



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30 **2016**

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For the fiscal year
ended June 30 **2016**



Fairfax County Public Schools

A component unit of the County of Fairfax, Virginia

Prepared by the Department of Financial Services

As of November 18, 2016

Karen K. Garza, Superintendent

Steven Lockard, Deputy Superintendent

Susan S. Quinn, Chief Operating Officer

Kristen Michael, Assistant Superintendent, Financial Services

Shakeel Yusuf, Comptroller

This Comprehensive Annual Financial Report (CAFR) was prepared by:

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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 Financial Reporting awarded by the Government Financial Officers Association
- Certificate of Excellence in Financial Reporting awarded by the Association of School Business Officials International

November 18, 2016

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, 2016. The financial statements included in this report are prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America, 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, 2016. 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, according to the National Center for Education Statistics, is the 10th largest school division in the nation based on enrollment.

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 academic officer, chief operating officer, chief of staff, and assistant superintendents manage the day-to-day operations of the school system.

School and Centers – Fiscal Year 2016

| | |
|---------------------------------|------------|
| Elementary (K-6)..... | 139 |
| Middle (6-8)..... | 3 |
| Middle (7-8)..... | 20 |
| Secondary (7-12)..... | 3 |
| High (9-12) | 22 |
| Alternate High | 2 |
| Special Education Centers | 7 |
| Total..... | 196 |

FCPS is focused on meeting the needs of 185,979 students from preschool through twelfth grade, while managing 196 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. In fiscal year 2016, FCPS employed 24,581 full-time employees, of which 92.3 percent were school-based.

Over 85.4 percent of the school system's approved operating budget (\$2.6 billion for fiscal year 2016) 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 2016, the County provided 71.2 percent of funding, and the state and federal governments provided 24.5 percent of 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

While job growth resumed in the County in 2015 after two consecutive years of job losses, the sectors gaining jobs had lower wages. Job growth in the Professional and Business Services sector, which had shed almost 12,600 jobs in the previous two years primarily as a result of the sequester, was essentially flat during 2015. Federal procurement spending in the County, which has a substantial impact on the local economy, decreased 2.6 percent in fiscal year 2015, after increasing 2.2 percent the previous year. Defense procurement contract awards were 26.0 percent below the fiscal year 2011 peak level.

Business, Professional, and Occupational License (BPOL) and Sales Taxes, two revenue sources that are a good indicator of economic activity in the County, saw a very modest growth during fiscal year 2016. BPOL receipts increased 0.7 percent over the fiscal year 2015 level. Sales Tax receipts grew a modest 1.4 percent after increasing a strong 6.6 percent in fiscal year 2015. Transient Occupancy Tax receipts were up 3.1 percent over the fiscal year 2015 level. In comparison, however, fiscal year 2015 receipts had increased to a much stronger rate of 9.3 percent.

The unemployment rate in the County as of August 2016 is 3.2 percent, down from 3.5 percent last August. During the first nine months of 2016, the number of home sales in the County increased 5.3 percent. However, based on information from the Metropolitan Regional Information Systems (MRIS), the average price of homes sold is down a slight 0.1 percent through September. On the commercial real estate market side, office vacancy rates remain elevated in historical terms. According to the Economic Development Authority, the direct office vacancy rate in the County decreased just slightly from 16.3 percent in 2014 to 16.2 percent as of year-end 2015.

A report prepared by the Center for Regional Analysis at George Mason University concluded that FCPS is the largest employer within the County, and contributes \$2.2 billion to the County economy. The report also determined that for every \$1 spent by FCPS in the County \$1.2 in Fairfax Economic activity is generated. FCPS annual outlays will support almost 35,000 jobs in the County.

School Enrollment

PROJECTED ENROLLMENT

The projected student enrollment for fiscal year 2017 is 186,842 students. FCPS enrollment projections begin by estimating each successive year's entering Kindergarten classes according to the historical trends between Kindergarten enrollments and live births of the County and City of Fairfax residents. Each class is then progressed through successive grade levels according to historical school level ratios of prior to current year enrollment. Projections may be modified to consider students entering each level, new dwelling completions,

and other factors. For new dwellings expected to be occupied during the next five-year period, student generation ratios are used to estimate the number of future students likely to enter FCPS.

SPECIAL EDUCATION

In fiscal year 2017, an estimated 45,564 special education services will be provided to 25,995 students (an average of 1.8 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).

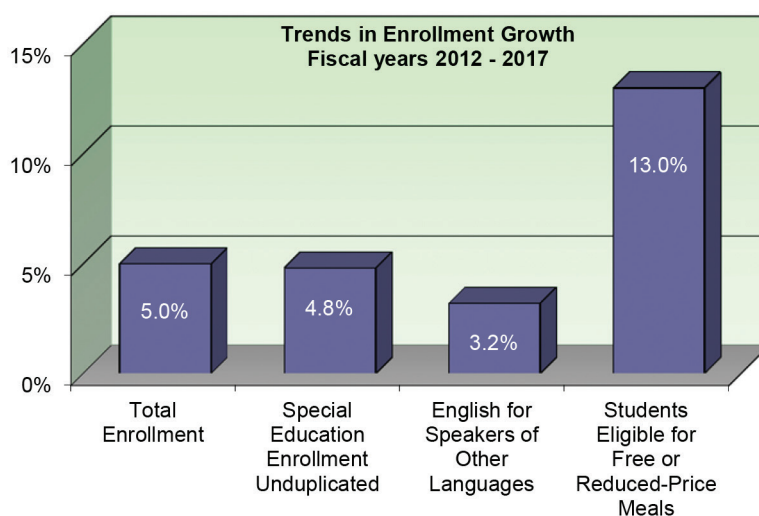
ENGLISH FOR SPEAKERS OF OTHER LANGUAGES (ESOL)

FCPS students come from many countries in the world and speak nearly 200 languages. According to FCPS data as of September 30, 2015, 49.6 percent of FCPS elementary students speak a language other than English at home. In fiscal year 2017, ESOL services are projected to be provided to 32,398 students, an increase of 992 students, or 3.2 percent, since fiscal year 2012.

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 2017, it is projected that 52,129 FCPS students will be eligible to participate. This represents a 13.0 percent increase over Fiscal year 2012. The number of students eligible as a percentage of the total student population is projected to grow from 25.9 percent in Fiscal year 2012 to 27.9 percent for fiscal year 2017.

The chart below represents the changes in FCPS enrollment from Fiscal year 2012 through fiscal year 2017 projected student enrollment for the following student populations:



Accomplishments

STUDENT ACHIEVEMENT

Individual students and groups annually earn honors and awards in all academic, extracurricular, and athletic areas in regional, state and national competitions.

- Forty-four FCPS students from nine high schools were named National Merit Scholarship Corporation winners for 2016.
- For the 2015-2016 school year, FCPS' average overall composite SAT score was 1672, compared to the State average of 1522 and the national average of 1453.
- In the 2016 U.S. News and World Report ranking of America's Best High Schools, TJHSST was ranked as the number five gold medal school in the nation. Additionally, TJHSST was ranked number three for the best STEM school. FCPS received twelve gold medal awards, one of which was ranked in the top 100 high schools nationally, and four silver medals.
- In the 2016 Washington Post rankings of more than 2,300 top U.S. high schools measured by participation in AP, IB exams or Advanced International Certificate of Education, all FCPS high schools were designated as among the most demanding public schools in the nation. Within the top ten percent of these schools, FCPS has two high schools.
- A TJHSST senior was selected as an Honors Research Program student by the Ocean Exploration Trust, and participated in the 2016 Nautilus Exploration Program that set sail in August 2016 to explore the California margin, an area in the north Pacific Ocean that is largely unexplored.
- Students from two FCPS middle schools and one high school earned gold medals at the 2016 Family, Career, and Community Leaders of America (FCCLA) national convention held in San Diego. Gold medals were won in the Food Innovations competition, the Junior Food Innovations STAR event, the Sports Nutrition STAR event, and in Recycle and Redesign.
- Fifty-two FCPS schools earned a 2016 Virginia Index of Performance (VIP) award for advanced learning and achievement from Governor Terry McAuliffe and the Virginia Board of Education.
- Three FCPS schools earned the Governor's Award for Educational Excellence, the highest VIP award. Rocky Run Middle School earned its' seventh consecutive Governor's Award.

TEACHER ACHIEVEMENT

FCPS teachers are recognized on regional, national, and state levels for their accomplishments.

- A Robinson Secondary School math teacher was one of 213 teachers nationwide to be recognized with the 2016 Presidential Award for Excellence in Mathematics and Science Teaching. The program is administered by the National Science Foundation on behalf of the White House Office of Science and Technology Policy and is regarded as the country's top honor for K-12 math and science teachers.
- A Centreville High School government teacher was presented with the 2016 John Marshall Foundation Teacher Award and \$2,500. This award represents excellence in teaching the U.S. Constitution both inside and outside the classroom. The recipient was honored for her work with government students who research and write proposals for bills that would improve the lives of Virginians. In addition, the teacher arranged for her students to meet with Justice Sotomayor at the U.S. Supreme Court.
- A Chantilly High School social studies teacher was named a 2016 American Geographical Society (AGS) Geography Teacher Fellow. She was one of 50 teachers from across the country to be selected for the first year of the program. She was invited to participate in the AGS fall symposium at Columbia University in New York City, where she will gain content knowledge and awareness of real-world geographic workplace skills in demand by geospatial companies.

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 2016, the School Board was provided with an update on the monitoring metrics and current work that supported each goal as summarized below:

- Goal 1 - Student Success, an academy course was developed to enhance instructional practices for teachers. Approximately 750 teachers were trained. In addition pilot programs to enhance ESOL using a school within a school model were implemented at two high schools with a goal to expand this program to all high schools in fiscal year 2017.
- Goal 2 - Caring Culture - satisfaction surveys were administered to staff, parents and students. Positive results were reported for meaningful and relevant work related to culture, communication, engagement, health, and well-being, but some areas for additional emphasis were identified.
- Goal 3 - Premier Workforce - A benchmarking compensation study of the marketplace and strategic model design was undertaken. The study was generally positive, but highlighted gaps that will lead the future direction of this goal.
- Goal 4 - Resource Stewardship – conducted an unprecedented level of community engagement as part of the fiscal year 2017 budget process which included effective involvement of citizens and employees. Return on investment (ROI) framework was developed to include monetary, academic (non-monetary outcomes associated with expenditures) and social which combines monetary, academic and outcomes to assess the full impact of funds spent.

NEW INITIATIVE

In August 2016, FCPS launched a new website to improve the online experience and mobile responsiveness for parents, students, and other members of the community. As part of this initiative, FCPS reimaged its logo which had not been realigned to meet FCPS' strategic plan in 40 years. The new logo reflects who FCPS is now and who it inspires to be in the years to come. The new tagline, ENGAGE, INSPIRE, THRIVE, reflects FCPS' commitment to engage and inspire each member of the community so that everyone thrives- especially children.

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 has earned the U.S. Environmental Protection Agency's Energy Star Certification for 145 buildings, which is the highest number of Energy Star-certified school buildings in the country. In addition, a partnership with the National Wildlife Federation Eco-Schools USA program has been established. 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 80 registered Eco-Schools, 12 of which have Green Flags, the highest award an Eco-School can achieve.

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 the 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, textbook replacement, and employee compensation.

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 three salary scales: teacher scale, instructional assistant scale, and the unified scale. 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. Encumbrances for the Capital Projects Funds do not lapse until the completion of the projects and are reported as reservations of fund balance at year end. Funding for all other encumbrances lapses at year end and requires reappropriation by the School Board. 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 development of the fiscal year 2016 budget was challenging as a result of limited resources, increased student enrollment, and shift in student demographics. While the County transfer represented an increase in funding of \$56.7 million, or 3.2 percent from the fiscal year 2015 transfer, the increase was \$14.0 million less than the School Board requested.

To balance the fiscal year 2016 budget, FCPS identified reductions totaling \$61.4 million, including compensation base savings and reductions to centrally-managed accounts such as fuel, utilities, and employee benefits were taken.

The Approved Budget for fiscal year 2017 includes a county transfer increase of \$88.4 million, or 4.8, percent from the previous year. The increase in the fiscal year 2017 transfer was made possible as a result of the county's action to increase the real estate tax rate to \$1.13 per \$100 of assessed value, which generated the additional revenue for schools and other county requirements. The Approved Budget provides for the basic needs of FCPS and does not include reductions that would negatively impact instructional programs and services. The budget includes initial funding as part of a multiyear investment in two key priority areas – employee salaries and elementary class size reduction.

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 of FCPS. The technology plan is aligned with the VDOE 2015-2017 Addendum to the Educational Technology Plan for Virginia: 2010-2015.

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.

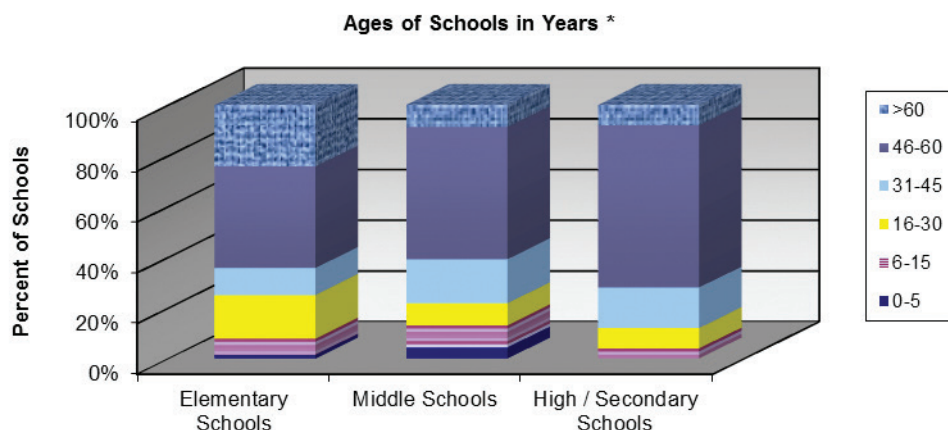
Capital Improvement Program (CIP) - using a five-year planning horizon (fiscal years 2017-2021), FCPS identifies capacity deficits that cannot be met by school boundary changes, program relocations, temporary facilities, or other internal building modifications designed to recapture underutilized or unused capacity. 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
- Special Program Facilities – capacity enhancements to accommodate special programs
- Site Acquisition – acquire sites for future schools

The fiscal year 2017-2021 CIP totals approximately \$777 million, or roughly \$155 million per year includes proposals for three new elementary schools and one new high school; renovation of 28 elementary schools, six middle schools, and five high schools; and acquisition of a future high school site.

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 2015 School Bond Referendum and previous referenda will address approximately \$429 million of the five year requirement, leaving an unfunded balance of \$348 million. A bond referendum is expected in the fall of 2017.

The graph below reflects the ages of FCPS' elementary, middle, and high schools as of June 30, 2016:



*From the year that each school opened through June 30, 2016 (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, 2015. 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, 2015.

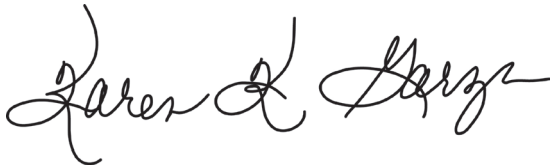
FCPS has received prestigious awards from both GFOA and ASBO for 22 consecutive years. We believe that the current CAFR also conforms to the GFOA and ASBO certificate program requirements; therefore, we are submitting it to them to confirm our compliance and to obtain another GFOA and ASBO certificate.

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 2016 Approved Budget.

