and disbursed at the schools in connection with student athletics, classes, clubs, various fund raising activities, and private donations. These monies are only available to support student programs at their respective schools and not for FCPS as a whole.



FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Fiduciary Net Position
Pension and Other Postemployment Benefit Trust Funds
June 30, 2019

EXHIBIT U

	Educational Employees' Supplementary Retirement System	School Other Postemployment Benefits Trust	Total Pension and Other Postemployment Benefit Trust Funds
ASSETS			
Cash and cash equivalents	\$ 2,654,854	\$ -	\$ 2,654,854
Cash with fiscal agent	400,175	-	400,175
Cash collateral for securities on loan	143,637,529	-	143,637,529
Short-term investments	63,034,618	-	63,034,618
Receivables:			
Accounts	-	37,200	37,200
Interest and dividends	3,809,682	-	3,809,682
Securities sold	8,109,883	1,009,123	9,119,006
Prepaid	4,772	-	4,772
Investments, at fair value:			
U.S. government obligations	20,877,635	-	20,877,635
Asset and mortgage backed	1,153,618	-	1,153,618
Corporate bonds	59,556,544	-	59,556,544
International bonds	18,620,528	-	18,620,528
Convertible securities	4,120,335	-	4,120,335
Preferred securities	5,189,750	-	5,189,750
Commingled fixed income	575,050,619	-	575,050,619
Commingled equity	267,951,298	-	267,951,298
Stocks	670,619,312	-	670,619,312
Real estate	218,025,785	-	218,025,785
Global asset allocation	247,355,510	-	247,355,510
Better beta	130,756,594	-	130,756,594
Hedge funds	117,526,120	-	117,526,120
Private equity	115,300,063	-	115,300,063
Investment in pooled funds	-	145,499,842	145,499,842
Capital assets:			
Furniture and equipment	149,576	-	149,576
Accumulated depreciation	(111,338)	-	(111,338)
Total assets	<u>2,673,793,462</u>	<u>146,546,165</u>	<u>2,820,339,627</u>
LIABILITIES			
Capital leases	12,455	-	12,455
Accounts payable	2,095,788	37,200	2,132,988
Securities purchased	6,606,218	-	6,606,218
Securities lending collateral	143,637,529	-	143,637,529
Total liabilities	<u>152,351,990</u>	<u>37,200</u>	<u>152,389,190</u>
NET POSITION			
Net position restricted for pension and other postemployment benefits	<u>2,521,441,472</u>	<u>146,508,965</u>	<u>2,667,950,437</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Benefit Trust Funds
For the Fiscal Year Ended September 30, 2019

EXHIBIT V

	Educational Employees' Supplementary Retirement System	School Other Postemployment Benefits Trust	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 96,982,911	\$ 34,286,809	\$ 131,269,720
Plan members	46,645,396	-	46,645,396
Total contributions	143,628,307	34,286,809	177,915,116
Investment earnings:			
From investing activities:			
Net appreciation in fair value of investments	96,217,852	6,423,927	102,641,779
Interest and dividends	30,432,169	4,612	30,436,781
Real estate income	4,227,412	-	4,227,412
Total income from investing activities	130,877,433	6,428,539	137,305,972
Less investment expenses:			
Investment management fees	12,983,544	94,503	13,078,047
Investment consulting fees	345,535	-	345,535
Investment custodial fees	190,626	500	191,126
Investment salaries	248,470	-	248,470
Total investment expenses	13,768,175	95,003	13,863,178
Net income from investing activities	117,109,258	6,333,536	123,442,794
From securities lending activities:			
Securities lending	3,849,455	-	3,849,455
Securities lending management fees	(3,231,213)	-	(3,231,213)
Net income from securities lending activities	618,242	-	618,242
Net investment income	117,727,500	6,333,536	124,061,036
Total additions	261,355,807	40,620,345	301,976,152
DEDUCTIONS			
Benefit payments	177,422,308	29,286,809	206,709,117
Refund of contributions	4,509,765	-	4,509,765
Administrative expenses	4,262,159	-	4,262,159
Total deductions	186,194,232	29,286,809	215,481,041
Change in net position	75,161,575	11,333,536	86,495,111
Net position - July 1, 2018	2,446,279,897	135,175,429	2,581,455,326
Net position - June 30, 2019	\$ 2,521,441,472	\$ 146,508,965	\$ 2,667,950,437

FAIRFAX COUNTY PUBLIC SCHOOLS

EXHIBIT W

Statement of Changes in Assets and Liabilities

Student Activity Fund

For the Fiscal Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash with fiscal agent	\$ 22,807,048	\$ 47,626,168	\$ (47,217,945)	\$ 23,215,271
Accounts receivable	643,830	201,867	(302,355)	543,342
Total assets	<u>\$ 23,450,878</u>	<u>\$ 47,828,035</u>	<u>\$ (47,520,300)</u>	<u>\$ 23,758,613</u>
LIABILITIES				
Accounts payable	\$ 283,942	\$ 193,323	\$ (120,421)	\$ 356,844
Due to student groups	23,166,936	8,002,545	(7,767,712)	23,401,769
Total liabilities	<u>\$ 23,450,878</u>	<u>\$ 8,195,868</u>	<u>\$ (7,888,133)</u>	<u>\$ 23,758,613</u>



A group of students in historical costumes are on a stage. In the foreground, a student in a yellow and green outfit is lying on the floor, looking up. Behind them, several other students in various historical costumes are standing or sitting. The background is a plain wall.

STATISTICAL SECTION (unaudited)

The Statistical Section provides financial statement readers with additional historical perspective, content, and detail to assist readers in using the information in the financial statements, including the accompanying notes and the required supplementary information, to understand and assess Fairfax County Public Schools' (FCPS) economic condition. Information is presented in the following five categories:

- Financial Trends—trend information to assist in understanding how FCPS' financial performance has changed over time. (Tables 1-4)
- Revenue Capacity—information to assist in understanding FCPS' most significant own-source revenue, charges for services. (Tables 5-8)
- Debt Capacity—information to assist in understanding FCPS' debt burden. (Table 9)
- Demographic Information—demographic and economic indicators to assist in understanding the environment within which FCPS' financial activities take place. (Tables 10-13)
- Operating Information—service and infrastructure data to assist in understanding the resources used and services provided in FCPS' operations. (Tables 14-19)

FAIRFAX COUNTY PUBLIC SCHOOLS
Net Position by Component (1)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

Governmental Activities	Fiscal Year				
	2019	2018	2017	2016	2015
Net investment in capital assets	\$ 2,505,368	\$ 2,418,471	\$ 2,372,731	\$ 2,298,394	\$ 2,226,691
Restricted	65,263	79,502	64,143	66,320	60,964
Unrestricted	(3,346,426)	(3,497,379)	(2,933,512)	(2,892,239)	(2,961,330)
Total net position	<u>\$ (775,795)</u>	<u>\$ (999,406)</u>	<u>\$ (496,638)</u>	<u>\$ (527,525)</u>	<u>\$ (673,675)</u>

(1) Starting in fiscal year 2013, net assets changed to net position.