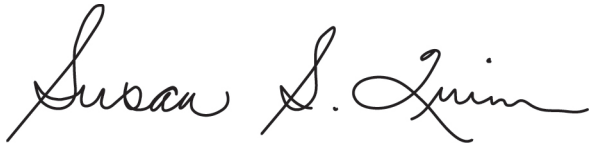
Acknowledgements

We would like to express our sincere gratitude to the personnel in the 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,



Karen K. Garza, Ph.D.
Superintendent of Schools



Susan S. Quinn
Chief Operating Officer



Kristen Michael
Assistant Superintendent, Financial Services

School Board Members and Administration

As of July 14, 2016

SCHOOL BOARD

Sandy Evans
Chairman
Mason District

Jane Strauss
Vice Chairman
Dranesville District

Karen Corbett Sanders
Mount Vernon District

Tamara Derenak Kaufax
Lee District

Jeanette Hough
Member at Large

Pat Hynes
Hunter Mill District

Ryan McElveen
Member at Large

Megan McLaughlin
Braddock District

Ilryong Moon
Member at Large

Dalia Palchik
Providence District

Elizabeth Schultz
Springfield District

Thomas Wilson
Sully District

Laura Chu
Student Representative

ADMINISTRATION

Karen K. Garza, Ph. D.
Superintendent

Steven Lockard
Deputy Superintendent

Francisco Duran
Chief Academic Officer

Susan S. Quinn
Chief Operating Officer

Marty K. Smith
Chief of Staff

Sloan Presidio
Assistant Superintendent
Instructional Services

Jane Lipp
Assistant Superintendent
Special Services

Jeffrey Platenberg
Assistant Superintendent
Facilities and Transportation
Services

Kristen Michael
Assistant Superintendent
Financial Services

R. Chace Ramey
Assistant Superintendent
Human Resources

Maribeth Luftglass
Assistant Superintendent
Information Technology

Matt Guilfoyle
Executive Director
Communication and Community
Relations

Christine Donohue
Director of Operations

John Foster
Division Counsel

Douglas Tyson
Assistant Superintendent
Region 1

Fabio Zuluaga
Assistant Superintendent
Region 2

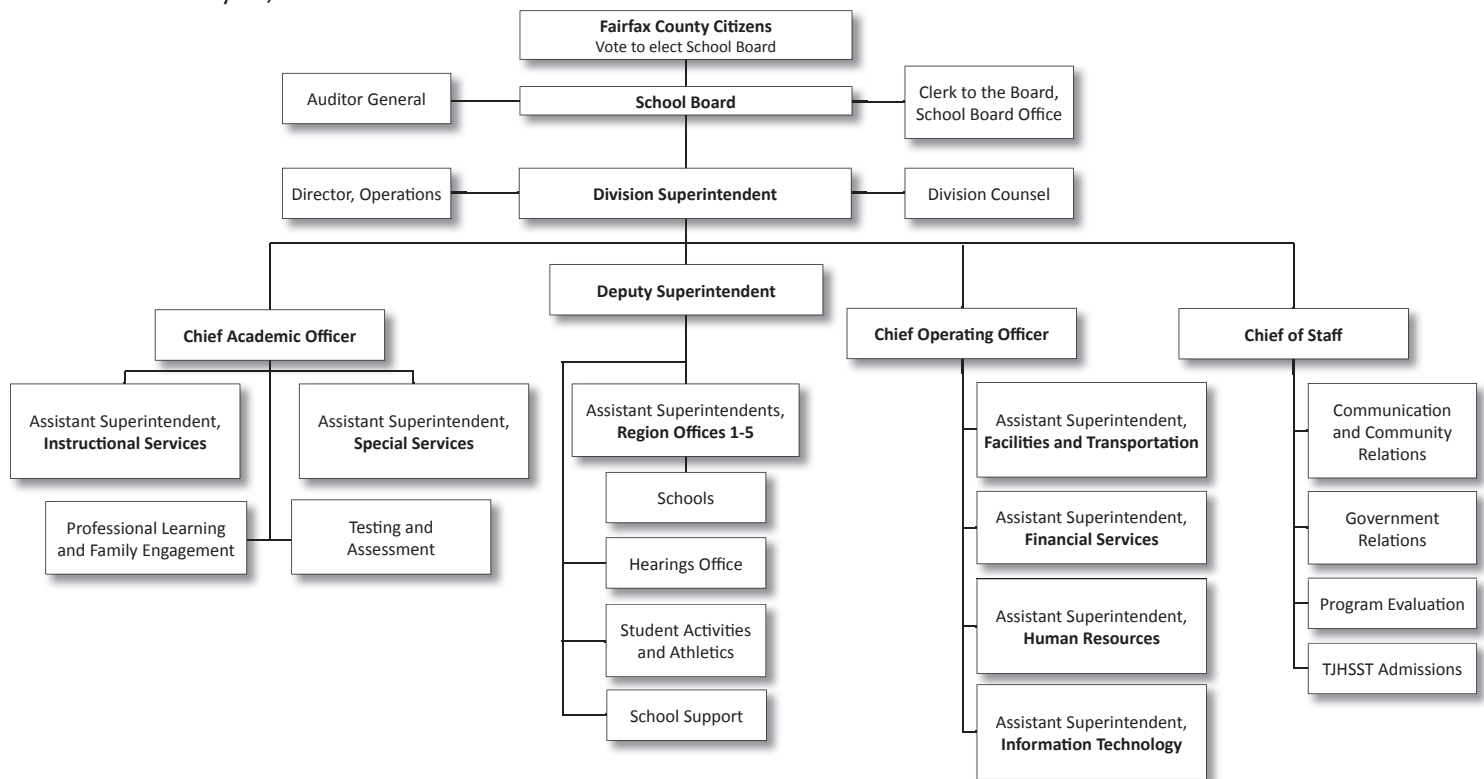
Terry Dade
Assistant Superintendent
Region 3

Angela Atwater
Assistant Superintendent
Region 4

Frances Ivey
Assistant Superintendent
Region 5

Organizational Chart

As of July 14, 2016

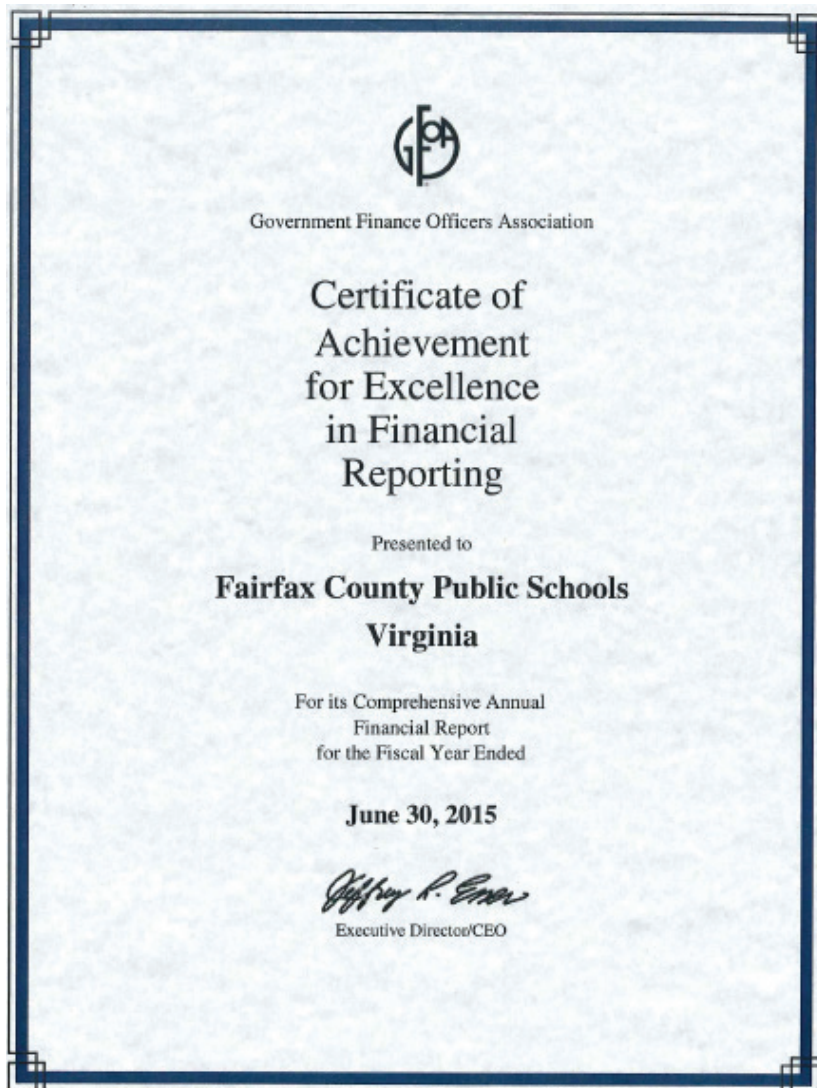


Award for Excellence in Financial Reporting

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, 2015. 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 22 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, 2015. FCPS has received this award for 22 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

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, 2016, 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. Those standards 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, 2016, 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 on pages 7 through 18 and the required supplementary information and notes to required supplementary information on pages 79 through 87 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.



Tysons Corner, Virginia
November 18, 2016



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, 2016. 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.

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$527.5 million (net position) at June 30, 2016, resulting in a total net position increase of \$146.2 million from June 30, 2015. The negative unrestricted net position of (\$2,892.2) million is primarily the result of \$3,222.0 million in net pension liabilities.
- Total revenues of \$2,842.9 million were generated in fiscal year 2016. Expenses incurred were \$2,696.7 million, resulting in an increase in net position of \$146.2 million.
- General revenues, including the funds transferred from the County, totaled \$2,286.6 million and are available for all purposes. Such revenues were sufficient to fund the \$2,140.4 million excess of total operating costs over program-specific revenues. For the fiscal year 2016, program-specific revenues amounted to \$556.3 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 \$209.9 million, the same as the prior fiscal year.
- On June 30, 2016, the General Fund, which accounts for the main operating activities of FCPS, reported an ending fund balance of \$142.1 million, a decrease of \$4.6 million from June 30, 2015. The General Fund had no unassigned fund balance at fiscal year-end.
- The Capital Projects Fund ended fiscal year 2016 with a fund balance of \$42.4 million, an increase of \$4.8 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 other postemployment benefit 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 inflows/outflows 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 accounts for 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 other postemployment benefit trust funds, as well as an agency fund. The pension and other postemployment benefit 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, 2016 and 2015:

| SUMMARY OF NET POSITION | | | | |
|---------------------------------------|--------------------------------|-------------------|-----------------|-----------------|
| As of June 30 | | | | |
| (Dollars in Millions) | | | | |
| | Governmental Activities | | | Percent |
| | 2016 | 2015 | Variance | Variance |
| ASSETS | | | | |
| Current and other assets | \$ 465.3 | \$ 472.4 | \$ (7.1) | (1.5) % |
| Capital assets, net | <u>2,388.1</u> | <u>2,306.2</u> | <u>81.9</u> | 3.6 |
| Total assets | <u>2,853.4</u> | <u>2,778.6</u> | <u>74.8</u> | 2.7 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred pensions | <u>468.8</u> | <u>348.8</u> | <u>120.0</u> | 34.4 |
| Total deferred outflows of resources | <u>468.8</u> | <u>348.8</u> | <u>120.0</u> | 34.4 |
| LIABILITIES | | | | |
| Current liabilities | 112.8 | 118.7 | (5.9) | (5.0) |
| Non-current liabilities | <u>3,406.9</u> | <u>3,153.6</u> | <u>253.3</u> | 8.0 |
| Total liabilities | <u>3,519.7</u> | <u>3,272.3</u> | <u>247.4</u> | 7.6 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Capital lease reduction | 4.3 | 4.6 | (0.3) | (6.5) |
| Deferred pensions | <u>325.7</u> | <u>524.2</u> | <u>(198.5)</u> | (37.9) |
| Total deferred inflows of resources | <u>330.0</u> | <u>528.8</u> | <u>(198.8)</u> | (37.6) |
| NET POSITION | | | | |
| Net investment in capital assets | 2,298.4 | 2,226.7 | 71.7 | 3.2 |
| Restricted | 66.3 | 60.9 | 5.4 | 8.9 |
| Unrestricted (deficit) | <u>(2,892.2)</u> | <u>(2,961.3)</u> | <u>69.1</u> | (2.3) |
| Total net position | <u>\$ (527.5)</u> | <u>\$ (673.7)</u> | <u>\$ 146.2</u> | (21.7) |

Net investment in capital assets is \$2,298.4 million, which is net of the outstanding debt for capital leases in the amount of \$89.7 million.

For fiscal year 2016, FCPS reported deferred outflows of resources of \$468.8 million related to pensions. The majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement systems. However, there may be some deferred outflows of resources attributable to the various components that impact pension expense, amortization of changes due to actuarial assumptions, and differences between expected or actual experience.

For fiscal year 2016, FCPS reported deferred inflows of resources for deferred pension of \$325.7 million, which represents a net amount attributable to the various components that impact pension expense, amortization of changes due to actuarial assumptions, 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 2016 to \$4.3 million from \$4.6 million in fiscal year 2015.

STATEMENT OF ACTIVITIES

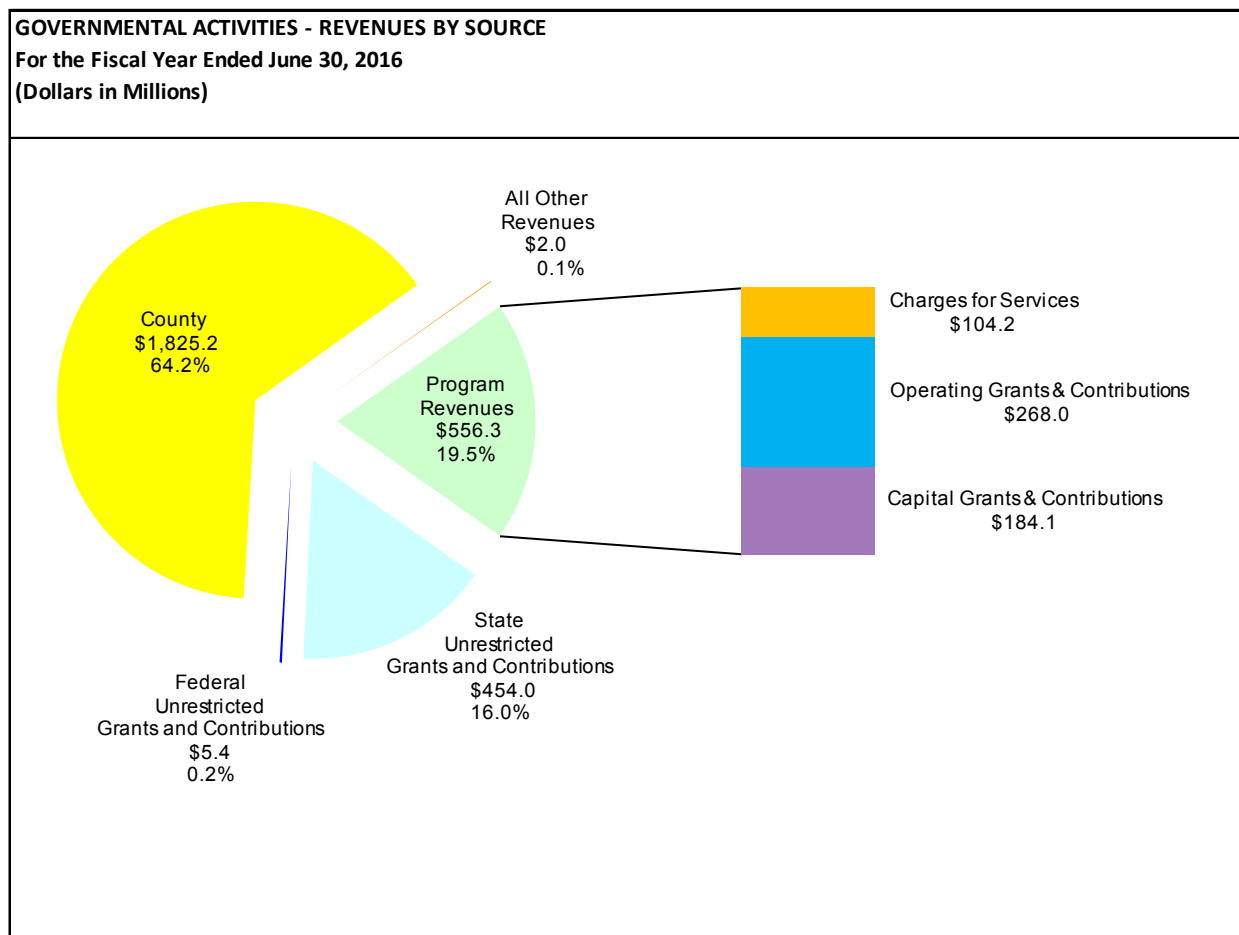
The following table provides a summary of the changes in FCPS' net position for the fiscal years ended June 30, 2016 and 2015:

| SUMMARY OF CHANGES IN NET POSITION | | | | |
|--|--------------------------------|--------------------------|------------------------|-------------------------|
| For the Fiscal Years Ended June 30 | | | | |
| (Dollars in Millions) | | | | |
| | Governmental Activities | | | |
| | 2016 | 2015 | Variance | Percent Variance |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 104.2 | \$ 102.7 | \$ 1.5 | 1.5 % |
| Operating grants and contributions | 268.0 | 259.1 | 8.9 | 3.4 |
| Capital grants and contributions | 184.1 | 171.3 | 12.8 | 7.5 |
| General revenues: | | | | |
| Grants and contributions not restricted to specific purposes | 2,284.6 | 2,221.4 | 63.2 | 2.8 |
| Other | 2.0 | 1.7 | 0.3 | 17.6 |
| Total revenues | <u>2,842.9</u> | <u>2,756.2</u> | <u>86.7</u> | 3.1 |
| EXPENSES | | | | |
| Instruction | 2,256.7 | 2,220.2 | 36.5 | 1.6 |
| Support programs | 361.0 | 360.9 | 0.1 | 0.0 |
| Food service | 76.1 | 77.8 | (1.7) | (2.2) |
| Interest on long-term debt | 2.9 | 2.9 | - | - |
| Total expenses | <u>2,696.7</u> | <u>2,661.8</u> | <u>34.9</u> | 1.3 |
| Increase in net position | 146.2 | 94.4 | 51.8 | 54.9 |
| Net position - July 1 | (673.7) | 2,430.7 | (3,104.4) | (127.7) |
| Prior period adjustment | - | (3,198.8) | 3,198.8 | 100.0 |
| Net position - July 1, as restated | <u>(673.7)</u> | <u>(768.1)</u> | <u>94.4</u> | (12.3) |
| Net position - June 30 | <u><u>\$ (527.5)</u></u> | <u><u>\$ (673.7)</u></u> | <u><u>\$ 146.2</u></u> | (21.7) |

Total revenues for FCPS' governmental activities were \$2,842.9 million in fiscal year 2016, representing an increase of \$86.7 million, or a 3.1 percent, over fiscal year 2015. The increase is primarily due to the County funding increase of \$56.7 million.