Source: FCPS Comprehensive Annual Financial Reports 2010-2019

TABLE 1

Fiscal Year					Governmental Activities
2014	2013	2012	2011	2010	
\$ 2,126,682	\$ 2,026,739	\$ 1,986,758	\$ 1,941,947	\$ 1,866,973	Net investment in capital assets
103,699	137,390	-	8,940	71,568	Restricted
200,355	251,288	411,291	388,234	255,695	Unrestricted
<u>\$ 2,430,736</u>	<u>\$ 2,415,417</u>	<u>\$ 2,398,049</u>	<u>\$ 2,339,121</u>	<u>\$ 2,194,236</u>	Total net position

FAIRFAX COUNTY PUBLIC SCHOOLS
Changes in Net Position (1)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
Governmental Activities	2019	2018	2017	2016	2015
Expenses					
Instruction	\$ 2,518,673	\$ 2,443,217	\$ 2,471,926	\$ 2,256,704	\$ 2,220,230
Support programs	372,899	365,265	379,770	361,025	360,930
Food service	83,458	78,855	82,869	76,123	77,804
Interest on long-term debt	3,173	2,965	2,831	2,908	2,865
Total expenses	<u>2,978,203</u>	<u>2,890,302</u>	<u>2,937,396</u>	<u>2,696,760</u>	<u>2,661,829</u>
Program Revenues					
Charges for services:					
Instruction	55,765	55,534	52,135	48,935	47,392
Support programs	15,192	13,637	14,037	15,624	15,672
Food service	40,865	39,358	41,659	39,604	39,592
Operating grants and contributions	329,314	317,227	287,733	267,993	259,109
Capital grants and contributions	200,894	173,864	181,916	184,126	171,313
Total program revenues	<u>642,030</u>	<u>599,620</u>	<u>577,480</u>	<u>556,282</u>	<u>533,078</u>
Total net expense	<u>(2,336,173)</u>	<u>(2,290,682)</u>	<u>(2,359,916)</u>	<u>(2,140,478)</u>	<u>(2,128,751)</u>
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal government	6,011	5,623	6,776	5,446	4,635
Commonwealth of Virginia	499,661	470,174	464,403	453,988	448,297
County of Fairfax, VA	2,051,659	1,966,920	1,913,519	1,825,153	1,768,498
Revenue for the use of money (2)	414	230	118	48	21
Other	2,039	2,266	5,987	1,993	1,688
Total general revenues and other changes in net position	<u>2,559,784</u>	<u>2,445,213</u>	<u>2,390,803</u>	<u>2,286,628</u>	<u>2,223,139</u>
Change in Net Position	<u>\$ 223,611</u>	<u>\$ 154,531</u>	<u>\$ 30,887</u>	<u>\$ 146,150</u>	<u>\$ 94,388</u>

(1) In FY 2013, net assets was changed to net position.

(2) Revenue from the use of money varies from year to year primarily due to fluctuations in interest rates.

Source: FCPS Comprehensive Annual Financial Reports 2010-2019

TABLE 2

Fiscal Year					Governmental Activities
2014	2013	2012	2011	2010	
\$ 2,216,228	\$ 2,201,593	\$ 2,034,780	\$ 1,902,838	\$ 1,884,182	Expenses
360,657	340,158	328,736	332,906	322,682	Instruction
81,128	82,418	79,303	73,756	68,957	Support programs
3,043	3,372	3,390	4,088	3,942	Food service
2,661,056	2,627,541	2,446,209	2,313,588	2,279,763	Interest on long-term debt
					Total expenses
					Program Revenues
					Charges for services:
49,753	51,495	49,918	43,188	21,413	Instruction
11,536	11,489	9,322	11,106	7,698	Support programs
41,567	43,563	47,547	47,458	47,207	Food service
262,295	253,061	235,073	229,644	225,774	Operating grants and contributions
160,008	167,136	161,268	141,171	162,727	Capital grants and contributions
525,159	526,744	503,128	472,567	464,819	Total program revenues
(2,135,897)	(2,100,797)	(1,943,081)	(1,841,021)	(1,814,944)	Total net expense
					General Revenues and Other Changes in Net Position
					Grants and contributions not restricted to specific purposes:
4,739	6,324	6,224	7,574	6,506	Federal government
427,765	426,778	383,205	365,912	319,350	Commonwealth of Virginia
1,716,989	1,683,322	1,610,835	1,611,591	1,626,601	County of Fairfax, VA
19	74	60	692	957	Revenue for the use of money (2)
1,703	1,668	1,685	137	3,069	Other
2,151,215	2,118,166	2,002,009	1,985,906	1,956,483	Total general revenues and other changes in net position
\$ 15,318	\$ 17,369	\$ 58,928	\$ 144,885	\$ 141,539	Change in Net Position

FAIRFAX COUNTY PUBLIC SCHOOLS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
	2019	2018	2017	2016	2015
General Fund:					
Nonspendable	\$ 664	\$ 649	\$ 401	\$ 144	\$ 396
Committed	39,292	43,495	55,182	49,986	54,084
Assigned	95,082	92,439	87,476	91,943	90,075
Unassigned	91	2,018	3,800	-	2,141
Total General Fund	<u>\$ 135,129</u>	<u>\$ 138,601</u>	<u>\$ 146,859</u>	<u>\$ 142,073</u>	<u>\$ 146,696</u>
All other governmental funds:					
Nonspendable	\$ 987	\$ 1,162	\$ 1,219	\$ 1,529	\$ 1,852
Restricted	65,263	79,501	63,590	66,320	61,362
Assigned	-	-	-	-	-
Unassigned	(20)	(86)	(553)	-	-
Total all other governmental funds	<u>\$ 66,230</u>	<u>\$ 80,577</u>	<u>\$ 64,256</u>	<u>\$ 67,849</u>	<u>\$ 63,214</u>

Source: FCPS Comprehensive Annual Financial Reports 2010-2019 and FCPS Final Budget Review Reports 2010-2019.

TABLE 3

Fiscal Year					
2014	2013	2012	2011	2010	
\$ 427	\$ 259	\$ 26,937	\$ 23,246	\$ 19,652	General Fund:
57,205	90,651	126,092	47,993	-	Nonspendable
97,550	119,806	83,565	140,890	136,247	Committed
2,086	3,272	22,493	48,607	33,858	Assigned
\$ 157,268	\$ 213,988	\$ 259,087	\$ 260,736	\$ 189,757	Unassigned
					Total General Fund
\$ 2,348	\$ 1,466	\$ 3,633	\$ 2,253	\$ 2,459	All other governmental funds:
104,066	137,974	114,292	31,461	27,598	Nonspendable
-	-	-	75,009	94,276	Restricted
-	-	(975)	-	-	Assigned
\$ 106,414	\$ 139,440	\$ 116,950	\$ 108,723	\$ 124,333	Unassigned
					Total all other governmental funds

FAIRFAX COUNTY PUBLIC SCHOOLS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues					
Intergovernmental	\$ 3,074,135	\$ 2,920,689	\$ 2,838,365	\$ 2,726,484	\$ 2,639,091
Charges for services	59,564	58,106	58,851	56,291	56,650
Revenue from the use of money and property	4,689	4,239	4,094	3,948	3,630
Recovered costs (1)	47,453	46,010	44,793	44,033	42,426
Other	15,974	15,789	22,180	12,154	14,420
Total revenues	<u>3,201,815</u>	<u>3,044,833</u>	<u>2,968,283</u>	<u>2,842,910</u>	<u>2,756,217</u>
Expenditures					
Current :					
Instruction	2,518,656	2,405,116	2,318,272	2,206,938	2,154,041
Support programs	373,001	359,618	353,367	353,194	350,964
Food service	83,253	77,569	77,427	74,128	75,526
Capital outlay	237,578	179,222	224,279	215,607	229,852
Debt service:					
Principal	19,792	20,477	18,157	14,444	15,238
Interest	3,190	3,122	2,803	2,909	2,751
Total expenditures	<u>3,235,470</u>	<u>3,045,124</u>	<u>2,994,305</u>	<u>2,867,220</u>	<u>2,828,372</u>
Excess (deficiency of revenues over (under) expenditures	(33,655)	(291)	(26,022)	(24,310)	(72,155)
Other financing sources (uses)					
Transfers in	30,677	32,090	29,378	30,687	30,491
Transfers out	(30,677)	(32,090)	(29,378)	(30,687)	(30,491)
Capital leases and installment purchases (2)	16,041	7,858	28,079	24,646	18,340
Total other financing sources, net	<u>16,041</u>	<u>7,858</u>	<u>28,079</u>	<u>24,646</u>	<u>18,340</u>
Net change in fund balances (3)	<u>\$ (17,614)</u>	<u>\$ 7,567</u>	<u>\$ 2,057</u>	<u>\$ 336</u>	<u>\$ (53,815)</u>
Debt service as a percentage of noncapital expenditures	0.8%	0.8%	0.8%	0.7%	0.7%

1) FCPS provides educational services to the City of Fairfax's schools on a cost reimbursement basis. These revenues are reported as recovered costs.

(2) The items acquired by capital leases and installment purchases include computers, vehicles, buses, and energy saving packages. The amount of funding available for these purchases may vary dramatically over time depending on needs.

TABLE 4

Fiscal Year					
2014	2013	2012	2011	2010	
\$ 2,559,313	\$ 2,514,854	\$ 2,384,966	\$ 2,343,575	\$ 2,349,368	Revenues
57,838	60,184	64,672	64,862	63,733	Intergovernmental
3,183	3,170	3,232	3,518	3,614	Charges for services
42,140	43,523	39,262	35,795	34,852	Revenue from the use of money and property
13,900	23,179	15,600	11,136	12,919	Recovered costs (1)
2,676,374	2,644,910	2,507,732	2,458,886	2,464,486	Other
					Total revenues
					Expenditures
					Current :
2,121,484	2,102,979	1,940,659	1,826,700	1,820,542	Instruction
345,640	325,273	313,294	311,628	311,695	Support programs
77,987	78,635	75,782	70,522	66,917	Food service
214,819	154,625	174,390	174,358	127,979	Capital outlay
					Debt service:
14,407	12,834	13,474	22,759	13,210	Principal
3,273	3,372	3,390	4,317	3,950	Interest
2,777,610	2,677,718	2,520,989	2,410,284	2,344,293	Total expenditures
(101,236)	(32,808)	(13,257)	48,602	120,193	Excess (deficiency of revenues over (under) expenditures
					Other financing sources (uses)
36,874	30,393	22,206	24,684	30,445	Transfers in
(36,874)	(30,393)	(22,206)	(24,684)	(30,445)	Transfers out
11,148	10,294	19,680	7,058	21,496	Capital leases and installment purchases (2)
11,148	10,294	19,680	7,058	21,496	Total other financing sources, net
\$ (90,088)	\$ (22,514)	\$ 6,423	\$ 55,660	\$ 141,689	Net change in fund balances (3)
0.7%	0.6%	0.7%	1.2%	0.8%	Debt service as a percentage of noncapital expenditures

(3) The significant increase in fund balance in fiscal year 2010 was a result of the implementation of major cost saving measures due to the uncertain economy.

Source: FCPS Comprehensive Annual Financial Reports 2010-2019.

FAIRFAX COUNTY PUBLIC SCHOOLS

TABLE 5

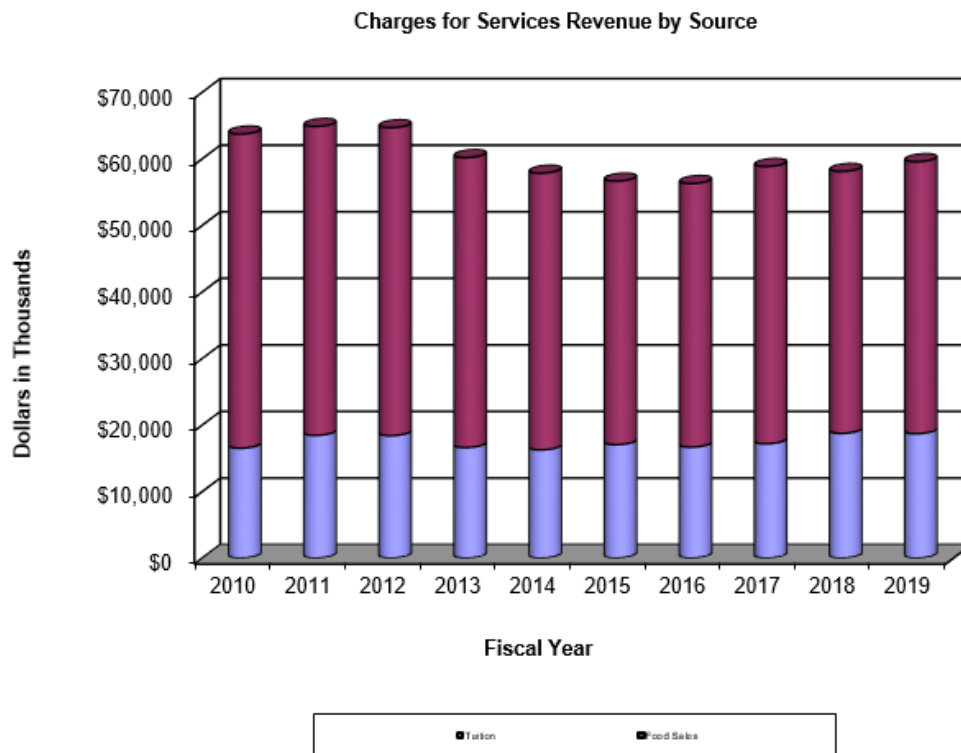
Charges for Services Revenue by Source (1)

Last Ten Fiscal Years

(Dollars in Thousands)

Unaudited

Fiscal Year	Tuition	Percentage	Food Sales	Percentage	Total
2019	\$ 18,699	31.4%	\$ 40,865	68.6%	\$ 59,564
2018	18,748	32.3	39,358	67.7	58,106
2017	17,193	29.2	41,659	70.8	58,852
2016	16,687	29.6	39,604	70.4	56,291
2015	17,058	30.1	39,592	69.9	56,650
2014	16,271	28.1	41,567	71.9	57,838
2013	16,621	27.6	43,563	72.4	60,184
2012	18,409	28.5	46,263	71.5	64,672
2011	18,451	28.4	46,411	71.6	64,862
2010	16,526	25.9	47,207	74.1	63,733



(1) FCPS' primary own source revenue is charges for services, which consists of tuition fees and food sales.