The total expenses of FCPS' programs for fiscal year 2016 were \$2,696.7 million, representing an increase of \$34.9 million or 1.3 percent over fiscal year 2015.

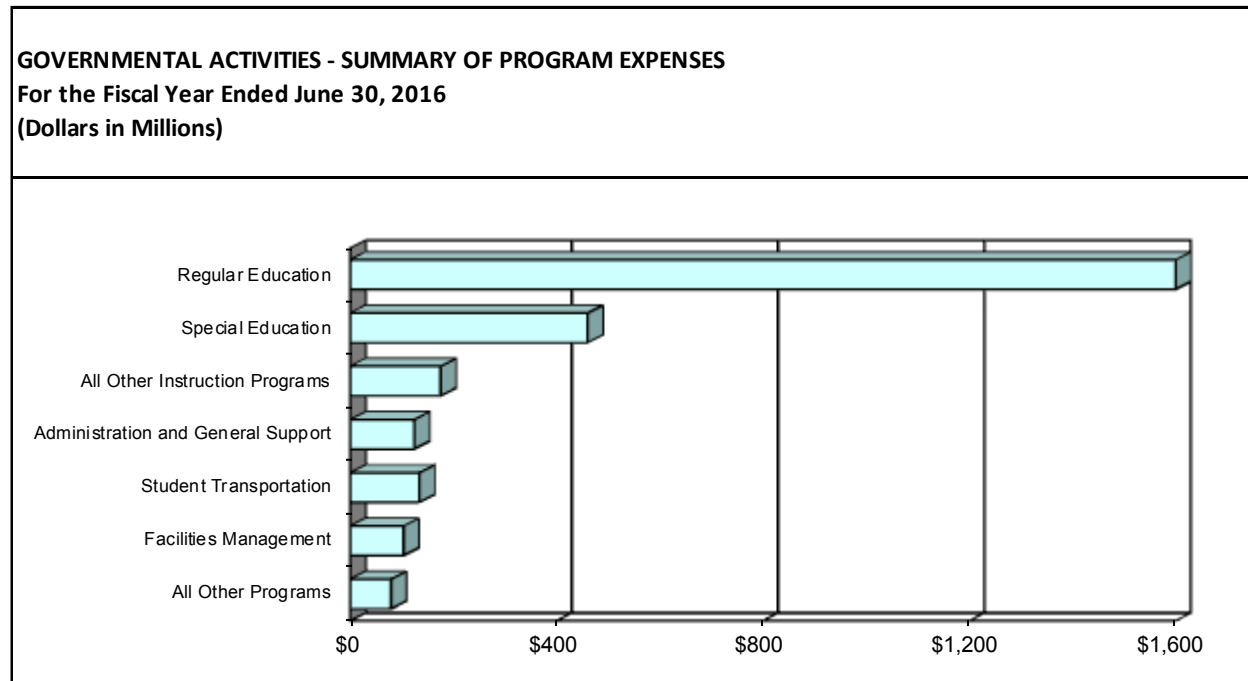
The following chart presents revenues by source for the fiscal year ended June 30, 2016:



The following items reflect the major increases and decreases in revenues during fiscal year 2016:

- \$56.7 million increase funding from the County
- \$12.6 million increase in federal grant for construction of a new elementary school on a military installation
- \$7.2 million increase in state sales tax
- \$4.6 million increase in one-time state compensation supplement
- \$2.3 million increase in federal funding for Medicaid
- \$1.4 million increase in federal funding for Impact Aid

The following chart compares the total expenses of each of FCPS' programs for the fiscal year ended June 30, 2016:



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, 2016 and 2015:

| FUND BALANCES OF GOVERNMENTAL FUNDS | | | | |
|--|----------------|----------------|-----------------|-----------------------------|
| As of June 30 | | | | |
| (Dollars in Millions) | | | | |
| | 2016 | 2015 | Variance | Percent Variance |
| General Fund | | | | |
| Nonspendable | \$ 0.1 | \$ 0.4 | \$ (0.3) | (75.0) % |
| Committed | 50.0 | 54.1 | (4.1) | (7.6) |
| Assigned | 92.0 | 90.1 | 1.9 | 2.1 |
| Unassigned | - | 2.1 | (2.1) | (100.0) |
| Total General Fund | <u>142.1</u> | <u>146.7</u> | <u>(4.6)</u> | (3.1) |
| Capital Projects Fund | | | | |
| Restricted | <u>42.4</u> | <u>37.6</u> | <u>4.8</u> | 12.8 |
| Total Capital Projects Fund | <u>42.4</u> | <u>37.6</u> | <u>4.8</u> | 12.8 |
| Nonmajor governmental funds | | | | |
| Nonspendable | 1.5 | 1.9 | (0.4) | (21.1) |
| Restricted | <u>23.9</u> | <u>23.7</u> | <u>0.2</u> | 0.8 |
| Total nonmajor governmental | <u>25.4</u> | <u>25.6</u> | <u>(0.2)</u> | (0.8) |
| All governmental funds | | | | |
| Nonspendable | 1.6 | 2.3 | (0.7) | (30.4) |
| Restricted | 66.3 | 61.3 | 5.0 | 8.2 |
| Committed | 50.0 | 54.1 | (4.1) | (7.6) |
| Assigned | 92.0 | 90.1 | 1.9 | 2.1 |
| Unassigned | - | 2.1 | (2.1) | (100.0) |
| Total governmental funds | <u>\$209.9</u> | <u>\$209.9</u> | <u>\$ 0.0</u> | 0.0 |

As of June 30, 2016, FCPS' governmental funds had a combined fund balance of \$209.9 million, the same as last fiscal year. The following represents the fiscal year 2016 fund balance classification:

- \$1.6 million is nonspendable for prepaid items and inventories
- \$66.3 million is restricted for capital construction, grants, food service, and adult and community education
- \$50.0 million is committed by the School Board for fiscal year 2017 operating budget requirements
- \$92.0 million is assigned for undelivered orders, fiscal year 2017 initiatives, and fiscal year 2018 operating budget requirements

MAJOR GOVERNMENTAL FUNDS

The General Fund is the main operating fund of FCPS. For fiscal year 2016, General Fund revenues, inclusive of other financing sources, totaled \$2,547.0 million, which represents an increase of \$72.9 million, or 2.9 percent, over the prior year. Expenditures for the General Fund, inclusive of other financing uses, increased by \$67.0 million, or 2.7 percent, over fiscal year 2015, totaling \$2,551.6 million. This resulted in a decrease in fund balance of \$4.6 million. The per pupil cost increased by \$199, from \$13,519 in fiscal year 2015 to \$13,718 in fiscal year 2016.

The Capital Projects Fund reported a total fund balance of \$42.4 million, an increase of \$4.8 million, or 12.8 percent, from fiscal year 2015. Other revenues in this fund for fiscal year 2016 totaled \$1.9 million, a decrease of 1.6 million from fiscal year 2015. Expenditures decreased by \$29.1 million, or 13.1 percent, from fiscal year 2015 due to the cyclical nature of construction projects and the timing of completion.

During fiscal year 2016, FCPS received \$155.0 million of bond proceeds from the County to fund capital projects. As of June 30, 2016, the unspent portion of this funding totaled \$100.1 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, 2016:

| GENERAL FUND BUDGET AND ACTUAL COMPARISON For the Fiscal Year Ended June 30, 2016 (Dollars in Millions) | | | | |
|--|------------------------------|---------------------------|----------------------------------|---|
| | Budget - Original | Budget - Final | Actual - Budget Basis | Variance from Final Budget |
| Total revenues | \$ 692.6 | \$ 700.9 | \$ 696.7 | \$ (4.2) |
| Total expenditures | 2,522.7 | 2,597.2 | 2,492.9 | (104.3) |
| Excess of expenditures over revenues | (1,830.1) | (1,896.3) | (1,796.2) | 100.1 |
| Total other financing sources, net of uses | 1,796.8 | 1,791.6 | 1,791.6 | - |
| Net change in fund balances | \$ (33.3) | \$ (104.7) | \$ (4.6) | \$ 100.1 |

During fiscal year 2016, the General Fund's final budget for revenues exceeded the original budget for revenues by \$8.3 million; final budget for expenditures were \$74.5 million, or 3.0 percent, higher than the original budget for expenditures. The budgeted total for other financing sources was less than the original budget by \$5.2 million.

Key factors contributing to the overall increase in revenues from the original budget to the final budget include:

- \$8.3 million increase in federal aid
- \$3.0 million increase in sales tax
- \$1.1 million increase in recovered costs from the City of Fairfax, Virginia
- (\$4.1) million decrease in state aid

Final budget for expenditures increased by \$74.5 million over the original budget for expenditures due to carryover of undelivered orders, school balance carryover, and flexibility reserve funding from fiscal year 2015.

Actual revenues were less than final budget for revenues by \$4.2 million. Revenues did not meet projections as a result of \$9.4 million in unspent federal grant awards to be carried forward to fiscal year 2017. Revenues exceeded projections by \$2.6 million in sales tax receipts and \$2.6 million from various categories.

Actual expenditures came in under the final budget for expenditures by \$104.3 million, or 4.0 percent, primarily due to the following:

- \$60.8 million in carryover and other commitments
- \$15.5 million as a result of higher compensation turnover and vacant positions
- \$8.9 million in benefits savings
- \$9.4 million in unexpended multiyear federal grants
- \$1.2 million in fuel savings

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

CAPITAL ASSETS

As of June 30, 2016, FCPS' investment in capital assets for governmental activities totaled \$2,388.1 million, net of accumulated depreciation of \$1,816.2 million and amortization of \$5.2 million. This represents a net increase in capital assets of \$89.1 million, or 3.6 percent, over the prior year.

The following table summarizes capital assets as of June 30, 2016 and 2015:

| NET CAPITAL ASSETS | | |
|---|------------------------------|-------------------|
| As of June 30 | | |
| (Dollars in Millions) | | |
| | Book Value | |
| | (net of depreciation) | |
| Capital Asset Category | 2016 | 2015 |
| Land | \$ 46.8 | \$ 46.8 |
| Construction in progress | 312.7 | 310.1 |
| Equipment | 108.1 | 92.3 |
| Intangible Assets-Software/Licenses | 7.5 | 8.0 |
| Intangible Assets-Software in Development | 0.5 | 0.3 |
| Library collections | 7.2 | 8.1 |
| Buildings | 659.3 | 678.5 |
| Building improvements | 1,195.2 | 1,122.8 |
| Land improvements | 50.8 | 39.3 |
| Total | \$ 2,388.1 | \$ 2,306.2 |

Net additions to capital assets during fiscal year 2016 include the following:

- \$67.3 million in multiyear major renovations and additions, including construction of a new elementary school
- \$22.9 million to acquire 221 buses
- \$4.7 million to acquire 335 copiers
- (\$11.6) million disposal of equipment, including educational trailers, buses, copiers, computers, and other equipment
- (\$0.5) million in completed software in development
- (\$0.9) million disposal of library collections and resource materials

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, 2016, FCPS reported total long-term obligations in the amount of \$3,407.0 million, compared to \$3,153.6 million at June 30, 2015.

The following table summarizes FCPS' long-term obligations as of June 30, 2016 and 2015:

| LONG-TERM OBLIGATIONS | | |
|------------------------------|-------------------|-------------------|
| As of June 30 | | |
| (Dollars in Millions) | | |
| | 2016 | 2015 |
| Accrued rent | \$ 0.6 | \$ 0.4 |
| Compensated absences | 32.8 | 33.2 |
| Capital leases | 89.7 | 79.5 |
| Net pension liabilities | 3,222.0 | 2,980.3 |
| Actuarial claims payable | 61.9 | 60.2 |
| Total | \$ 3,407.0 | \$ 3,153.6 |

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 2017, the County increased the real estate tax rate four cents from \$1.09 to \$1.13 per \$100 of the assessed home value. The real estate tax increase will generate an additional \$93 million for the County in fiscal year 2017. Personal property tax rate remained unchanged in fiscal year 2017.

FISCAL YEAR 2017 BUDGET

The fiscal year 2017 Approved Operating Expenditure Budget totals \$2.7 billion, an increase of \$110.3 million, or 4.3 percent, from the fiscal year 2016 Approved Budget. For fiscal year 2017, funds are budgeted that will allow FCPS to begin the process of rebuilding from some of the losses that have been sustained since the economic downturn. The budget includes initial funding as part of a multiyear investment in two key priority areas – employee salaries and elementary class size reduction.

The following are highlights of the fiscal year 2017 expenditure budget:

- \$62.2 million for step increases for all eligible employees and a 1.0 percent market scale adjustment for all employees
- \$40.0 million for a teacher scale enhancement to attract and retain the highest quality teachers
- \$14.7 million for increase in the employer contribution rate for the Virginia Retirement System and Fairfax County Employee's Retirement System
- \$13.8 million for health insurance rate increases
- \$10.8 million to reduce large elementary class sizes
- \$0.3 million for living wage adjustment for eligible employees
- (\$32.5) million savings due to compensation base savings, one-time staffing and transportation radio reserves, substitute pay rate, fuel, central department, transfers to School Construction and School Debt funds

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/node/31200>

A young boy with light brown hair, wearing an orange zip-up hoodie over a grey shirt, is standing in a library. He is looking up at a shelf of books. He is holding a stack of books in his left arm. The top book in the stack is a '2011 ALMANAC' with a cover featuring a girl and the text 'MORE THAN 750 NEW PHOTOS', 'PACKED WITH MORE AMAZING FACTS, STATS AND STORIES THAN EVER BEFORE!', and '950 DISCOVERIES'. The background is a blurred view of library shelves and greenery.

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.



FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Net Position
June 30, 2016

EXHIBIT A

| | Governmental Activities |
|---|--------------------------------|
| ASSETS | |
| Cash on deposit with County of Fairfax, VA | \$ 263,176,970 |
| Receivables: | |
| Accounts | 18,207,329 |
| Accrued interest | 54,090 |
| Due from intergovernmental units: | |
| Federal government | 30,456,075 |
| Commonwealth of Virginia | 21,057,538 |
| County of Fairfax, VA | 342,859 |
| Other | 185,559 |
| Inventories | 1,501,206 |
| Prepaid items | 171,326 |
| Restricted cash and investments | 100,059,514 |
| Net OPEB asset | 30,060,922 |
| Nondepreciable capital assets: | |
| Land | 46,837,095 |
| Construction in progress | 312,650,566 |
| Depreciable capital assets: | |
| Equipment | 332,125,146 |
| Library collections | 28,610,508 |
| Buildings and improvements | 3,476,166,342 |
| Accumulated depreciation | (1,816,218,140) |
| Intangible capital assets: | |
| Software and licenses | 12,668,600 |
| Software under development | 476,789 |
| Accumulated amortization | (5,192,242) |
| Total assets | <u>2,853,398,052</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | <u>468,836,255</u> |
| LIABILITIES | |
| Accounts payable | 37,755,290 |
| Accrued salaries and withholdings | 38,332,861 |
| Accrued interest payable | 777,079 |
| Unearned revenues | 16,238,778 |
| Contract retainages | 15,309,072 |
| Deposits | 4,349,365 |
| Non-current liabilities: | |
| Due within one year: | |
| Compensated absences | 22,933,932 |
| Capital leases | 17,126,874 |
| Net pension liability | 307,874,617 |
| Actuarial claims payable | 29,191,495 |
| Due beyond one year: | |
| Accrued rent | 573,623 |
| Compensated absences | 9,828,829 |
| Capital leases | 72,604,052 |
| Net pension liability | 2,914,101,131 |
| Actuarial claims payable | 32,713,480 |
| Total liabilities | <u>3,519,710,478</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Capital lease reduction | 4,295,644 |
| Deferred inflows related to pensions | 325,753,140 |
| Total deferred inflows of resources | <u>330,048,784</u> |
| NET POSITION | |
| Net investment in capital assets | 2,298,393,738 |
| Restricted for: | |
| Food and Nutrition Services | 11,930,155 |
| Grant programs | 11,922,007 |
| Adult and Community Education | 28,491 |
| Capital Projects | 42,439,738 |
| Unrestricted (deficit) | (2,892,239,084) |
| Total net position | <u>\$ (527,524,955)</u> |
| See accompanying notes to the financial statements. | |

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Activities
For the Fiscal Year Ended June 30, 2016

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 | \$ 857,851,390 | \$ 16,036,391 | \$ 42,366,400 | \$ - | \$ (799,448,599) |
| Middle school | 233,497,373 | 7,945,764 | 2,976,389 | - | (222,575,220) |
| High school | 529,840,238 | 13,581,290 | 20,378,620 | 13,499,004 | (482,381,324) |
| Special education | 460,241,167 | 3,466,112 | 34,993,196 | - | (421,781,859) |
| Adult and community education | 8,214,367 | 5,642,614 | 1,538,865 | - | (1,032,888) |
| Instructional support | 167,059,399 | 2,262,565 | 50,186,887 | - | (114,609,947) |
| Total instruction | 2,256,703,934 | 48,934,736 | 152,440,357 | 13,499,004 | (2,041,829,837) |
| Support programs: | | | | | |
| Administration and general support | 123,942,853 | 5,199,295 | 78,372,804 | - | (40,370,754) |
| Student transportation | 133,707,111 | 4,764,549 | - | - | (128,942,562) |
| Facilities management | 103,375,592 | 5,659,897 | - | 170,627,477 | 72,911,782 |
| Total support programs | 361,025,556 | 15,623,741 | 78,372,804 | 170,627,477 | (96,401,534) |
| Food service | 76,123,005 | 39,603,824 | 37,180,080 | - | 660,899 |
| Interest on long-term debt | 2,907,569 | - | - | - | (2,907,569) |
| Total governmental activities | \$ 2,696,760,064 | \$ 104,162,301 | \$ 267,993,241 | \$ 184,126,481 | (2,140,478,040.66) |
| General revenues: | | | | | |
| Grants and contributions not restricted to specific purposes: | | | | | |
| Federal government | | | | | 5,446,247 |
| Commonwealth of Virginia | | | | | 453,987,519 |
| County of Fairfax, VA | | | | | 1,825,153,345 |
| Revenue from the use of money | | | | | 47,919 |
| Other | | | | | 1,993,268 |
| Total general revenues | | | | | 2,286,628,298 |
| Change in net position | | | | | 146,150,257 |
| Net position - July 1, 2015 | | | | | (673,675,212) |
| Net position - June 30, 2016 | | | | | \$ (527,524,955) |

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2016

EXHIBIT C

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------|----------------------------------|--|---|
| ASSETS | | | | |
| Cash on deposit with County of Fairfax, VA | \$ 139,750,002 | \$ 421 | \$ 12,470,291 | \$ 152,220,714 |
| Receivables: | | | | |
| Accounts | 59,746 | - | 83,928 | 143,674 |
| Accrued interest | 25 | - | 24,519 | 24,544 |
| Due from intergovernmental units: | | | | |
| Federal government | 10,532,303 | 7,067,783 | 12,855,989 | 30,456,075 |
| Commonwealth of Virginia | 14,799,433 | - | 6,258,105 | 21,057,538 |
| County of Fairfax, VA | 87,000 | - | 255,859 | 342,859 |
| Other | 185,559 | - | - | 185,559 |
| Inventories | - | - | 1,501,206 | 1,501,206 |
| Prepaid items | 143,724 | - | 27,602 | 171,326 |
| Interfund receivables | 30,363,000 | - | - | 30,363,000 |
| Restricted cash and investments | - | 100,059,514 | - | 100,059,514 |
| Total assets | <u>\$ 195,920,792</u> | <u>\$ 107,127,718</u> | <u>\$ 33,477,499</u> | <u>\$ 336,526,009</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 16,782,628 | \$ 14,657,886 | \$ 1,234,275 | \$ 32,674,789 |
| Accrued salaries and withholdings | 36,505,872 | 8,657 | 1,818,332 | 38,332,861 |
| Contract retainages | - | 15,309,072 | - | 15,309,072 |
| Deposits | - | 4,349,365 | - | 4,349,365 |
| Interfund payables | - | 30,363,000 | - | 30,363,000 |
| Unearned revenues | 559,244 | - | 5,015,431 | 5,574,675 |
| Total liabilities | <u>53,847,744</u> | <u>64,687,980</u> | <u>8,068,038</u> | <u>126,603,762</u> |
| Fund balances: | | | | |
| Nonspendable | 143,724 | - | 1,528,808 | 1,672,532 |
| Restricted | - | 42,439,738 | 23,880,653 | 66,320,391 |
| Committed | 49,985,889 | - | - | 49,985,889 |
| Assigned | 91,943,435 | - | - | 91,943,435 |
| Total fund balances | <u>142,073,048</u> | <u>42,439,738</u> | <u>25,409,461</u> | <u>209,922,247</u> |
| Total liabilities and fund balances | <u>\$ 195,920,792</u> | <u>\$ 107,127,718</u> | <u>\$ 33,477,499</u> | <u>\$ 336,526,009</u> |

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
EXHIBIT C-1
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2016

| | | | |
|---|----|------------------------|-----------------------------|
| Fund balances - total governmental funds | | \$ | 209,922,247 |
| Amounts reported for governmental activities in the Statement of Net Position are different due to: | | | |
| Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Nondepreciable capital assets | \$ | 359,487,661 | |
| Depreciable capital assets | | 3,836,861,967 | |
| Accumulated depreciation | | <u>(1,816,178,111)</u> | |
| Total | | | 2,380,171,517 |
| The net OPEB asset, resulting from contributions for other postemployment benefits in excess of the annual required contribution, is not considered a financial resource and, therefore, is not reported in the governmental funds. | | | |
| | | | 30,060,922 |
| Intangible assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Software and licenses | \$ | 12,668,600 | |
| Software under development | | 476,789 | |
| Accumulated amortization | | <u>(5,192,242)</u> | |
| Total | | | 7,953,147 |
| 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 | \$ | 129,049,457 | |
| Capital assets | | 40,029 | |
| Accumulated depreciation | | <u>(40,029)</u> | |
| Liabilities | | <u>(77,861,198)</u> | |
| Total | | | 51,188,259 |
| 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 | \$ | (777,079) | |
| Accrued rent | | (573,623) | |
| Compensated absences | | (32,551,142) | |
| Capital leases | | <u>(89,730,926)</u> | |
| Total | | | (123,632,770) |
| 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. | | | |
| | | | (4,295,644) |
| 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 | \$ | 468,836,255 | |
| Net pension liability | | (3,221,975,748) | |
| Deferred inflows related to pensions | | <u>(325,753,140)</u> | |
| Total | | | (3,078,892,633) |
| Net position of governmental activities | | \$ | <u><u>(527,524,955)</u></u> |
| See accompanying notes to the financial statements. | | | |

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

EXHIBIT D

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------|------------------------------|------------------------------------|---------------------------------|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal government | \$ 41,154,625 | \$ 13,499,004 | \$ 69,848,555 | \$ 124,502,184 |
| Commonwealth of Virginia | 590,072,748 | - | 13,273,221 | 603,345,969 |
| County of Fairfax, VA | 1,825,753,345 | 169,600,000 | 3,282,217 | 1,998,635,562 |
| Charges for services: | | | | |
| Tuition and fees | 8,902,065 | - | 7,785,306 | 16,687,371 |
| Food sales | - | - | 39,603,825 | 39,603,825 |
| Revenue from the use of money and property | 3,874,747 | - | 73,663 | 3,948,410 |
| Recovered costs - City of Fairfax, VA | 44,005,675 | 27,105 | - | 44,032,780 |
| Other | 8,664,492 | 1,942,912 | 1,546,817 | 12,154,221 |
| Total revenues | <u>2,522,427,697</u> | <u>185,069,021</u> | <u>135,413,604</u> | <u>2,842,910,322</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular education: | | | | |
| Elementary school | 804,650,908 | - | 34,282,875 | 838,933,783 |
| Middle school | 226,400,802 | - | 1,947,415 | 228,348,217 |
| High school | 511,336,946 | - | 6,819,090 | 518,156,036 |
| Special education | 444,768,867 | - | 5,322,919 | 450,091,786 |
| Adult and community education | 54,644 | - | 7,978,578 | 8,033,222 |
| Instructional support | 144,805,467 | - | 18,569,888 | 163,375,355 |
| Support programs: | | | | |
| Administration and general support | 121,111,350 | - | 412,245 | 121,523,595 |
| Student transportation | 127,164,672 | - | 3,593,888 | 130,758,560 |
| Facilities management | 80,285,237 | 20,626,159 | - | 100,911,396 |
| Food service | - | - | 74,127,549 | 74,127,549 |
| Capital outlay | 43,040,199 | 172,296,512 | 270,826 | 215,607,537 |
| Debt service: | | | | |
| Principal | 14,424,623 | - | 19,644 | 14,444,267 |
| Interest | 2,908,406 | - | 815 | 2,909,221 |
| Total expenditures | <u>2,520,952,121</u> | <u>192,922,671</u> | <u>153,345,732</u> | <u>2,867,220,524</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,475,576</u> | <u>(7,853,650)</u> | <u>(17,932,128)</u> | <u>(24,310,202)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 12,666,296 | 18,020,974 | 30,687,270 |
| Transfers out | (30,687,270) | - | - | (30,687,270) |
| Capital leases | 24,588,785 | - | 57,463 | 24,646,248 |
| Total other financing sources (uses), net | <u>(6,098,485)</u> | <u>12,666,296</u> | <u>18,078,437</u> | <u>24,646,248</u> |
| Net change in fund balances | (4,622,909) | 4,812,646 | 146,309 | 336,046 |
| Fund balances - July 1, 2015 | 146,695,957 | 37,627,092 | 25,587,062 | 209,910,111 |
| Decrease in reserve for inventories | - | - | (323,910) | (323,910) |
| Fund balances - June 30, 2016 | <u>\$ 142,073,048</u> | <u>\$ 42,439,738</u> | <u>\$ 25,409,461</u> | <u>\$ 209,922,247</u> |

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
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, 2016

EXHIBIT D-1

| | | |
|--|----|----------------------|
| Net change in fund balances - total governmental funds | \$ | 336,046 |
| 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 | \$ | 215,607,537 |
| Depreciation expense | | <u>(133,457,531)</u> |
| Total | | 82,150,006 |
| 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. | | 11,807 |
| 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. | | (257,244) |
| 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. | | 14,444,267 |
| 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. | | (24,646,248) |
| In the government-wide statements, rent abatement charges impact accrued rent. In the governmental funds, this is not considered a current year expenditure. | | (188,687) |
| 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. | | (323,910) |
| 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. | | 385,010 |
| 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. | | (1,734,735) |
| Interest on capital leases is reported as expenditures in the governmental funds when it is due. However, in the Statement of Activities, interest is expensed as it accrues. This amount represents the net change in accrued interest on long-term debt. | | 1,652 |
| Contributions for other postemployment benefits are reported as expenditures in the governmental funds. However, contributions made in amounts greater or less than the annual required contribution do not result in an expense in the Statement of Activities. | | (1,091,000) |
| 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 lease and expensed. | | 321,049 |
| 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. | | 76,742,244 |
| Change in net position of governmental activities | \$ | <u>146,150,257</u> |
| See accompanying notes to the financial statements. | | |

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Net Position
Proprietary Funds
June 30, 2016

EXHIBIT E

| | Governmental Activities - Internal Service Funds |
|--|---|
| ASSETS | |
| Current assets: | |
| Cash on deposit with County of Fairfax, VA | \$ 110,956,256 |
| Receivables: | |
| Accounts | 18,063,655 |
| Accrued interest | 29,546 |
| Total current assets | <u>129,049,457</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Equipment | 40,029 |
| Accumulated depreciation | (40,029) |
| Total noncurrent assets | <u>-</u> |
| Total assets | <u>129,049,457</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 5,080,501 |
| Unearned revenues | 10,664,103 |
| Compensated absences | 148,133 |
| Actuarial claims payable | 29,191,495 |
| Total current liabilities | <u>45,084,232</u> |
| Noncurrent liabilities: | |
| Compensated absences | 63,486 |
| Actuarial claims payable | 32,713,480 |
| Total noncurrent liabilities | <u>32,776,966</u> |
| Total liabilities | <u>77,861,198</u> |
| NET POSITION | |
| Unrestricted | 51,188,259 |
| Total net position | <u>\$ 51,188,259</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, 2016

EXHIBIT F

| | Governmental Activities - Internal Service Funds |
|------------------------------------|---|
| OPERATING REVENUES | |
| Charges for services | \$ 382,730,976 |
| OPERATING EXPENSES | |
| Salaries and wages | 3,561,053 |
| Claims and benefits | 368,154,185 |
| Professional consultant services | 12,550,794 |
| Other operating expenses | 356,005 |
| Total operating expenses | <u>384,622,037</u> |
| Operating loss | (1,891,061) |
| NONOPERATING REVENUES | |
| Interest revenue | <u>156,326</u> |
| Change in net position | (1,734,735) |
| Total net position - July 1, 2015 | 52,922,994 |
| Total net position - June 30, 2016 | <u>\$ 51,188,259</u> |

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

EXHIBIT G

| | Governmental Activities - Internal Service Funds |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from interfund services provided | \$ 373,270,623 |
| Payments to employees | (3,561,053) |
| Payments for claims and health benefits | (366,497,135) |
| Payments for professional services | (16,187,993) |
| Payments for other operating expenses | (356,005) |
| Net cash used in operating activities | <u>(13,331,563)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>148,286</u> |
| Net cash provided by investing activities | <u>148,286</u> |
| Net decrease in cash and cash equivalents | (13,183,277) |
| Cash and cash equivalents - July 1, 2015 | <u>124,139,533</u> |
| Cash and cash equivalents - June 30, 2016 | <u><u>\$ 110,956,256</u></u> |
| Reconciliation of operating loss to net cash provided used in operating activities: | |
| Operating loss | \$ (1,891,061) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Increase in accounts receivable | (9,890,532) |
| Decrease in prepaid items | 2,188 |
| Decrease in accounts payable | (3,639,387) |
| Increase in unearned revenues | 430,180 |
| Decrease in compensated absences | (9,066) |
| Increase in actuarial claims payable | <u>1,666,115</u> |
| Total adjustments to operating income | <u>(11,440,502)</u> |
| Net cash used in operating activities | <u><u>\$ (13,331,563)</u></u> |

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

EXHIBIT H

| | Pension and Other Postemployment Benefit Trust Funds | Agency Fund - Student Activity |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,326,363 | \$ - |
| Cash with fiscal agent | 883,462 | 20,850,022 |
| Cash collateral for securities on loan | 142,266,388 | - |
| Short-term investments | 20,926,504 | - |
| Receivables: | | |
| Accounts | - | 458,410 |
| Accrued interest | 2,680,082 | - |
| Securities sold | 13,653,603 | - |
| Investments, at fair value: | | |
| U.S. government obligations | 8,772,468 | - |
| Mortgage-backed securities | 125,681,958 | - |
| Stocks | 608,572,307 | - |
| Real estate | 182,108,025 | - |
| Global asset allocation | 207,360,520 | - |
| Better beta derivatives | 114,838,276 | - |
| Hedge funds | 175,271,957 | - |
| Private equity limited partnership | 61,386,165 | - |
| Mutual funds | 700,070,463 | - |
| Capital assets: | | |
| Equipment | 152,406 | - |
| Accumulated depreciation | (117,492) | - |
| Total assets | <u>2,365,833,455</u> | <u>\$ 21,308,432</u> |
| LIABILITIES | | |
| Accounts payable | 1,840,340 | 498,998 |
| Payable for purchase of investments | 13,646,920 | - |
| Liability for collateral received under securities lending agreements | 142,266,388 | - |
| Due to student groups | - | 20,809,434 |
| Total liabilities | <u>157,753,648</u> | <u>\$ 21,308,432</u> |
| NET POSITION | | |
| Held in trust for pension and other postemployment benefits | <u>\$ 2,208,079,807</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, 2016

EXHIBIT I

| | Pension and Other Postemployment Benefit Trust Funds |
|---|---|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 98,288,695 |
| Plan members | 41,383,642 |
| Total contributions | <u>139,672,337</u> |
| Investment earnings: | |
| From investing activities: | |
| Net depreciation on fair value of investments | (39,957,847) |
| Interest and dividends | 32,506,489 |
| Real estate income | 4,074,306 |
| Other | 1,862 |
| Net loss from investing activities | <u>(3,375,190)</u> |
| Less Investment expenses: | |
| Investment management fees | 12,647,469 |
| Investment consulting fees | 428,919 |
| Investment custodial fees | 196,079 |
| Investment salaries | 228,768 |
| Total investment expenses | <u>13,501,235</u> |
| Net loss from investing activities | <u>(16,876,425)</u> |
| From securities lending activities: | |
| Securities lending income | 916,181 |
| Securities lending borrower rebates | 85,548 |
| Securities lending management fees | (299,925) |
| Net income from securities lending activities | <u>701,804</u> |
| Net investment loss | <u>(16,174,621)</u> |
| Total additions | <u>123,497,716</u> |
| DEDUCTIONS | |
| Benefit payments | 182,410,790 |
| Refund of contributions | 4,626,057 |
| Administrative expenses | 4,004,882 |
| Total deductions | <u>191,041,729</u> |
| Change in net position | (67,544,013) |
| Net position - July 1, 2015 | 2,275,623,820 |
| Net position - June 30, 2016 | <u>\$ 2,208,079,807</u> |

See accompanying notes to the financial statements.



Notes to the Financial Statements

As of and for the year ended June 30, 2016

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, 2016. 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, 2016, 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 Benefit 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.