Source: FCPS Comprehensive Annual Financial Reports 2010-2019

FAIRFAX COUNTY PUBLIC SCHOOLS
Food Service Sales Price Breakdown (1)
Last Ten Fiscal Years
Unaudited

TABLE 6

Fiscal Year	Student Breakfast	Student Lunch			Adult Lunch
		Elementary	Middle	High	
2019	\$ 1.75	\$ 3.25	\$ 3.50	\$ 3.50	\$ 4.50
2018	1.75	3.00	3.25	3.25	4.25
2017	1.75	3.00	3.25	3.25	4.25
2016	1.75	2.90	3.00	3.00	3.90
2015	1.75	2.90	3.00	3.00	3.90
2014	1.50	2.65	2.75	2.75	3.65
2013	1.50	2.65	2.75	2.75	3.65
2012	1.50	2.65	2.75	2.75	3.65
2011	1.50	2.65	2.75	2.75	3.65
2010	1.50	2.65	2.75	2.75	3.65

Source: FCPS - Office of Food and Nutrition Services

FAIRFAX COUNTY PUBLIC SCHOOLS
Principal Food Service Sales by Client
Current Fiscal year and ten years ago
(Dollars in Thousands)
Unaudited

TABLE 7

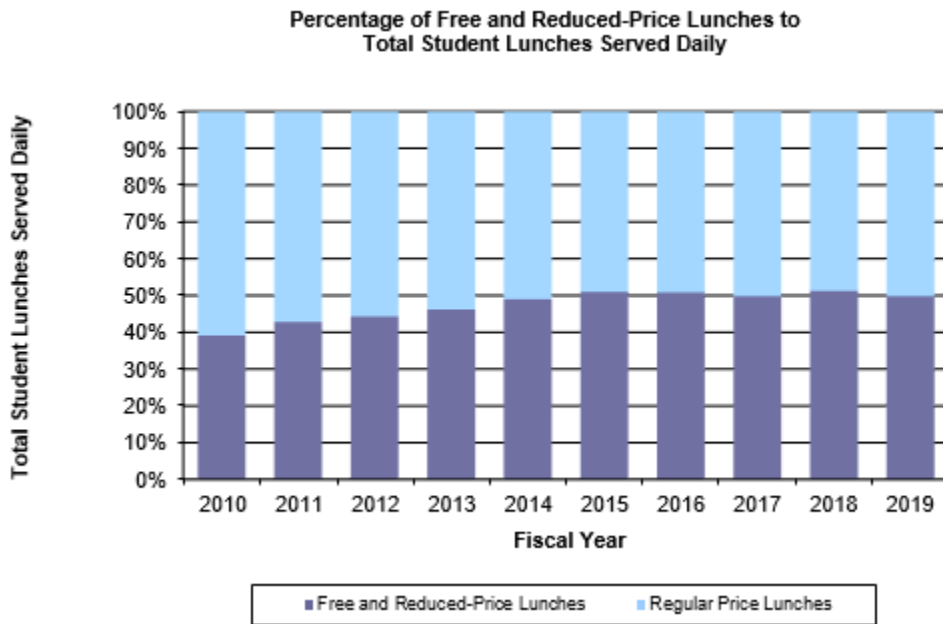
Client	Fiscal Year 2019				Fiscal Year 2010			
	Sales	Rank	Percentage of Total Sales		Sales	Rank	Percentage of Total Sales	
Student	\$ 35,379	1	86.58 %		\$ 32,598	1	69.05 %	
School-age child care(SACC)	2,741	2	6.71		2,558	4	5.42	
Vending	1,547	3	3.78		3,311	3	7.01	
Senior nutrition	433	4	1.06		856	7	1.81	
Adult	309	5	0.76		1,900	5	4.03	
Catering/other	271	6	0.66		1,232	2	2.61	
Daycare	185	7	0.45		4,752	6	10.07	
Total:	<u>\$ 40,865</u>		<u>100.00 %</u>		<u>\$ 47,207</u>		<u>100.00 %</u>	

Source: FCPS - Office of Food and Nutrition Services

FAIRFAX COUNTY PUBLIC SCHOOLS
Food Sales - Meals Served Daily
Last Ten Fiscal Years
Unaudited

TABLE 8

Fiscal Year	Students Served Daily			Adult Lunches Served Daily
	Breakfasts	Lunches (1)	Free and Reduced-Price Lunches	
2019	29,506	80,473	40,051	2,154
2018	26,591	80,374	41,184	2,156
2017	22,261	80,660	40,163	2,202
2016	20,102	82,168	41,733	2,441
2015	19,193	81,526	41,549	2,635
2014	19,090	83,355	40,786	2,743
2013	17,171	85,006	39,258	2,877
2012	15,400	86,703	38,365	2,981
2011	12,825	85,154	36,414	3,000
2010	11,911	83,514	32,661	3,138



(1) Includes free and reduced-price lunches served daily.

Source: FCPS - Office of Food and Nutrition Services

FAIRFAX COUNTY PUBLIC SCHOOLS
Ratios of Debt Outstanding (1)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

TABLE 9

Fiscal Year	Governmental Activities (2)			Percent of Personal Income (3)	Debt Per Capita (3)
	Capital Leases	Installment Purchases	Total		
2019	\$ 83,283	\$ -	\$ 83,283	0.09 %	72
2018	87,033	-	87,033	0.10	76
2017	99,652	-	99,652	0.12	88
2016	89,731	-	89,731	0.10	79
2015	79,529	-	79,529	0.10	70
2014	76,413	-	76,413	0.09	68
2013	84,948	-	84,948	0.11	76
2012	87,533	-	87,533	0.12	80
2011	81,327	-	81,327	0.11	75
2010	87,232	9,795	97,027	0.13	90

(1) See Note III.F in the notes to the financial statements for additional details on FCPS' outstanding debt.

(2) The Code prohibits FCPS from issuing general obligation debt. As a result, the County issues general obligation bonds for FCPS and reports in its financial statements, the general obligation debt related to FCPS. The Code does not impose a legal limit on the amount of long-term indebtedness that the County can incur or have outstanding; however, the County's Board of Supervisors has imposed limits.

(3) See Table 12 for personal income and population totals. The calculations are based on calendar year figures that fall within the fiscal year.

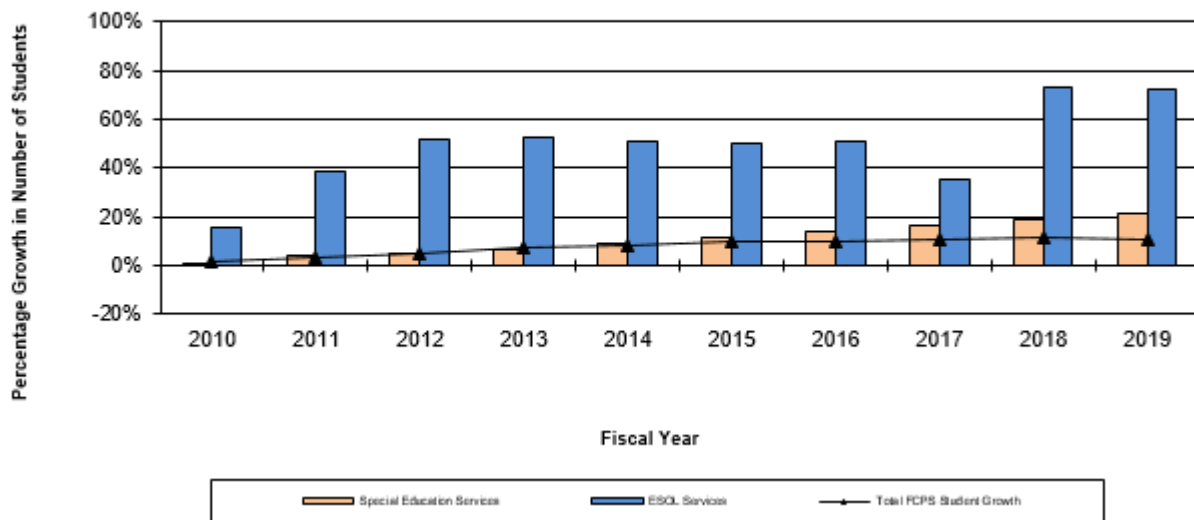
Source: FCPS Comprehensive Annual Financial Reports 2010-2019

FAIRFAX COUNTY PUBLIC SCHOOLS
Enrollment Trend
Last Ten Fiscal Years
Unaudited

TABLE 10

Fiscal Year	Grades K-6 (1)	Grades 7-8	Grades 9-12 (2)	Special Education (3)	Total
2019	90,788	26,404	53,253	17,029	187,474
2018	91,714	26,251	53,697	16,741	188,403
2017	92,535	25,680	52,876	16,393	187,484
2016	92,473	25,215	52,225	16,066	185,979
2015	92,897	25,060	52,265	15,692	185,914
2014	93,281	23,847	51,472	15,295	183,895
2013	91,657	23,459	51,124	15,019	181,259
2012	89,049	23,508	50,583	14,778	177,918
2011	86,796	23,384	50,153	14,600	174,933
2010	84,012	24,250	49,972	14,157	172,391

Total FCPS Student Growth from Fiscal Year 2010 Compared to Increased Services for Special Education and English for Speakers of Other Languages (ESOL)



- (1) Includes Family and Early Childhood Education Program (FECEP), kindergarten, and grades 1 to 6 membership.
- (2) Includes membership in grades 9 through 12, including alternative programs.
- (3) Includes Level 2 and preschool services.

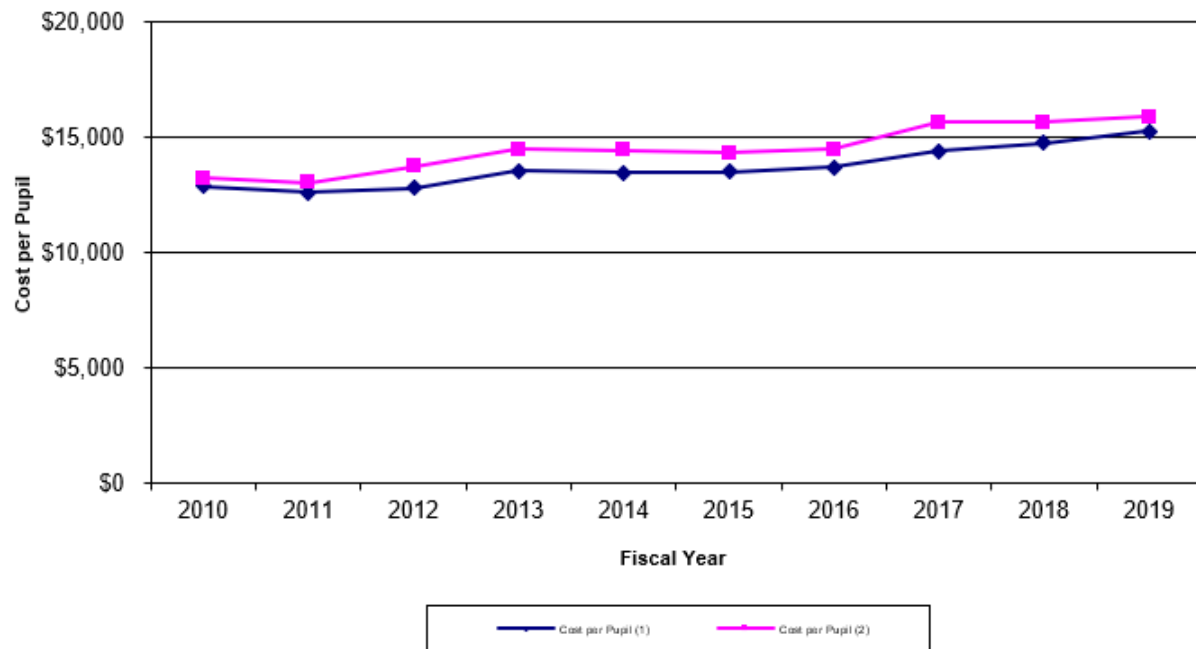
Source: FCPS Approved Budgets 2011-2020

FAIRFAX COUNTY PUBLIC SCHOOLS
Cost per Pupil
Last Ten Fiscal Years
Unaudited

TABLE 11

Fiscal Year	Cost per Pupil (1)	Cost per Pupil (2)
2019	\$ 15,293	\$ 15,886
2018	14,767	15,659
2017	14,432	15,667
2016	13,718	14,500
2015	13,519	14,318
2014	13,472	14,471
2013	13,564	14,496
2012	12,820	13,749
2011	12,597	13,032
2010	12,898	13,224

Cost per Pupil Trend



1) The regional formula for calculating the cost per pupil is based on General Fund expenditures rather than the government-wide expenses. The computation includes all costs directly associated with an instructional program. Transportation costs are allocated to each program according to the actual costs of providing services.

(2) Calculation is based on the total government-wide expenses divided by the number of students enrolled.