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. In applying the susceptible to accrual concept, revenue is considered available if it is received within 60 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. The primary revenues susceptible to accrual include intergovernmental revenues and recovered costs. 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 revenue 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 revenue reported in the Grants and Self-Supporting Programs Fund is primarily attributable to advance tuition payments for summer school. The unearned revenue in the Adult and Community Education Fund stems from tuition payments to be applied to classes offered in the following fiscal year. Unearned revenue 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, 2016, 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, 2016
- 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 expensed 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 lease and installment purchase agreements 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) amounted to \$476,789 at June 30, 2016. 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.D Pensions 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 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. 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. A deferred outflow of resources is defined as a consumption of net position that is applicable to a future reporting period. FCPS has one item which qualifies for reporting in this category, deferred pensions. Refer to Note IV.D for a detailed listing of the deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position that is applicable to a future reporting period. FCPS has two items which qualify for reporting in this category (a) deferred inflow of resources related to pension and (b) capital lease reduction related to revisions of capital lease agreements. Refer to Note IV.D for a detailed listing of the deferred inflows of resources related to pensions.

M. 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 held in trust 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 School OPEB plans.

N. 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 2016, reimbursements totaled \$44,005,675 for educational services, in addition to \$27,105 for construction projects performed on the City's behalf through FCPS Capital Projects Fund.

O. 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.

P. 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.

Q. 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, 2016, restricted cash and investments reported in the Capital Projects Fund totaled \$100,059,514.

R. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, FCPS implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants". The implementation of these new standards did not have a material impact on FCPS' financial statements for fiscal year 2016.

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

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.

3. 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.

The County and component unit's pooled investments reporting at Net Asset Value:

| Investment measured at the (NAV) | Fair Value | Primary Government | Component Unit | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|----------------------------------|---------------|--------------------|----------------|----------------------|----------------------|-----------------------------|
| Virginia Investment Pool (VIP) | \$ 90,588,541 | 72,522,078 | 18,066,463 | - | 2 weeks | 5 days/ 60 if > \$5 million |

Virginia Investment Pool is invested in high-quality corporate and government securities with average duration of between 1 to 3 years. The net asset value of the Portfolio is determined by calculating the fair market value of all securities and assets held by the Portfolio, including accrued interest and amounts owed to the Portfolio for securities sold or principal and income not collected as of the Portfolio Valuation date, less any liabilities of the Portfolio. The value of each Participant's account is determined by dividing the net asset value of the Portfolio by the total number of shares of beneficial interest, multiplied by the number of shares owned by the Participant. Prices for securities held in the Portfolio shall be valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities, except that any securities designated as money market securities may be valued using the amortized cost method based upon the Portfolio's acquisition of the security.

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, 2016, 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) |
|--|-----------------------|---|
| U.S. Treasury Securities and Agencies* | \$ 33,945,904 | 475 |
| Commercial Paper | 86,786,565 | 267 |
| Corporate Notes* | 11,819,371 | 365 |
| Money Market Funds | 9,577,461 | 1 |
| Negotiable Certificates of Deposit | 173,816,967 | 111 |
| VA Investment Pool | 18,066,463 | 14 |
| Total fair value | <u>\$ 334,012,731</u> | |
| Portfolio weighted average maturity | | 189 |
| * Level 2 fair value hierarchy | | |

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 sponsored enterprise instruments shall be rated by both Moody's and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be 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 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.

- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's.
- Bankers' acceptances shall 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.

As of June 30, 2016, 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 | Aaf/S1 | Unrated |
| U.S. Treasury and Agencies** 7.9% | Commercial paper 20.4% | Money Market Funds 2.2% | Virginia Investment Pool 4.2% | Demand Deposit Accounts 9.8% |
| Corporate Notes 2.7% | Negotiable CD 40.5% | - - - | - | Collateralized CDs 12.3% |
| 10.6% | 60.9% | 2.2% | 4.2% | 22.1% |
| * 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, 2016. | | | | |
| ** U.S.Treasury and Agencies AA+ | | | | |

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 |
| Banker's acceptances | 40% | maximum |
| Negotiable certificates of deposit and bank deposit notes | 40% | maximum |
| Non-negotiable certificates of deposit | 40% | maximum |
| Insured certificates of deposit | 40% | maximum |
| Commercial paper | 35% | maximum |
| Repurchase agreements | 30% | maximum |
| Mutual funds | 30% | maximum |
| Collateralized deposit account | 30% | maximum |
| Insured deposit account | 30% | maximum |
| Corporate notes | 25% | maximum |
| Virginia investment pool | 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 requires 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 | 6/30/2016 | 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 | \$ 20,926,504 | \$ - | \$ 20,926,504 | \$ - |
| Debt securities | | | | |
| Asset-backed | 1,901,505 | - | 1,901,505 | - |
| Canadian bonds | 4,666,610 | - | 4,666,610 | - |
| Convertible and preferred | 16,401,704 | 3,481,831 | 12,919,873 | - |
| High yield credit | 44,639,015 | - | 44,639,015 | - |
| International bonds | 15,275,271 | - | 15,275,271 | - |
| Investment grade credit | 42,391,774 | - | 42,391,774 | - |
| Mortgage | 406,077 | - | 406,077 | - |
| U.S. Treasuries | 8,772,468 | - | 8,772,468 | - |
| Total debt securities | 134,454,424 | 3,481,831 | 130,972,593 | - |
| Equity investments | | | | |
| Basic industries | 91,925,306 | 91,925,306 | - | - |
| Consumer services | 213,991,614 | 213,991,614 | - | - |
| Financial industries | 94,559,237 | 94,559,237 | - | - |
| REITS | 12,321,184 | 12,321,184 | - | - |
| Technology | 126,871,785 | 126,871,785 | - | - |
| Utilities | 23,861,194 | 23,861,194 | - | - |
| Total equity investments | 563,530,320 | 563,530,320 | - | - |
| Total investment and short-term securities measured by fair value hierarchy level | \$ 718,911,248 | \$ 567,012,151 | \$ 151,899,097 | \$ - |

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 pages.

| INVESTMENTS MEASURED AT NET ASSET VALUE (NAV) | | | | |
|---|-------------------------|-------------------------|-------------------------|-----------------------------|
| | 6/30/16 | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Equity investments | | | | |
| Commingled large cap equity funds | \$ 105,755,311 | \$ - | Daily | None |
| Commingled emerging markets equity funds | 72,091,136 | - | Daily | 3 days |
| Total equity investments measured at the NAV | 177,846,447 | - | | |
| Fixed income investments | | | | |
| Commingled domestic fixed income funds | 290,701,531 | - | Daily | None |
| Commingled emerging markets debt funds | 61,765,290 | - | Monthly | 30 days |
| Commingled unconstrained fixed income funds | 124,381,215 | - | Daily, Semi-monthly | 1-30 days |
| Total fixed income investments measured at the NAV | 476,848,036 | - | | |
| Private equity - private equity partnerships | 61,386,165 | 103,812,594 | Not eligible | N/A |
| Global asset allocation - commingled GAA funds | 207,360,520 | - | Daily, monthly | 1-30 days |
| Better beta - commingled better beta funds | 114,838,276 | - | Monthly | 5 days |
| Real estate - commingled real estate equity funds | 182,108,025 | - | Daily, quarterly | 1-90 days |
| Absolute return - commingled absolute return funds | 165,183,995 | - | Monthly | 11-30 days |
| Total investments measured at the NAV | \$ 1,385,571,464 | \$ 103,812,594 | | |
| TOTAL INVESTMENTS AND SHORT-TERM SECURITIES | \$ 2,104,482,712 | \$ - | | |

- Commingled Large Cap Equity Fund - 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 Fund - 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 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 Fund - 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, 2016, 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 Fund - 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.
- **Commingled Absolute Return Funds** - The funds in this category invest in actively managed funds which invest in a broad range of securities and alternative investments across global markets. The funds seek 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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.63) 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.

During the fiscal year, ERFC invested in CMO derivatives. These derivatives are securities created using the underlying cash flows from mortgage securities as collateral. As of June 30, 2016, the fair value of the CMOs was \$407,943, which is included in the mortgage-backed securities classification on the fiduciary fund

statements. The change in fair value during the fiscal year is reported in the net appreciation in fair value of investments.

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. Similarly, Swap Options are contracts that give the buyer the right, but not the obligation, to enter into an underlying swap. Credit Default Swaps (CDS) are contracts that offer guarantees against the nonpayment of loans. At June 30, 2016, exposure to interest rate swaps was (\$9,534,928), exposure to interest rate caps was \$1,488,774, exposure to futures contracts was \$8,940,068, exposure to NDFs was (\$1,924,344), exposure to forward commodity contracts was \$544,033, exposure to currency forward contracts was (\$28,952,413), exposure to options was \$318,911, exposure to swap options was \$39,731, and exposure to CDSs was (\$276,951).

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, 2016, cash received as collateral and the related liability was \$142,266,388. As of June 30, 2016, the fair value of securities on loan for cash collateral was \$137,100,314. 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, 2016, the array of securities ERFC had on loan for cash and non-cash collateral took this form:

| Securities | Fair Value | Cash Collateral |
|--------------------------|-----------------------|------------------------|
| International bonds | \$ 277,987 | \$ 308,880 |
| Domestic corporate bonds | 22,280,864 | 22,840,601 |
| International stock | 3,873,834 | 5,706,313 |
| Domestic stock | 110,667,629 | 113,410,594 |
| Total | \$ 137,100,314 | \$ 142,266,388 |

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 Barclays Capital Government/Credit Index.

As of June 30, 2016, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

| Investment Category | Amount | Modified Duration (Years) |
|-----------------------------------|-----------------------|----------------------------------|
| ABS/CMBS | \$ 48,886,973 | 5.98 |
| Agencies | 8,440,211 | 5.55 |
| Bank Loans | 2,566,466 | 1.31 |
| Cash and Cash Equivalents | 30,907,669 | (0.30) |
| Convertible and Preferred | 25,761,531 | 3.66 |
| Corporate Bonds | 92,176,602 | 9.69 |
| Credit | 92,720,565 | 7.26 |
| Domestic Bonds | 26,389,777 | 1.20 |
| Emerging Market | 60,284,644 | 5.37 |
| Equities | 9,200 | - |
| Floating Rate Notes | 3,607,951 | 0.35 |
| Inflation Linked Bonds | 1,998,391 | 0.35 |
| International Bonds | 39,298,212 | 2.68 |
| Mortgages | 80,411,054 | 3.32 |
| U.S. Government Obligations | 99,674,338 | 6.09 |
| Yankees | 4,352,344 | (0.30) |
| Total | \$ 617,485,927 | |
| Weighted Duration in years | | 5.38 |

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, 2016, is portrayed below:

| Investment Type | Credit Quality Rating | | | | | | | Non-Rated |
|--|-----------------------|--------|-------|-------|-------|-------|---------|-----------|
| | AAA | AA | A | BBB | BB | B | Below B | |
| Asset and mortgage backed securities | 2.0 % | 13.1 % | 1.1 % | 1.0 % | 0.2 % | 0.1 % | 0.2 % | 1.3 % |
| Bank loans | - | - | - | - | 0.2 | 0.2 | - | - |
| Cash and cash equivalents | 1.0 | 1.4 | - | - | - | - | - | 3.0 |
| Convertible securities | - | 0.3 | 1.0 | 1.3 | 1.0 | 0.4 | - | 0.1 |
| Domestic bonds | 0.6 | 2.8 | 6.7 | 11.7 | 6.8 | 2.6 | 0.4 | - |
| Fixed income securities- uncategorized | 1.0 | 0.1 | 0.4 | 1.4 | 0.9 | 0.5 | 0.2 | 0.1 |
| International bonds | 2.8 | 0.7 | 5.4 | 4.9 | 4.1 | 0.1 | - | 0.1 |
| Preferred securities | - | - | - | - | - | - | - | - |
| U.S. government obligations | 2.3 | 13.4 | - | - | - | - | - | 0.4 |
| Yankee bonds | 0.3 | 0.1 | 0.1 | 0.2 | - | - | - | - |

Concentration of Credit Risk

ERFC's policy limits the securities of any one issuer to 10 percent at cost and 15 percent at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. As of June 30, 2016, ERFC had four active fixed income managers and one passive fixed income manager. The active manager portfolios had values of \$83.6 million, \$213.0 million, \$181.4 million and \$61.8 million. The indexed portfolio had a value of \$77.7 million. The fair value of the largest issue other than the U.S. Government in the portfolios of the active managers was only 5.82 percent of that portfolio. Since the passive manager's portfolio is an indexed mutual fund, it is excluded from the concentration of credit risk measurement.

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, 2016, was as follows:

| Investment Type | Fair Value |
|--|------------------|
| U.S. government obligations | \$ 8,772,468 |
| Bond and mortgage securities | 125,681,958 |
| Stocks | 563,530,318 |
| Real estate | 182,108,025 |
| Global asset allocation | 207,360,520 |
| Better beta | 114,838,276 |
| Hedge fund of funds | 165,183,995 |
| Private equity | 61,386,165 |
| Commingled fixed income funds | 476,848,036 |
| Commingled equity funds | 177,846,447 |
| Sub-total investments | 2,083,556,208 |
| Cash collateral for securities on loan | 142,266,388 |
| Total | \$ 2,225,822,596 |

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, 2016:

| Currency | Cash & Cash Equivalents | Equities | Fixed Income Securities | Preferred Securities | Grand Total |
|--------------------|----------------------------|----------------|----------------------------|-------------------------|----------------|
| AUSTRALIAN DOLLAR | \$ 364,143 | \$ 4,850,248 | \$ 5,160,641 | \$ - | \$ 10,375,032 |
| BRAZILIAN REAL | 6,223,742 | 2,874,921 | 5,046,900 | 368,073 | 14,513,636 |
| BRITISH POUND | 1,803,874 | - | (5,330,453) | - | (3,526,579) |
| CANADIAN DOLLAR | 725,700 | 16,483,227 | 3,167,542 | - | 20,376,469 |
| CHILEAN PESO | 881,546 | 322,664 | (114,637) | - | 1,089,573 |
| CHINESE YUAN | (4,134) | - | (1,212,343) | - | (1,216,477) |
| COLOMBIAN PESO | 108 | - | 6,436,717 | - | 6,436,825 |
| CZECH KORUNA | 52,874 | - | 1,017,047 | - | 1,069,921 |
| DANISH KRONE | 1,423,531 | 3,680,433 | (1,377,975) | - | 3,725,989 |
| EURO CURRENCY UNIT | 8,897,458 | 64,574,285 | (11,156,566) | 2,661,000 | 64,976,177 |
| GERMAN MARK | 31,052 | - | - | - | 31,052 |
| HONG KONG DOLLAR | 425,740 | 8,956,829 | (312,487) | - | 9,070,082 |
| HUNGARIAN FORINT | - | - | 888,915 | - | 888,915 |
| INDIAN RUPEE | (17,332) | - | (134,068) | - | (151,400) |
| INDONESIAN RUPIAH | (1,174,213) | 248,056 | 4,940,224 | - | 4,014,067 |
| ISRAELI SHEKEL | - | 26,654 | - | - | 26,654 |
| JAPANESE YEN | 1,587,074 | 37,315,848 | (1,007,736) | - | 37,895,186 |
| KOREAN WON | - | - | (598,164) | - | (598,164) |
| MALAYSIAN RINGGIT | (1,865,701) | 2,380,273 | 6,091,024 | - | 6,605,596 |
| MEXICAN PESO | 744,748 | 1,397,559 | 17,348,207 | - | 19,490,514 |
| NEW TAIWAN DOLLAR | 3,257 | 2,856,076 | (42,168) | - | 2,817,165 |
| NEW ZEALAND DOLLAR | 629,760 | 907,324 | 2,309,932 | - | 3,847,016 |
| NORWEGIAN KRONE | 17,181 | 1,949,597 | 2,829,382 | - | 4,796,160 |
| PERUVIAN NUEVO SOL | - | - | 3,073,275 | - | 3,073,275 |
| PHILIPPINES PESO | 613 | 99,892 | - | - | 100,505 |
| POLISH ZLOTY | 12,331 | 941,594 | 6,859,226 | - | 7,813,151 |
| POUND STERLING | 153,096 | 38,337,177 | - | - | 38,490,273 |
| QATARI RIYAL | 55,737 | 907,245 | - | - | 962,982 |
| RUSSIAN RUBLE | - | - | 244,058 | - | 244,058 |
| SINGAPORE DOLLAR | 173,290 | 3,145,034 | 244,088 | - | 3,562,412 |
| SOUTH AFRICAN RAND | 290,986 | 2,217,738 | 7,546,006 | - | 10,054,730 |
| SOUTH KOREAN WON | 10,048 | 10,429,550 | (763,848) | - | 9,675,750 |
| SWEDISH KRONA | 2,120,624 | 6,857,681 | (201,305) | 73,667 | 8,850,667 |
| SWISS FRANC | 388,857 | 17,911,745 | (991,160) | - | 17,309,442 |
| TAIWAN DOLLAR | - | - | (986,594) | - | (986,594) |
| THAILAND BAHT | 284,882 | 975,668 | - | - | 1,260,550 |
| TURKISH LIRA | 25,682 | 1,181,529 | 4,115,862 | - | 5,323,073 |
| Grand Total | \$ 24,266,554 | \$ 231,828,847 | \$ 53,089,542 | \$ 3,102,740 | \$ 312,287,683 |

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 percent. Portfolio II is structured to achieve an expected rate of return of 6.5 percent. 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% |
| Cash | 0% | 0% - 10% | 0% | 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.