Source: Metropolitan/Washington Area Boards of Education Guides 2010-2019
 FCPS Comprehensive Annual Financial Reports 2010-2019

FAIRFAX COUNTY PUBLIC SCHOOLS
TABLE 12
Demographic and Economic Statistics of the County of Fairfax, Virginia
Last Ten Calendar Years
Unaudited

Calendar Year	Population (1)	Personal Income (000s) (2)	Per Capita Personal Income (2)	Median Age (Years) (3)	Percent of People ≥ 25 Years Old with a Bachelor's Degree (3)	Public School Enrollment (4)	Unemployment Rate (5)
2018	1,152,873	\$ 90,357,574	\$ 78,376	37.9	60.7%	188,403	2.4%
2017	1,142,888	86,834,344	75,978	38.1	60.3	187,484	3.0
2016	1,138,652	85,311,224	74,923	38.0	59.9	185,979	3.2
2015	1,142,234	85,675,546	75,007	37.7	59.2	185,914	3.1
2014	1,137,538	81,620,627	71,752	37.6	58.6	183,895	3.5
2013	1,130,924	80,982,075	71,607	37.3	58.2	181,259	3.7
2012	1,118,602	77,012,392	68,847	37.6	59.3	177,918	4.4
2011	1,100,692	71,145,429	64,637	37.6	58.0	174,933	4.7
2010	1,081,726	72,577,324	67,094	37.5	56.1	172,391	5.1
2009	1,074,227	74,380,552	69,241	37.3	58.1	169,538	4.9

Source:

- (1) Population data includes the Cities of Fairfax and Falls Church and is obtained from U.S. Census Bureau's American Fact Finder.
- (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 only Fairfax County 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 2018 is estimated using percent change in per capita personal income from 2017.
- (3) Median age and educational attainment information are obtained from the U.S. Census Bureau's American Fact Finder.
- (4) Public school enrollment is obtained from FCPS Approved Budgets 2010-2019.
- (5) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

FAIRFAX COUNTY PUBLIC SCHOOLS
Principal Employers in the County of Fairfax, Virginia
Current Fiscal Year and Nine Years Ago
Unaudited

TABLE 13

Employer	Fiscal Year 2019 (1)			Fiscal Year 2010 (1)		
	Number of Employees (2)	Rank	Percent of Total County Employment (3)	Number of Employees (2)	Rank	Percent of Total County Employment (3)
Fairfax County Public Schools	24,936	1	4.02 %	22,852	1	3.99 %
Federal Government	24,371	2	3.93	17,370	2	3.03
Fairfax County Government	11,860	3	1.91	11,184	3	1.95
Inova Health System	10,000-11,000	4	1.69	7,000-10,000	5	1.48
George Mason University	7,000-9,999	5	1.37	4,000-6,999	9	0.96
Booz-Allen Hamilton	5,000-9,999	6	1.21	7,000-10,000	4	1.48
Federal Home Loan Mortgage	5,000-9,999	7	1.21	4,000-6,999	7	0.96
Capital One	5,000-9,999	8	1.21	-	-	-
Science Applications International Corporation (4)	5,000-9,999	9	1.21	4,000-6,999	6	0.96
Navy Fedral Credit Union	2,500-4,999	10	0.60	-	-	-
Northrop Grumman	2,500-4,999	-	0.60	4,000-6,999	8	0.96
Lockheed Martin	500-999	-	0.12	4,000-6,999	10	0.96
			<u>19.08%</u>			<u>16.73%</u>

(1) Employment information for fiscal year 2019, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 1st quarter of calendar year 2019 Virginia Employment Commission (VEC). Employment information for fiscal year 2010 was presented in the fiscal year 2010 Fairfax County CAFR.

(2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.

(3) Percentages are based on the midpoint of the employment range. Average total County employment in fiscal year 2019 is estimated at 620,309 based on VEC. Average total County employment for fiscal year 2010 was estimated at 572,708.

(4) Science Applications International Corporation employment reported prior to the September 2013 split into two independent companies (SAIC and Leidos).

Source: Fairfax County Economic Development Authority (using VEC data); FCPS - Office of the Comptroller;
Fairfax County Department of Management and Budget

FAIRFAX COUNTY PUBLIC SCHOOLS
Full-Time Employees by Function - All Funds
Last Ten Fiscal Years
Unaudited

Function	2019	2018	2017	2016	2015
School Based:					
Principals	199.0	199.0	199.0	198.0	197.0
Assistant principals & directors	462.0	453.0	451.0	459.0	454.0
Teachers	15,585.5	15,420.3	15,464.0	15,295.3	15,086.8
Instructional assistants	2,820.6	2,779.7	2,741.7	2,790.3	2,600.3
Custodian	1,332.5	1,324.0	1,306.5	1,327.0	1,301.5
Other school based personnel	2,644.2	2,649.3	2,632.3	2,619.3	2,658.1
Non-School Based:					
Administration	1,176.6	1,153.3	1,150.6	1,140.1	1,125.6
Teachers (1)	22.5	30.5	31.5	31.0	27.5
Office assistants	229.1	234.1	235.6	243.1	251.6
Trades personnel	464.0	472.0	476.0	478.0	479.0
Total	24,936.0	24,715.2	24,688.2	24,581.1	24,181.4

(1) These employees were teachers who performed administrative-type functions such as curriculum development.

Source: FCPS - Office of Budget Services

TABLE 14

2014	2013	2012	2011	2010	Function
					School Based:
196.0	196.0	195.0	194.0	195.0	Principals
454.0	450.0	439.0	437.0	438.0	Assistant principals & directors
15,221.3	14,986.0	14,574.2	14,230.4	13,979.5	Teachers
2,719.6	2,678.5	2,537.6	2,419.2	2,334.9	Instructional assistants
1,345.0	1,338.0	1,267.0	1,251.5	1,327.5	Custodian
2,690.8	2,667.3	2,609.5	2,536.1	2,569.4	Other school based personnel
					Non-School Based:
1,158.1	1,120.6	1,044.2	1,014.7	1,054.7	Administration
38.0	40.5	40.0	30.0	54.5	Teachers (1)
274.1	274.6	282.9	279.9	311.1	Office assistants
493.0	480.0	545.0	546.0	587.0	Trades personnel
<u>24,589.9</u>	<u>24,231.5</u>	<u>23,534.4</u>	<u>22,938.8</u>	<u>22,851.6</u>	Total

FAIRFAX COUNTY PUBLIC SCHOOLS**TABLE 15****SAT Scores****Comparison of County of Fairfax, Virginia, Commonwealth of Virginia, and National Averages****Last Ten Fiscal Years****Unaudited**

Fiscal Year	Combined SAT Scores - Critical Reading, Math and Writing (1)		
	County of Fairfax, VA	Commonwealth of Virginia	National
2019	1218	1113	1039
2018	1213	1110	1049
2017	1187	1095	1044
2016	1672	1522	1453
2015	1669	1523	1462
2014	1668	1520	1471
2013	1663	1517	1474
2012	1659	1510	1477
2011	1654	1516	1500
2010	1664	1521	1509

1) New SAT format implemented by the College Board on March 2016 changing the grading scale from 600-2400 (maximum of 1200 in Math and 1200 in Critical Reading & Writing) to a grading scale of 400-1600 (maximum of 800 in Math and 800 in Critical Reading & Writing).