On June 30, 2016, the School OPEB Trust Fund had the following investments in the Pooled Trust:

| Investment Type | Fair Value |
|------------------------------------|-----------------------|
| Mutual funds | \$ 45,375,980 |
| Stocks | 45,041,989 |
| Hedge funds | 10,087,962 |
| Receivable from sale of investment | 23,378 |
| Total Investment | \$ 100,529,309 |

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; Department of Defense (DOD) Ft. Belvoir Elementary School grant in the Capital Projects 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. DOD provided funding to construct a new school to address capacity deficiencies on the Ft. Belvoir military installation. 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. The receivable from the State in the nonmajor governmental funds represents FCPS' allocation of the Virginia Public School Authority Educational Technology Grants for qualified technology expenditures.

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, 2016, were as follows:

| Fund | Federal Government | Commonwealth of Virginia | County | Other Jurisdictions | Total |
|-----------------------|-------------------------------|-------------------------------------|------------------|--------------------------------|---------------------|
| General Fund | \$10,532,303 | \$ 14,799,433 | \$ 87,000 | \$ 185,559 | \$25,604,295 |
| Capital Projects Fund | 7,067,783 | - | - | - | 7,067,783 |
| Nonmajor Governmental | 12,855,989 | 6,258,105 | 255,859 | - | 19,369,953 |
| Total | <u>\$30,456,075</u> | <u>\$ 21,057,538</u> | <u>\$342,859</u> | <u>\$ 185,559</u> | <u>\$52,042,031</u> |

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 \$30,363,000 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, 2016, was as follows:

| Fund | Interfund Receivables | Interfund Payables |
|-----------------------|----------------------------------|-------------------------------|
| General Fund | \$ 30,363,000 | \$ - |
| Capital Projects Fund | - | 30,363,000 |
| Total | <u>\$ 30,363,000</u> | <u>\$ 30,363,000</u> |

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, 2016, was as follows:

| Fund | Transfers In | Transfers Out |
|------------------------------------|----------------------|----------------------|
| General Fund | \$ - | \$ 30,687,270 |
| Capital Projects Fund | 12,666,296 | - |
| Grants and Self-Supporting Fund | 17,785,974 | - |
| Adult and Community Education Fund | 235,000 | - |
| Total | <u>\$ 30,687,270</u> | <u>\$ 30,687,270</u> |

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2016 is shown below:

| Governmental Activities | Balance June 30, 2015 | Increases | Decreases | Balance June 30, 2016 |
|--|----------------------------------|------------------|------------------|----------------------------------|
| Non-depreciable/non-amortizable capital assets: | | | | |
| Land | \$ 46,837,095 | \$ - | \$ - | \$ 46,837,095 |
| Construction in progress | 310,065,859 | 132,625,321 | (130,040,614) | 312,650,566 |
| Software in development | 378,394 | 476,789 | (378,394) | 476,789 |
| Total non-depreciable/non-amortizable capital assets | 357,281,348 | 133,102,110 | (130,419,008) | 359,964,450 |
| Depreciable/amortizable capital assets: | | | | |
| Equipment | 301,535,440 | 41,014,658 | (10,424,952) | 332,125,146 |
| Library collections | 31,334,836 | 2,077,543 | (4,801,871) | 28,610,508 |
| Buildings | 1,237,492,279 | 5,045,491 | - | 1,242,537,770 |
| Building improvements | 2,009,116,808 | 149,854,402 | (214,476) | 2,158,756,734 |
| Land improvements | 59,926,163 | 14,945,675 | - | 74,871,838 |
| Software/licenses | 12,290,206 | 378,394 | - | 12,668,600 |
| Total depreciable/amortizable capital assets | 3,651,695,732 | 213,316,163 | (15,441,299) | 3,849,570,596 |
| Accumulated depreciation/amortization: | | | | |
| Equipment | (209,262,025) | (24,754,720) | 10,002,263 | (224,014,482) |
| Library collections | (23,258,824) | (2,934,289) | 4,801,871 | (21,391,242) |
| Buildings | (558,998,491) | (24,229,955) | - | (583,228,446) |
| Building improvements | (886,286,053) | (77,248,782) | - | (963,534,835) |
| Land improvements | (20,626,207) | (3,422,928) | - | (24,049,135) |
| Software/licenses | (4,325,385) | (866,857) | - | (5,192,242) |
| Total accumulated depreciation/amortization | (1,702,756,985) | (133,457,531) | 14,804,134 | (1,821,410,382) |
| Depreciable/amortizable capital assets, net | 1,948,938,747 | 79,858,632 | (637,165) | 2,028,160,214 |
| Total capital assets, net | \$2,306,220,095 | \$ 212,960,742 | \$ (131,056,173) | \$ 2,388,124,664 |

Depreciation was charged to governmental programs during fiscal year 2016 as shown:

| Governmental Activities | Depreciation Expense |
|------------------------------------|---------------------------------|
| Instruction: | |
| Regular education: | |
| Elementary school | \$ 42,501,913 |
| Middle school | 11,568,536 |
| High school | 26,250,728 |
| Special education | 22,802,469 |
| Adult and community education | 406,978 |
| Instructional support | 8,276,893 |
| Support programs: | |
| Administration and general support | 6,156,607 |
| Student transportation | 6,624,467 |
| Facilities management | 5,113,503 |
| Food service | 3,755,437 |
| Total | \$ 133,457,531 |

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, 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, 2016:

| Governmental Activities | Balance June 30, 2015 | Additions | Reductions | Balance June 30, 2016 | Due within One Year |
|--------------------------------|----------------------------------|-----------------------|-------------------------|----------------------------------|--------------------------------|
| Accrued rent | \$ 384,936 | \$ 573,623 | \$ (384,936) | \$ 573,623 | - |
| Compensated absences | 33,156,837 | 22,815,710 | (23,209,786) | 32,762,761 | 22,933,932 |
| Capital leases | 79,528,945 | 24,646,248 | (14,444,267) | 89,730,926 | 17,126,874 |
| Actuarial claims payable | 60,238,860 | 30,744,887 | (29,078,772) | 61,904,975 | 29,191,495 |
| Net pension liability | 2,980,288,442 | 547,060,814 | (305,373,508) | 3,221,975,748 | 307,874,617 |
| Total | \$ 3,153,598,020 | \$ 625,841,282 | \$ (372,491,269) | \$ 3,406,948,033 | 377,126,918 |

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 2020, 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, 2016, were as follows:

| Fiscal Year | Total |
|--|----------------------|
| 2017 | \$ 19,970,631 |
| 2018 | 16,262,811 |
| 2019 | 12,606,017 |
| 2020 | 10,190,845 |
| 2021 | 7,027,466 |
| 2022-2026 | 17,342,375 |
| 2027-2031 | 17,342,375 |
| 2032-2035 | 13,871,875 |
| Total Minimum Obligations | 114,614,395 |
| Portion representing interest | (24,883,469) |
| Present value of minimum lease payments | \$ 89,730,926 |

The following schedule lists the capital assets that were acquired under the capital leases that remained outstanding on June 30, 2016:

| Asset Class | Acquisition Cost | Accumulated Depreciation | Net |
|--------------------|-----------------------------|-------------------------------------|----------------------|
| Capital assets: | | | |
| Land | \$ 6,000,000 | \$ - | \$ 6,000,000 |
| Equipment: | | | |
| Buses | 26,112,629 | (2,762,824) | 23,349,805 |
| Computers | 10,892,164 | (4,346,679) | 6,545,485 |
| Copiers | 23,454,889 | (10,591,865) | 12,863,024 |
| Buildings | 56,910,185 | (12,166,488) | 44,743,697 |
| Total | \$ 123,369,867 | \$ (29,867,856) | \$ 93,502,011 |

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 2016, \$573,623 was recognized as accrued rent with respect to this lease. During fiscal year 2016, the total expenditures for real estate operating leases amounted to \$4,384,050. In addition, FCPS has equipment leases for copiers. The expenditures on these leases totaled \$5,279. On June 30, 2016, the future minimum operating lease commitments were as follows:

| Fiscal Year | Real Estate | Equipment | Total |
|--------------------|----------------------|------------------|----------------------|
| 2017 | 4,389,530 | 7,038 | 4,396,568 |
| 2018 | 5,008,804 | 7,038 | 5,015,842 |
| 2019 | 5,158,052 | 5,753 | 5,163,805 |
| 2020 | 5,311,753 | 996 | 5,312,749 |
| 2021 | 5,470,038 | - | 5,470,038 |
| 2022-beyond | 5,633,046 | - | 5,633,046 |
| Total | <u>\$ 30,971,223</u> | <u>\$ 20,825</u> | <u>\$ 30,992,048</u> |

H. CONSTRUCTION COMMITMENTS

On June 30, 2016, FCPS had contractual commitments of \$203,393,038 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 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. 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 \$1,672,532 includes prepaid items and inventories of \$171,326 and \$1,501,206, respectively, among all governmental funds.

- **Restricted:** The restricted fund balance of \$66,320,391 includes funds from Food Service, Adult and Community Education and Grant Programs, Summer School and Remediation and Capital Projects.
- **Committed:** \$49,985,889 is committed by the School Board for fiscal years 2017 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 \$91,943,435 for school operations includes \$60,763,516 for outstanding encumbrances and other fiscal year balance carryovers; \$10,438,611 for fiscal year 2017 operating budget; and \$20,741,308 for fiscal year 2018 operating budget.
- **Unassigned:** There is no unassigned fund balance.

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------|-----------------------------|--------------------------|
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Inventories | \$ - | \$ - | \$ 1,501,206 | \$ 1,501,206 |
| Prepaid Items | 143,724 | - | 27,602 | 171,326 |
| | 143,724 | - | 1,528,808 | 1,672,532 |
| Restricted: | | | | |
| Capital Projects | - | 42,439,738 | - | 42,439,738 |
| Food Service | - | - | 11,930,155 | 11,930,155 |
| Grant Programs, Summer Fund and Remediation | - | - | 11,922,007 | 11,922,007 |
| Adult and Community Education | - | - | 28,491 | 28,491 |
| | - | 42,439,738 | 23,880,653 | 66,320,391 |
| Committed: | | | | |
| Set Aside for FY 2017 Budget | 33,120,624 | - | - | 33,120,624 |
| Centralized Textbook Replacement | 8,865,265 | - | - | 8,865,265 |
| School Board Flexibility Reserve | 8,000,000 | - | - | 8,000,000 |
| | 49,985,889 | - | - | 49,985,889 |
| Assigned: | | | | |
| Outstanding Encumbered Obligations | 29,326,074 | - | - | 29,326,074 |
| Set Aside for FY 2018 Budget | 20,741,308 | - | - | 20,741,308 |
| Multiyear Project Carryover | 13,309,962 | - | - | 13,309,962 |
| School Carryover | 12,227,049 | - | - | 12,227,049 |
| Department Critical Needs Carryover | 5,900,431 | - | - | 5,900,431 |
| Major Maintenance | 3,550,970 | - | - | 3,550,970 |
| World Languages Textbooks | 3,057,745 | - | - | 3,057,745 |
| Fuel Contingency | 2,000,000 | - | - | 2,000,000 |
| Staffing Contingency to Address Class Size | 1,000,000 | - | - | 1,000,000 |
| Substitute Pay for FCPS Retired Teachers | 309,514 | - | - | 309,514 |
| Joint BOS/SB Infrastructure Sinking Reserve Fund | 305,774 | - | - | 305,774 |
| World Languages - Year 3 | 214,608 | - | - | 214,608 |
| | 91,943,435 | - | - | 91,943,435 |
| Total Fund Balance | <u>\$ 142,073,048</u> | <u>\$ 42,439,738</u> | <u>\$ 25,409,461</u> | <u>\$ 209,922,247</u> |

IV. 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 2016.

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 programs and the purchase of commercial 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 discount rate of .75% and a combination of actual claims experience and actuarially determined amounts.

In addition to the self-insurance program, FCPS purchases commercial property and liability insurance, surety bonds, fiduciary insurance, and catastrophic medical insurance for Virginia High School League student participants. In the past three fiscal years, there have been no instances where claims settlements exceeded commercial coverage limits. In fiscal year 2016, there were no significant reductions in insurance coverage from the prior year.

Changes in the balances of liability claims during fiscal years 2015 and 2016 are as follows:

| | Health Benefits | Insurance | Total |
|-----------------------------------|--------------------|---------------|---------------|
| July 1, 2014 - liability balance | \$ 23,324,000 | \$ 36,005,553 | \$ 59,329,553 |
| Claims and changes in estimates | 343,229,129 | 11,832,649 | 355,061,778 |
| Claims Payments | (343,845,129) | (10,307,342) | (354,152,471) |
| June 30, 2015 - liability balance | 22,708,000 | 37,530,860 | 60,238,860 |
| Claims and changes in estimates | 356,116,702 | 12,046,548 | 368,163,250 |
| Claims Payments | (356,410,702) | (10,086,433) | (366,497,135) |
| June 30, 2016 - liability balance | \$ 22,414,000 | \$ 39,490,975 | \$ 61,904,975 |

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. PENSIONS

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.

1. 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. Effective July 1, 2001, all newly hired full-time educational and administrative support employees are enrolled in ERFC 2001. This newer component incorporates a streamlined stand-alone retirement benefit structure.

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. ERFC's minimum eligibility requirements for receipt of full benefits range from members attaining the age of 55 with 25 years of service to completing five years of service prior to age 65. The minimum eligibility requirements for full benefits for ERFC 2001 members are age 60 with five years of service or any age with 30 years of service. Annual post-retirement cost-of-living increases of 3 percent are effective each March 31. Participants in their first full year of retirement receive a 1.49 percent increase. Participants who retire on or after January 1 receive no cost-of-living increase that first March. Additional details regarding benefit payment types can be found in the actuarial valuation and the plan documents.

At December 31, 2014, the date of the most recent actuarial valuation, ERFC's membership was composed of:

| | |
|--|--------|
| Retirees and beneficiaries currently receiving benefits | 10,524 |
| Terminated employees entitled to benefits but not yet receiving them | 3,761 |
| Active plan members | 21,352 |
| Total | 35,637 |

Contributions

The contribution requirements for ERFC and ERFC 2001 members 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. The contribution requirements of members and the employer are established and may be amended by the ERFC Board, subject to School Board approval. Members are required to contribute 3 percent of annual salary. The employer is required to contribute at an actuarially determined rate which presently is 5.6 percent. Employer contributions to the pension plan were \$76,599,695 and \$74,324,396 for the years ended June 30, 2016 and June 30, 2015, respectively.

The actuarial valuations 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, 2013 valuation recommended that the contribution rate for the two-year period beginning July 1, 2015 to June 30, 2017, remain at 5.6 percent. Restructuring of the VRS employee contribution rate caused the School Board to decrease the ERFC member contribution rate to 3 percent beginning in fiscal year 2013.

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

At June 30, 2016, ERFC's net pension liability was \$609,503,371 and was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and rolled forward to June 30, 2015 measurement date. For the year ended June 30, 2016, FCPS recognized pension expense of \$65,639,431 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 | \$ - | \$ 27,610,608 |
| Net difference between projected and actual earnings on pension plan investments | 104,909,894 | 96,000,650 |
| FCPS contributions subsequent to the measurement date | 76,587,309 | - |
| Total | <u>\$ 181,497,203</u> | <u>\$ 123,611,258</u> |

A total of \$76,587,309 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, 2017. 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: | | |
|----------------------------|-----------|---------------------|
| 2017 | \$ | (11,340,730) |
| 2018 | | (11,340,730) |
| 2019 | | (11,340,732) |
| 2020 | | 20,659,488 |
| 2021 | | (5,338,660) |
| | <u>\$</u> | <u>(18,701,364)</u> |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2015. Significant actuarial assumptions used in the valuation include:

| Actuarial Assumptions | |
|---------------------------------------|----------------|
| Inflation | 3.0% |
| Salary increases, including inflation | 3.75% to 9.05% |
| Investment rate of return | 7.5% |

Mortality rates were based on 1994 Group Annuity Mortality Table set back 3 years for both males and females.

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. The Global Asset Allocation category is a blend of Global Equity, Global Fixed Income, and Inflation Sensitive Assets (commodities).