Source: FCPS - Office of Student Testing

FAIRFAX COUNTY PUBLIC SCHOOLS**TABLE 16****Average Class Size - Students per Classroom Teacher****Last Ten Fiscal Years****Unaudited**

Fiscal Year	Elementary	Middle	Secondary/High
2019	22.6	25.1	25.9
2018	22.9	25.1	26.0
2017	22.4	24.6	25.8
2016	22.3	24.6	25.8
2015	22.4	24.6	25.6
2014	21.4	24.3	25.0
2013	21.4	24.4	24.9
2012	21.5	24.4	25.1
2011	21.7	24.3	25.3
2010	21.2	24.1	24.9

Source: Metropolitan/Washington Area Boards of Education Guides 2010-2019

FAIRFAX COUNTY PUBLIC SCHOOLS
Teacher Salary
Last Ten Fiscal Years
Unaudited

TABLE 17

Fiscal Year	Contract Length	Salary		
		Beginning Teacher	Maximum Teacher	Average Teacher
2019	194 days	\$ 50,000	\$ 104,269	\$ 75,657
2018	194 days	48,012	103,937	72,734
2017	194 days	47,516	103,854	70,813
2016	194 days	47,046	101,524	67,589
2015	194 days	46,756	100,898	66,782
2014	194 days	46,756	100,898	67,245
2013	194 days	45,161	96,039	64,813
2012	194 days	44,440	93,015	63,980
2011	194 days	44,000	92,094	64,249
2010	194 days	44,389	92,094	64,653

Source: Metropolitan/Washington Area Boards of Education Guides 2010-2019

FAIRFAX COUNTY PUBLIC SCHOOLS
Capital Assets Statistics
Last Ten Fiscal Years
Unaudited

TABLE 18

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Elementary schools	141	141	141	139	139	139	139	138	139	139
Middle schools	23	23	23	23	23	23	23	22	22	22
High/Secondary schools	25	25	25	25	25	25	25	25	25	25
Special education centers (1)	7	7	7	7	7	7	7	7	8	8
Alternative high schools	2	2	2	2	2	2	2	2	2	3
Central administrative centers	22	22	22	22	22	22	22	22	21	21
Buses	1,604	1,593	1,856	1,852	1,685	1,586	1,541	1,588	1,534	1,633

(1) The decreases for fiscal years 2010 through 2012 are a result of a decision by FCPS to make certain centers part of their respective school rather than a separate unit within the school.

Source: FCPS - Office of the Comptroller

FAIRFAX COUNTY PUBLIC SCHOOLS
School Building Statistics (1)
As of June 30, 2019
Unaudited

TABLE 19
(Page 1 of 4)

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Elementary Schools:					
ALDRIN ES	1994	14	97,436	660	148
ANNANDALE TERRACE ES	1964	12	75,226	643	117
ARMSTRONG ES	1986	14	80,000	429	186
BAILEYS ES (4)	1952, 2014	13	221,361	1,310	169
BEECH TREE ES	1968	10	70,408	375	188
BELLE VIEW ES	1952	11	75,706	535	142
BELVEDERE ES	1954	11	76,970	656	117
BONNIE BRAE ES	1988	13	86,390	801	108
BRADDOCK ES	1959	12	82,539	832	99
BREN MAR PARK ES	1957	10	62,888	499	126
BROOKFIELD ES	1967	13	90,000	828	109
BUCKNELL ES	1954	10	96,820	252	384
BULL RUN ES	1999	41	98,590	801	123
BUSH HILL ES	1954	11	71,700	540	133
CAMELOT ES	1969	10	89,591	606	148
CAMERON ES	1952	8	92,196	531	174
CANTERBURY WOODS ES	1965	12	89,744	787	114
CARDINAL FOREST ES	1966	13	81,275	601	135
CENTRE RIDGE ES	1990	14	93,981	788	119
CENTREVILLE ES	1994	13	110,450	864	128
CHERRY RUN ES	1983	11	83,532	434	192
CHESTERBROOK ES	1926	14	82,431	693	119
CHURCHILL ROAD ES	1958	10	79,833	751	106
CLEARVIEW ES	1979	14	85,637	706	121
CLERMONT ES	1968	13	80,222	625	128
COATES ES	2009	14	89,439	709	126
COLIN L. POWELL ES	2003	17	110,415	908	122
COLUMBIA ES	1967	10	55,018	482	114
COLVIN RUN ES	2003	13	98,590	757	130
CRESTWOOD ES	1955	11	88,533	611	145
CROSSFIELD ES	1988	14	89,134	625	143
CUB RUN ES	1986	16	77,850	572	136
CUNNINGHAM PARK ES	1967	10	69,842	488	143
DEER PARK ES	1995	10	98,716	583	169
DOGWOOD ES	2001	14	98,590	721	137
DRANESVILLE ES	1988	13	88,776	728	122
EAGLE VIEW ES	2006	13	98,590	646	153
FAIRFAX VILLA ES	1965	12	70,248	621	113
FAIRHILL ES	1965	10	74,478	563	132
FAIRVIEW ES	1938	14	82,115	729	113
FLINT HILL ES	1954	10	74,770	689	109
FLORIS ES	1955	10	82,811	826	100
FOREST EDGE ES	1971	13	96,669	541	179
FORESTDALE ES	1964	10	68,605	507	135
FORESTVILLE ES	1980	8	84,102	594	142
FORT BELVOIR ES (4)	1994, 2015	20	233,338	1,519	154
FORT HUNT ES	1969	13	82,363	602	137
FOX MILL ES	1979	14	75,854	555	137
FRANCONIA ES	1931	7	71,658	533	134

FAIRFAX COUNTY PUBLIC SCHOOLS
School Building Statistics (1)
As of June 30, 2019
Unaudited

TABLE 19
(Page 2 of 4)

	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (3)</u>	<u>Square Foot Per Population</u>
Elementary Schools (Cont'd):					
FRANKLIN SHERMAN ES	1952	11	64,420	392	164
FREEDOM HILL ES	1949	12	81,949	580	141
GARFIELD ES	1952	8	78,373	357	220
GLEN FOREST ES	1957	10	106,788	1,100	97
GRAHAM ROAD ES	1950	8	81,354	431	189
GREAT FALLS ES	1952	10	85,697	522	164
GREENBRIAR EAST ES	1968	10	90,547	920	98
GREENBRIAR WEST ES	1971	10	93,203	804	116
GROVETON ES	1972	13	104,052	748	139
GUNSTON ES	1954	10	74,930	524	143
HALLEY ES	1995	20	98,900	611	162
HAYCOCK ES	1954	10	85,897	986	87
HAYFIELD ES	1966	13	81,437	779	105
HERNDON ES	1961	14	98,620	850	116
HOLLIN MEADOWS ES	1965	10	93,203	677	138
HUNT VALLEY ES	1968	13	90,187	729	124
HUNTERS WOODS ES	1969	11	101,613	835	122
HUTCHISON ES	1975	39	106,408	1059	100
HYBLA VALLEY ES	1964	10	92,861	972	96
ISLAND CREEK ES	2003	19	98,590	820	120
KEENE MILL ES	1961	11	92,137	774	119
KENT GARDENS ES	1957	11	77,901	996	78
KINGS GLEN ES	1969	8	74,619	499	150
KINGS PARK ES	1964	10	82,762	669	124
LAKE ANNE ES	1967	10	85,419	606	141
LANE ES	1995	20	98,625	742	133
LAUREL HILL ES	2009	15	98,590	848	116
LAUREL RIDGE ES	1970	13	112,320	873	129
LEES CORNER ES	1987	11	81,843	775	106
LEMON ROAD ES	1955	12	69,914	601	116
LITTLE RUN ES	1963	10	55,104	335	164
LONDON TOWNE ES	1969	13	102,595	863	119
LORTON STATION ES	2003	13	101,122	893	113
LOUISE ARCHER ES	1939	8	63,060	652	97
LYNBROOK ES	1956	11	88,674	576	154
MANTUA ES	1961	12	93,818	1,085	86
MARSHALL ROAD ES	1961	11	94,444	755	125
MASON CREST ES	2012	7	98,590	576	171
MCNAIR ES	2001	15	98,625	1,315	75
MOSBY WOODS ES	1963	12	84,444	1,070	79
MOUNT EAGLE ES	1949	6	69,006	379	182
MOUNT VERNON WOODS ES	1965	10	66,096	685	96
NAVY ES	1955	10	97,862	993	99
NEWINGTON FOREST ES	1983	13	90,080	520	173
NORTH SPRINGFIELD ES	1956	12	92,000	495	186
OAK HILL ES	1983	12	85,968	852	101
OAK VIEW ES	1968	10	86,390	824	105
OAKTON ES	1945	9	90,317	793	114
OLDE CREEK ES	1966	11	69,097	381	181