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 | 14.50% | 5.92% |
| Domestic Small Cap Equity | 6.00% | 6.71% |
| International Equity | 14.00% | 6.95% |
| Emerging Market Equity | 3.00% | 9.49% |
| Real Estate | 7.50% | 4.62% |
| Core Fixed Income | 4.00% | 1.17% |
| Diversified Fixed Income | 16.00% | 2.83% |
| Absolute Return Fixed Income | 6.00% | 1.71% |
| Emerging Market Debt (Local) | 3.00% | 4.62% |
| Global Asset Allocation | 10.00% | 4.99% |
| Absolute Return | 8.00% | 4.00% |
| Private Equity | 3.00% | 8.73% |
| Risk Parity | 5.00% | 3.87% |
| Total | <u>100.00%</u> | |

Discount Rate

A single discount rate of 7.5 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 7.5 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 | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at June 30, 2015 | <u>\$ 2,697,688,622</u> | <u>\$ 2,204,927,191</u> | <u>\$ 492,761,431</u> |
| Changes for the year: | | | |
| Service cost | 77,493,999 | - | 77,493,999 |
| Interest | 198,938,575 | - | 198,938,575 |
| Differences between expect and actual experience | (17,051,192) | - | (17,051,192) |
| Contributions - employer | - | 74,324,396 | (74,324,396) |
| Contributions - employee | - | 39,982,963 | (39,982,963) |
| Net investment income | - | 32,083,908 | (32,083,908) |
| Benefit payments, including refunds of employee contributions | (167,842,576) | (167,842,576) | - |
| Administrative expense | - | (3,751,825) | 3,751,825 |
| Net changes | <u>91,538,806</u> | <u>(25,203,134)</u> | <u>116,741,940</u> |
| Balances at June 30, 2016 | <u><u>\$ 2,789,227,428</u></u> | <u><u>\$ 2,179,724,057</u></u> | <u><u>\$ 609,503,371</u></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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|----------------------------------|---------------------|-------------------------------|---------------------|
| FCPS' ERFC net pension liability | \$ 942,644,465 | \$ 609,503,371 | \$ 333,262,964 |

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, 2016. 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/careers/erfc.

2. 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. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, a Deferred Retirement Option Program (DROP) was established for eligible members of the 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 rate. 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, 2016, was 21.99 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) exceeds 120 percent or 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 \$43,370,176 and \$38,820,112 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, FCPS reported a liability of \$360,555,377 for its proportionate share of the net pension liability. The net pension liability was determined based on an actuarial valuation as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. At June 30, 2015, FCPS's proportion was 28.03 percent, a decrease of 0.18 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, FCPS recognized pension expense of \$36,853,158. At June 30, 2016, 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 | \$ - | \$ 1,932,208 |
| Net difference between projected and actual earning on pension plan investments | 18,318,089 | - |
| Change in proportion applicable to FCPS | 1,455,530 | 1,747,674 |
| FCPS contributions subsequent to the measurement date | 43,370,176 | - |
| Total | <u>\$ 63,143,795</u> | <u>\$ 3,679,882</u> |

A total of \$43,370,176 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, 2017. 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: | | |
|---------------------|----|----------------------|
| 2017 | \$ | 759,697 |
| 2018 | | 759,697 |
| 2019 | | 759,697 |
| 2020 | | <u>13,814,646</u> |
| | | <u>\$ 16,093,737</u> |

Actuarial Assumptions

The total pension liability for the year ended June 30, 2015, was determined as part of the July 1, 2014, actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2015. Significant actuarial assumptions used in the valuation include:

| | |
|--|----------------------|
| Inflation | 3.0% |
| Salary increases, including inflation | 3.0% + merit |
| Investment rate of return, net of plan investment expenses | 7.5% |
| Projected period of unfunded benefit payments | None |
| Municipal bond rate | N/A |
| Mortality | Sex Distinct RP-2000 |
| Combined Mortality projected to 2015 using Scale AA | |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006 to June 30, 2011.

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, 2015, are summarized below:

| Asset Class | Target Allocation* | Long Term Expected Real Rate of Return |
|---|---------------------------|---|
| U.S. Equities | 20.0% | 4.5% |
| International Equities | 10.0% | 5.1% |
| Core Fixed Income | 73.0% | 2.0% |
| High Yield | 7.5% | 3.2% |
| Absolute Return | 20.0% | 6.0% |
| Real Estate | 7.5% | 5.3% |
| Commodity | 5.0% | 4.5% |
| *Target totals may exceed 100% due to futures and other derivatives | | |

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------------|------------------------------|--------------------|
| | 6.5% | 7.5% | 8.5% |
| FCPS' proportionate share of the FCERS net pension liability | \$ 553,824,371 | \$ 360,555,377 | \$ 202,727,977 |

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, 2016. 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, 10680 Main Street, Suite 280, Fairfax, Virginia 22030, by calling (703) 279-8200, or by accessing the information at www.fairfaxcounty.gov/retirement/employees-home.htm.

3. 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. Prior to July 1, 2012, all or part of the 5.0 percent member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.0 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016, was 14.06

percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20 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 79.69 percent of the actuarial rate for the year ended June 30, 2016. Employer contributions to the pension plan were \$192,421,257 and \$192,885,015 for the years ended June 30, 2016, and June 30, 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions
At June 30, 2016, FCPS reported a liability of \$2,251,917,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, FCPS' proportion was 17.89 percent as compared to 18.15 percent at June 30, 2014.

For the year ended June 30, 2016, FCPS recognized pension expense of \$166,903,000. 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 actual employer contributions and the proportionate share of employer contributions.

At June 30, 2016, 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 | \$ - | \$ 31,010,000 |
| Net difference between projected and actual earnings on pension plan investments | - | 137,908,000 |
| Changes in proportion and differences between FCPS contributions and proportionate share of contributions | 31,774,000 | 29,544,000 |
| FCPS contributions subsequent to the measurement date | 192,421,257 | - |
| Total | \$ 224,195,257 | \$ 198,462,000 |

A total of \$192,421,257 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, 2017. 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: | |
|----------------------------|-------------------------|
| 2017 | \$ (59,084,000) |
| 2018 | (59,084,000) |
| 2019 | (59,084,000) |
| 2020 | 16,911,000 |
| 2021 | (6,347,000) |
| | <u>\$ (166,688,000)</u> |

Actuarial Assumptions

The total pension liability for VRS was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Actuarial Assumptions

| | |
|--|---------------|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% to 5.95% |
| Investment rate of return, net of pension 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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females are set back 5 years | RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years | RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Update mortality table

- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25 percent per year

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:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--|--------------------------|---|---|
| U.S. Equity | 19.50 % | 6.46 % | 1.26 % |
| Developed Non U.S. Equity | 16.50 | 6.28 | 1.04 |
| Emerging Market Equity | 6.00 | 10.00 | 0.60 |
| Fixed Income | 15.00 | 0.09 | 0.01 |
| Emerging Debt | 3.00 | 3.51 | 0.11 |
| Rate Sensitive Credit | 4.50 | 3.51 | 0.16 |
| Non Rate Sensitive Credit | 4.50 | 5.00 | 0.23 |
| Convertibles | 3.00 | 4.81 | 0.14 |
| Public Real Estate | 2.25 | 6.12 | 0.14 |
| Private Real Estate | 12.75 | 7.10 | 0.91 |
| Private Equity | 12.00 | 10.41 | 1.25 |
| Cash | 1.00 | (1.50) | (0.02) |
| Total | <u>100.00 %</u> | | <u>5.83 %</u> |
| | | Inflation | <u>2.50</u> |
| | | Expected arithmetic nominal return (a) | <u>8.33 %</u> |
| (a) Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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. From July 1, 2018 on, school divisions are assumed 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 | \$ 3,295,485,000 | \$ 2,251,917,000 | \$ 1,392,860,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS net position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR), which may be obtained from the VRS website at www.varetire.org, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

The following table presents a summary of pension amounts by each defined benefit plan as of June 30, 2016 to the Statement of Net Position:

| | ERFC | FCERS | VRS | Total |
|--|-------------------------|-------------------------|---------------------------|---------------------------|
| Deferred Outflows of Resources: | | | | |
| Employer contributions made in fiscal year 2016 | \$ 76,587,309 | \$ 43,370,176 | \$ 192,421,257 | \$ 312,378,742 |
| Net difference between projected and actual earnings on plan investments | 104,909,894 | 18,318,089 | - | 123,227,983 |
| Changes in proportionate share of contributions | - | 1,455,530 | 31,774,000 | 33,229,530 |
| Deferred Outflows of Resources | <u>181,497,203</u> | <u>63,143,795</u> | <u>224,195,257</u> | <u>468,836,255</u> |
| Deferred Inflows of Resources: | | | | |
| Differences between expected and actual experience | 27,610,608 | 1,932,208 | 31,010,000 | 60,552,816 |
| Changes in proportionate share of contributions | - | 1,747,674 | 29,544,000 | 31,291,674 |
| Net difference between projected and actual earnings on plan investments | 96,000,650 | - | 137,908,000 | 233,908,650 |
| Deferred Inflows of Resources | <u>123,611,258</u> | <u>3,679,882</u> | <u>198,462,000</u> | <u>325,753,140</u> |
| Net pension liability as of June 30, 2016 | <u>\$ (609,503,371)</u> | <u>\$ (360,555,377)</u> | <u>\$ (2,251,917,000)</u> | <u>\$ (3,221,975,748)</u> |

E. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. PLAN DESCRIPTION

The School OPEB Trust Fund is a single-employer defined benefit plan administered by FCPS. The plan provides health benefits and life insurance to eligible retirees and their spouses. FCPS records plan net position and reports funding progress and employer contributions for postemployment benefit plans. Contributions and payments of other postemployment benefit plan for currently active participants in the health care plans occur on a current basis; therefore, FCPS does not record these plan assets and is not required to report their funding progress and employer contributions.

In order to participate, retirees must have reached the age of 55 or be on service-connected disability retirement and must have benefit coverage in a health insurance plan administered by FCPS. In addition, if the retirement date was on or after July 1, 2007, the retiree must 1) have terminated FCPS employment at a time when eligible for normal or early retirement, 2) have elected immediate commencement of pension benefits and health/dental coverage, and 3) have participated in the same health coverage as an active employee for at least 60 consecutive months prior to termination of FCPS employment. 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. The subsidies are accounted for in the School OPEB Trust Fund.

As of July 1, 2015, the date of the most recent actuarial valuation, plan membership consisted of:

| | |
|---|--------|
| Retirees and beneficiaries currently receiving benefits | 9,485 |
| Active plan members | 19,834 |
| Total | 29,319 |

FUNDING POLICY

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. During fiscal year 2016, FCPS contributed \$21,689,000 to the School OPEB Trust Fund, which included \$16,689,000 for current fiscal year costs and an additional \$5,000,000 to prefund benefits. The costs of administering the plan are paid for by the School OPEB Trust Fund through the use of investment income and employer contributions.

ANNUAL OPEB COST

FCPS' annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years. GAAP requires recognition of the current expense of the program based on the ARC, but it does not require funding of the related liability.

FCPS' annual OPEB cost for the School OPEB Trust, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years are below:

| Fiscal Year Ended June 30 | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation (Asset) |
|---------------------------|------------------|------------------------|-----------------------------|
| 2014 | 16,744,000 | 152.4% | (22,173,923) |
| 2015 | 17,119,000 | 152.4% | (31,151,922) |
| 2016 | 22,780,000 | 95.2% | (30,060,922) |

The changes in the net OPEB obligation during the year ended June 30, 2016, were as follows:

| | School OPEB Trust Fund |
|--|------------------------|
| Annual required contribution | \$ 23,384,000 |
| Interest on net OPEB asset from prior year | (2,336,000) |
| Adjustment to annual required contribution | 1,732,000 |
| Annual OPEB cost | 22,780,000 |
| Contributions made | (21,689,000) |
| Increase in net OPEB obligation | 1,091,000 |
| Net OPEB asset - July 1, 2015 | (31,151,922) |
| Net OPEB asset - June 30, 2016 | \$ (30,060,922) |

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2015, the most recent actuarial valuation date, the projected Actuarial Accrued Liability (AAL) for benefits was \$377.3 million and the projected Actuarial Value of Assets (AVA) was \$95.9 million, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$281.4 million. The covered payroll of active participating employees was \$1,515.2 million and the ratio of the UAAL to covered payroll was 17.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements at Exhibit K presents multi-year trend information that shows whether the AVA is increasing or decreasing over time relative to the AAL for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by FCPS and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between FCPS and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the AAL and the AVA, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used to estimate the UAAL as of June 30, 2016, as well as the fiscal year 2016 ARC. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and certain annual health care cost trends. These rates incorporate a 4.0 percent payroll inflation assumption. The plan's UAAL is being amortized as a level percentage of projected pay over an open period of 30 years.

FINANCIAL REPORTS

The School OPEB Trust Fund does not issue a stand-alone financial report and is not included in the report of another entity.

BASIS OF ACCOUNTING

The School OPEB Trust Fund is accounted for using the accrual basis of accounting in accordance with GAAP. Employer contributions are recognized in the period in which the contributions were paid to the School OPEB Trust Fund. Benefits payments are recognized when due and payable in accordance with the terms of the plan.

INVESTMENT VALUATION

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. Until finalized, these investment purchases and sales are recorded as payables and receivables, respectively.

Plan assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and beneficiaries, and (c) assets are legally protected from

creditors of the employer or plan administrator. The assets are dedicated to the payment of benefits in accordance with the terms of the plan. Further information can be obtained by writing to VML/VACo Finance, 919 East Main Street, Suite 1100, Richmond, VA 23219.

TERMINATION BENEFITS

PHSA

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 PHSA benefits. On June 30, 2016, there were 103 participants receiving benefits under PHSA.



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, the schedule of funding progress and the schedule of employer contributions, for the Educational Employees' Supplementary Retirement System of Fairfax County and the School Other Post-Employment 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, 2016

EXHIBIT J

| | Budget - Original | Budget - Final | Actual - Budget Basis | Variance from Final Budget Positive (Negative) |
|---|------------------------------|---------------------------|----------------------------------|---|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal government | \$ 42,219,310 | \$ 50,533,088 | \$ 41,154,625 | \$ (9,378,463) |
| Commonwealth of Virginia | 588,126,527 | 587,021,540 | 590,072,748 | 3,051,208 |
| Charges for services: | | | | |
| Tuition and fees | 8,615,227 | 8,615,227 | 8,902,065 | 286,838 |
| Revenue from the use of money and property | 2,981,144 | 2,981,174 | 3,874,747 | 893,573 |
| Recovered costs | 42,881,222 | 44,005,676 | 44,005,675 | (1) |
| Other | 7,797,160 | 7,797,360 | 8,664,492 | 867,132 |
| Total revenues | <u>692,620,590</u> | <u>700,954,065</u> | <u>696,674,352</u> | <u>(4,279,713)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular education: | | | | |
| Elementary school | 817,432,811 | 819,416,010 | 809,293,366 | 10,122,644 |
| Middle school | 233,387,700 | 236,955,640 | 227,446,457 | 9,509,183 |
| High school | 520,316,125 | 536,632,357 | 515,505,273 | 21,127,084 |
| Special education | 460,502,292 | 471,722,049 | 444,935,436 | 26,786,613 |
| Adult and community education | 225,456 | 128,382 | 54,644 | 73,738 |
| Instructional support | 143,140,226 | 151,358,080 | 147,477,370 | 3,880,710 |
| Support programs: | | | | |
| Administration and general support | 115,749,394 | 132,971,627 | 126,242,436 | 6,729,191 |
| Student transportation | 153,185,548 | 155,975,446 | 141,207,433 | 14,768,013 |
| Facilities management | 78,740,176 | 92,074,586 | 80,732,346 | 11,342,240 |
| Total expenditures | <u>2,522,679,728</u> | <u>2,597,234,177</u> | <u>2,492,894,761</u> | <u>104,339,416</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,830,059,138)</u> | <u>(1,896,280,112)</u> | <u>(1,796,220,409)</u> | <u>100,059,703</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in from County of Fairfax, VA | 1,825,753,345 | 1,825,753,345 | 1,825,753,345 | - |
| Transfers out to other governmental funds | (25,467,760) | (30,687,270) | (30,687,270) | - |
| Transfers out to County of Fairfax, VA | (3,468,575) | (3,468,575) | (3,468,575) | - |
| Total other financing sources, net | <u>1,796,817,010</u> | <u>1,791,597,500</u> | <u>1,791,597,500</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (33,242,128)</u> | <u>\$ (104,682,612)</u> | <u>\$ (4,622,909)</u> | <u>\$ 100,059,703</u> |

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Funding Progress
Other Postemployment Benefit Trust Fund
(Dollars in Thousands)

EXHIBIT K

| Actuarial Valuation Date | Actuarial Value of Assets {a} | Actuarial Accrued Liability (AAL) - Entry Age {b} | (Excess of Assets) Unfunded AAL (UAAL) {b-a} | Funded Ratio {a/b} | Covered Payroll {c} | (Excess of Assets) UAAL as a Percentage of Covered Payroll {b-a}/c |
|--------------------------------|--|---|--|--------------------------|------------------------|--|
| 7/1/2007 | \$ - | \$ 299,668 | \$ 299,668 | - % | \$ 1,302,665 | 23.0 % |
| 7/1/2008 | 7,996 | 458,067 | 450,071 | 1.7 | 1,352,321 | 33.3 |
| 7/1/2009 | 17,520 | 466,324 | 448,804 | 3.8 | 1,377,000 | 32.6 |
| 7/1/2010 | 19,563 | 491,180 | 471,617 | 4.0 | 1,432,000 | 32.9 |
| 7/1/2011 | 40,051 | 431,303 | 391,252 | 9.3 | 1,005,000 | 38.9 |
| 7/1/2012 | 53,423 | 448,849 | 395,426 | 11.9 | 1,045,000 | 37.8 |
| 7/1/2013 | 64,925 | 273,983 | 209,058 | 23.7 | 1,109,000 | 18.9 |
| 7/1/2014 | 71,192 | 283,690 | 212,498 | 25.1 | 1,153,000 | 18.4 |
| 7/1/2015 | 95,900 | 377,300 | 281,400 | 25.4 | 1,456,900 | 19.3 |

School Other Postemployment Benefits Trust Fund was established during fiscal year 2008.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Employer Contributions
Other Postemployment Benefit Trust Fund

EXHIBIT L

| Fiscal Year Ended June 30 | Annual Required Contributions | Percentage Contributed |
|------------------------------|----------------------------------|---------------------------|
| 2008 | \$ 25,302,000 | 103.2 % |
| 2009 | 37,522,000 | 97.7 |
| 2010 | 35,954,000 | 75.5 |
| 2011 | 38,163,000 | 119.2 |
| 2012 | 30,630,000 | 138.5 |
| 2013 | 31,142,000 | 110.7 |
| 2014 | 17,003,000 | 150.1 |
| 2015 | 17,384,000 | 150.1 |
| 2016 | 23,384,000 | 92.8 |

Note: Other Postemployment Benefits Trust Fund was established during fiscal year 2008.