FAIRFAX COUNTY PUBLIC SCHOOLS
School Building Statistics (1)
As of June 30, 2019
Unaudited

TABLE 19
(Page 3 of 4)

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Elementary Schools (Cont'd):					
ORANGE HUNT ES	1974	14	84,852	967	88
PARKLAWN ES	1958	11	90,572	672	135
PINE SPRING ES	1955	11	68,654	607	113
POPLAR TREE ES	1990	11	97,274	734	133
RAVENSWORTH ES	1963	10	80,152	575	139
RIVERSIDE ES	1968	11	93,236	827	113
ROLLING VALLEY ES	1967	10	77,528	584	133
ROSE HILL ES	1957	11	95,801	698	137
SANGSTER ES	1988	14	88,552	983	90
SARATOGA ES	1989	14	104,185	649	161
SHREVEWOOD ES	1966	13	69,480	773	90
SILVERBROOK ES	1988	14	85,410	838	102
SLEEPY HOLLOW ES	1954	10	72,361	449	161
SPRING HILL ES	1965	13	106,458	1,029	103
SPRINGFIELD ESTATES ES	1957	11	89,116	821	109
STENWOOD ES	1963	10	70,109	571	123
STRATFORD LANDING ES	1963	10	101,780	762	134
SUNRISE VALLEY ES	1979	15	85,702	597	144
TERRA CENTRE ES	1980	12	88,395	586	151
TERRASET ES	1977	14	104,830	594	176
TIMBER LANE ES	1955	10	80,709	633	128
UNION MILL ES	1986	13	93,420	974	96
VIENNA ES	1921	15	74,904	465	161
VIRGINIA RUN ES	1990	21	90,800	679	134
WAKEFIELD FOREST ES	1955	14	67,592	669	101
WAPLES MILL ES	1991	14	92,420	897	103
WASHINGTON MILL ES	1963	12	73,439	596	123
WAYNEWOOD ES	1959	10	89,904	745	121
WEST SPRINGFIELD ES	1964	10	65,001	519	125
WESTBRIAR ES	1965	10	88,472	877	101
WESTGATE ES	1968	10	84,912	566	150
WESTLAWN ES	1951	9	93,749	804	117
WEYANOKE ES	1949	10	78,103	546	143
WHITE OAKS ES	1980	16	95,386	810	118
WILLOW SPRINGS ES	1990	21	90,015	1,007	89
WOLFTRAP ES	1968	10	74,436	585	127
WOODBURN ES	1952	10	64,735	488	133
WOODLAWN ES	1937	11	97,567	513	190
WOODLEY HILLS ES	1951	10	78,268	623	126
Middle Schools:					
CARSON MS	1998	33	178,723	1,502	119
COOPER MS	1962	20	127,880	1,031	122
FRANKLIN MS	1984	35	138,756	887	170
FROST MS	1964	21	121,852	1,237	113
GLASGOW MS	2008	22	211,231	1,807	109
HERNDON MS	1955	27	193,776	1,113	180
HOLMES MS	1966	28	158,399	956	166
HUGHES MS	1980	25	129,642	1,046	125

FAIRFAX COUNTY PUBLIC SCHOOLS
School Building Statistics (1)
As of June 30, 2019
Unaudited

TABLE 19
(Page 4 of 4)

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Middle Schools (Cont'd):					
IRVING MS	1960	21	156,962	1,097	143
KEY MS	1971	21	174,232	796	219
KILMER MS	1967	23	150,361	1,130	146
LIBERTY MS	2002	80	178,723	1,097	163
LONGFELLOW MS	1960	18	161,516	1,319	133
LUTHER JACKSON MS	1954	20	150,819	1,113	161
POE MS	1960	26	178,500	913	193
ROCKY RUN MS	1980	25	130,400	1,280	102
SANDBURG MS	1963	35	269,678	1,524	173
SOUTH COUNTY MS	2012	69	176,021	1,082	163
STONE MS	1991	25	157,263	768	205
THOREAU MS	1960	20	179,007	1,209	96
TWAIN MS	1961	24	148,430	1,056	148
WHITMAN MS	1965	20	166,633	1,012	165
High and Secondary Schools (3):					
ANNANDALE HS	1954	28	340,055	2,173	156
CENTREVILLE HS	1988	36	325,562	2,579	126
CHANTILLY HS	1972	35	395,641	2,852	139
EDISON HS	1962	43	359,470	2,087	172
FALLS CHURCH HS	1967	40	306,713	2,062	149
HAYFIELD SEC	1968	58	510,249	2,085	245
HERNDON HS	1967	40	415,722	2,303	181
JEFFERSON HS	1964	39	388,767	1,781	218
LAKE BRADDOCK SEC	1971	60	592,996	2,798	212
LANGLEY HS	1965	43	337,966	1,923	176
LEE HS	1959	25	310,405	1,723	180
MADISON HS	1959	31	313,322	2,212	142
MARSHALL HS	1962	47	368,116	2,224	166
MCLEAN HS	1955	31	285,612	2,255	127
MOUNT VERNON HS	1960	41	458,181	1,983	231
OAKTON HS	1967	59	300,044	2,733	110
ROBINSON SEC	1971	78	543,978	2,590	210
SOUTH COUNTY HS	2005	69	377,832	2,215	171
SOUTH LAKES HS	1978	60	363,455	2,459	148
JUSTICE HS	1959	21	298,989	2,188	137
WEST POTOMAC HS	1960	45	366,298	2,598	141
WEST SPRINGFIELD HS	1966	39	387,429	2,281	170
WESTFIELD HS	2000	76	422,298	2,655	159
WOODSON HS	1962	95	372,400	2,384	156

Source: FCPS - Department of Facilities and Transportation Services

- (1) This table does not include the four City of Fairfax, VA schools because these buildings are not owned by FCPS.
(2) Size measured in square feet and population taken from FCPS Facility and Enrollment Dashboard as of 9/30/18.
(3) Does not include Bryant and Mountain View Alternative High Schools.
(4) Baileys and Fort Belvoir Elementary Schools have two separate campuses each. Baileys campuses go from grades pre-K-2 and 3-5 and Fort Belvoir's campuses go from grades pre-K-3 and 4-6.



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2019 Comprehensive Annual Financial Report
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www.fcps.edu