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*

EXHIBIT L-1

| | 2016 | 2015** |
|--|-------------------------|-------------------------|
| Total pension liability | | |
| Service Cost | \$ 77,760,915 | \$ 77,493,999 |
| Interest on the Total Pension Liability | 205,720,047 | 198,938,575 |
| Difference between expected and actual experience of the Total Pension Liability | (11,011,883) | (17,051,192) |
| Changes of assumptions | 45,752,095 | - |
| Benefits payments, including refunds of employee contributions | (170,347,847) | (167,842,576) |
| Net Change in Total Pension Liability | \$ 147,873,327 | \$ 91,538,806 |
| Total pension liability - Beginning | 2,789,227,428 | 2,697,688,622 |
| Total pension liability - Ending (a) | \$ 2,937,100,755 | \$ 2,789,227,428 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 76,599,695 | \$ 74,324,396 |
| Contributions - Employee | 41,383,642 | 39,982,963 |
| Net Investment Income | (15,766,967) | 32,083,908 |
| Benefits payments, including refunds of employee contributions | (170,347,847) | (167,842,576) |
| Pension Plan Administrative Expense | (4,004,882) | (3,751,825) |
| Net Change in Plan Fiduciary Net Position | (72,136,359) | (25,203,134) |
| Plan Fiduciary Net Position - Beginning | 2,179,724,057 | 2,204,927,191 |
| Plan Fiduciary Net Position - Ending (b) | \$ 2,107,587,698 | \$ 2,179,724,057 |
| Net Pension Liability - Ending (a) - (b) | 829,513,057 | 609,503,371 |
| Plan fiduciary net position as a percentage of Total Pension Liability | 71.76% | 78.15% |
| Covered Employee Payroll | \$ 1,374,735,094 | \$ 1,366,029,848 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 60.34% | 44.62% |

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

* 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.

** Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Contributions
ERFC Pension Plan
Last Ten Fiscal Years*

EXHIBIT L-2

| | Actuarial Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered | |
|------|---|------------------------|-------------------------------------|------------------|--|----|
| 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 | 5.6 | ** |

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

* 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.

** Restated from prior year in accordance with the updated definition of covered-employee payroll in GASB No. 82

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of the FCPS's Proportionate Share of Net Pension Liability and Related Ratios
FCERS Pension Plan
Last Ten Fiscal Years*

EXHIBIT L-3

| | 2016 | 2015 |
|--|----------------|----------------|
| FCPS' proportion of net pension liability | 28.03% | 28.21% |
| FCPS' proportion share of net pension liability | \$ 360,555,377 | \$ 293,867,011 |
| FCPS' covered-employee payroll | \$ 197,271,499 | \$ 192,655,643 |
| FCPS' proportionate share of net pension liability as a percentage of covered employee payroll | 182.77% | 152.53% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.20% | 78.33% |

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

* 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.

** Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of Contributions
FCERS Pension Plan
Last Ten Fiscal Years*

EXHIBIT L-4

| | | Actuarial Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | FCPS' Covered Payroll | Contribution as a Percentage of Covered Payroll |
|------|----|---|------------------------|-------------------------------------|--------------------------|---|
| 2016 | \$ | 43,370,176 | \$ 43,370,176 | \$ - | \$ 197,271,499 | 22.0 % |
| 2015 | ** | 38,820,112 | 38,820,112 | - | 192,655,643 | 20.1 |

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

* 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.

** Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of the FCPS's Proportionate Share of Net Pension Liability and Related Ratios
VRS Pension Plan
Last Ten Fiscal Years*

EXHIBIT L-5

| | 2016 | 2015 |
|---|------------------|------------------|
| FCPS' proportion of the net pension liability | 17.89% | 18.15% |
| FCPS' proportion share of the net pension liability | \$ 2,251,917,000 | \$ 2,193,660,000 |
| FCPS' covered employee payroll | \$ 1,368,572,241 | \$ 1,330,241,479 |
| FCPS' proportionate share of net pension liability as a percentage of covered employee payroll | 164.54% | 164.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.68% | 70.88% |

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

* 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.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS
Schedule of FCPS Contributions
VRS Pension Plan
Last Ten Fiscal Years*

EXHIBIT L-6

| | | Actuarial Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | FCPS' Covered Payroll | Contribution as a Percentage of Covered Payroll |
|------|----|---|------------------------|-------------------------------------|--------------------------|---|
| 2016 | \$ | 192,421,257 | \$ 192,421,257 | \$ - | \$ 1,368,572,241 | 14.1 % |
| 2015 | ** | 192,885,015 | 192,885,015 | - | 1,330,241,479 | 14.5 |

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

* 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.

** Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

Fairfax County Public Schools
June 30, 2016

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.

Annual budgets are adopted for all the funds. 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, 2016:

| General Fund | Actual - GAAP Basis (Exhibit D) | Basis Differences | | Actual - Budget Basis (Exhibit J) |
|-------------------------------|---------------------------------------|-------------------|--|---|
| | | Capital Leases | Transactions between FCPS and the County | |
| Total revenues | \$ 2,522,427,697 | \$ - | \$ (1,825,753,345) | \$ 696,674,352 |
| Total expenditures | (2,520,952,121) | 24,588,785 | 3,468,575 | (2,492,894,761) |
| Total other financing sources | (6,098,485) | (24,588,785) | 1,822,284,770 | 1,791,597,500 |
| Net change in fund balances | <u>\$ (4,622,909)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (4,622,909)</u> |

II. OPEB AND PENSION

OPEB

Nine years of trend information is presented about the Schools' Other Postemployment Benefits (OPEB) Trust Fund (fiscal year 2008 was the first year of implementation). This information is intended to help users assess the funding status on a going concern basis, progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems or OPEB plans.

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

PENSIONS

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 employee payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered employee 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 employee payroll.

The Schedule of Employer Contributions provides historical context for the amount of contributions in the current period. The actuarially determined 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 and the School OPEB Trust Fund can be found in notes IV.D and IV.E, respectively, in the notes to the financial statements.





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, 2016

EXHIBIT M

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|--|--|--|--|
| | Food and Nutrition Services | Grants and Self-Supporting Programs | Adult and Community Education | |
| ASSETS | | | | |
| Cash on deposit with County of Fairfax, VA | \$ 12,100,122 | \$ 343,604 | \$ 26,565 | \$ 12,470,291 |
| Receivables: | | | | |
| Accounts | 54,076 | - | 29,852 | 83,928 |
| Accrued interest | 13,284 | 6,611 | 4,624 | 24,519 |
| Due from intergovernmental units: | | | | |
| Federal government | 3,086,072 | 9,299,882 | 470,035 | 12,855,989 |
| Commonwealth of Virginia | - | 6,258,105 | - | 6,258,105 |
| County of Fairfax, VA | 255,859 | - | - | 255,859 |
| Inventories | 1,501,206 | - | - | 1,501,206 |
| Prepaid items | 27,602 | - | - | 27,602 |
| Total assets | <u>\$ 17,038,221</u> | <u>\$ 15,908,202</u> | <u>\$ 531,076</u> | <u>\$ 33,477,499</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 67,205 | \$ 1,140,933 | \$ 26,137 | \$ 1,234,275 |
| Accrued salaries and withholdings | 1,264,166 | 171,063 | 383,103 | 1,818,332 |
| Unearned revenue | 2,247,887 | 2,674,199 | 93,345 | 5,015,431 |
| Total liabilities | <u>3,579,258</u> | <u>3,986,195</u> | <u>502,585</u> | <u>8,068,038</u> |
| Fund balances: | | | | |
| Nonspendable | 1,528,808 | - | - | 1,528,808 |
| Restricted | 11,930,155 | 11,922,007 | 28,491 | 23,880,653 |
| Total fund balances | <u>13,458,963</u> | <u>11,922,007</u> | <u>28,491</u> | <u>25,409,461</u> |
| Total liabilities and fund balances | <u>\$ 17,038,221</u> | <u>\$ 15,908,202</u> | <u>\$ 531,076</u> | <u>\$ 33,477,499</u> |

FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

EXHIBIT N

| | Special Revenue Funds | | | |
|--|--|--|--|--|
| | Food and Nutrition Services | Grants and Self-Supporting Programs | Adult and Community Education | Total Nonmajor Governmental Funds |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal government | \$ 34,821,381 | \$ 34,153,302 | \$ 873,872 | \$ 69,848,555 |
| Commonwealth of Virginia | 1,049,064 | 11,598,292 | 625,865 | 13,273,221 |
| County of Fairfax, VA | - | 3,282,217 | - | 3,282,217 |
| Charges for services: | | | | |
| Tuition and fees | - | 2,225,580 | 5,559,726 | 7,785,306 |
| Food sales | 39,603,825 | - | - | 39,603,825 |
| Revenue from the use of money and property | 31,469 | 10,063 | 32,131 | 73,663 |
| Other | 15,000 | 1,052,235 | 479,582 | 1,546,817 |
| Total revenues | <u>75,520,739</u> | <u>52,321,689</u> | <u>7,571,176</u> | <u>135,413,604</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular education: | | | | |
| Elementary school | - | 34,282,875 | - | 34,282,875 |
| Middle school | - | 1,947,415 | - | 1,947,415 |
| High school | - | 6,663,078 | 156,012 | 6,819,090 |
| Special education | - | 5,322,919 | - | 5,322,919 |
| Adult and community education | - | - | 7,978,578 | 7,978,578 |
| Instructional support | - | 18,569,888 | - | 18,569,888 |
| Support programs: | | | | |
| Administration and general support | - | 412,245 | - | 412,245 |
| Student transportation | - | 3,593,888 | - | 3,593,888 |
| Food service | 74,127,549 | - | - | 74,127,549 |
| Capital outlay | 115,551 | 117,843 | 37,432 | 270,826 |
| Debt service: | | | | |
| Principal | 13,678 | 2,798 | 3,168 | 19,644 |
| Interest | 586 | 55 | 174 | 815 |
| Total expenditures | <u>74,257,364</u> | <u>70,913,004</u> | <u>8,175,364</u> | <u>153,345,732</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,263,375</u> | <u>(18,591,315)</u> | <u>(604,188)</u> | <u>(17,932,128)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | 17,785,974 | 235,000 | 18,020,974 |
| Capital leases | 57,463 | - | - | 57,463 |
| Total other financing sources | <u>57,463</u> | <u>17,785,974</u> | <u>235,000</u> | <u>18,078,437</u> |
| Net change in fund balances | 1,320,838 | (805,341) | (369,188) | 146,309 |
| Fund balances - July 1, 2015 | 12,462,035 | 12,727,348 | 397,679 | 25,587,062 |
| Decrease in reserve for inventories | (323,910) | - | - | (323,910) |
| Fund balances - June 30, 2016 | <u>\$ 13,458,963</u> | <u>\$ 11,922,007</u> | <u>\$ 28,491</u> | <u>\$ 25,409,461</u> |

FAIRFAX COUNTY PUBLIC SCHOOLS

EXHIBIT O

Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)

Food and Nutrition Services Fund

For the Fiscal Year Ended June 30, 2016

| | Budget - Original | Budget - Final | Actual - Budget Basis | Variance from Final Budget Positive (Negative) |
|--|-----------------------|------------------------|--------------------------|--|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal government | \$ 35,750,825 | \$ 34,549,925 | \$ 34,821,381 | \$ 271,456 |
| Commonwealth of Virginia | 1,149,874 | 1,149,874 | 1,049,064 | (100,810) |
| Charges for services: | | | | |
| Food sales | 42,445,758 | 39,083,935 | 39,603,825 | 519,890 |
| Revenue from the use of money and property | 16,746 | 16,746 | 31,469 | 14,723 |
| Other | - | - | 15,000 | 15,000 |
| Total revenues | <u>79,363,203</u> | <u>74,800,480</u> | <u>75,520,739</u> | <u>720,259</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Food service | <u>88,437,427</u> | <u>87,262,515</u> | <u>74,199,901</u> | <u>13,062,614</u> |
| Total expenditures | <u>88,437,427</u> | <u>87,262,515</u> | <u>74,199,901</u> | <u>13,062,614</u> |
| Net change in fund balances | <u>\$ (9,074,224)</u> | <u>\$ (12,462,035)</u> | <u>\$ 1,320,838</u> | <u>\$ 13,782,873</u> |

FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Grants and Self-Supporting Programs Fund
For the Fiscal Year Ended June 30, 2016

EXHIBIT P

| | Budget - Original | Budget - Final | Actual - Budget Basis | Variance from Final Budget Positive (Negative) |
|--|------------------------------|---------------------------|----------------------------------|---|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal government | \$ 34,650,210 | \$ 45,715,626 | \$ 34,153,302 | \$ (11,562,324) |
| Commonwealth of Virginia | 11,160,027 | 13,161,913 | 11,598,292 | (1,563,621) |
| Charges for services: | | | | |
| Tuition and fees | 2,639,441 | 2,639,441 | 2,225,580 | (413,861) |
| Revenue from the use of money and property | - | - | 10,063 | 10,063 |
| Other | 380,107 | 1,098,352 | 1,052,235 | (46,117) |
| Total revenues | <u>48,829,785</u> | <u>62,615,332</u> | <u>49,039,472</u> | <u>(13,575,860)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular education: | | | | |
| Elementary school | 33,595,411 | 37,727,315 | 34,282,875 | 3,444,440 |
| Middle school | 1,136,280 | 1,756,495 | 1,947,415 | (190,920) |
| High school | 5,973,687 | 7,872,954 | 6,665,931 | 1,207,023 |
| Special education | 4,842,212 | 5,432,320 | 5,322,919 | 109,401 |
| Instructional support | 17,073,055 | 27,642,956 | 18,626,447 | 9,016,509 |
| Support programs: | | | | |
| Administration and general support | 6,432,199 | 12,630,968 | 473,529 | 12,157,439 |
| Student transportation | 3,396,100 | 3,347,863 | 3,593,888 | (246,025) |
| Total expenditures | <u>72,448,944</u> | <u>96,410,871</u> | <u>70,913,004</u> | <u>25,497,867</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(23,619,159)</u> | <u>(33,795,539)</u> | <u>(21,873,532)</u> | <u>11,922,007</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in from other governmental funds | 17,785,974 | 17,785,974 | 17,785,974 | - |
| Transfers in from County of Fairfax, VA | 3,282,217 | 3,282,217 | 3,282,217 | - |
| Total other financing sources | <u>21,068,191</u> | <u>21,068,191</u> | <u>21,068,191</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (2,550,968)</u> | <u>\$ (12,727,348)</u> | <u>\$ (805,341)</u> | <u>\$ 11,922,007</u> |

FAIRFAX COUNTY PUBLIC SCHOOLS

EXHIBIT Q

Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)

Adult and Community Education Fund

For the Fiscal Year Ended June 30, 2016

| | Budget - Original | Budget - Final | Actual - Budget Basis | Variance from Final Budget Positive (Negative) |
|--|----------------------|-------------------|--------------------------|--|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Federal government | \$ 1,654,623 | \$ 1,766,527 | \$ 873,872 | \$ (892,655) |
| Commonwealth of Virginia | 936,843 | 936,843 | 625,865 | (310,978) |
| Charges for services: | | | | |
| Tuition and fees | 6,367,912 | 6,367,912 | 5,559,726 | (808,186) |
| Revenue from the use of money and property | 4,286 | 4,286 | 32,131 | 27,845 |
| Other | 412,983 | 412,983 | 479,582 | 66,599 |
| Total revenues | <u>9,376,647</u> | <u>9,488,551</u> | <u>7,571,176</u> | <u>(1,917,375)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular education: | | | | |
| High school | 157,503 | 157,503 | 156,012 | 1,491 |
| Adult and community education | <u>8,522,111</u> | <u>8,963,305</u> | <u>8,019,352</u> | <u>943,953</u> |
| Total expenditures | <u>8,679,614</u> | <u>9,120,808</u> | <u>8,175,364</u> | <u>945,444</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>697,033</u> | <u>367,743</u> | <u>(604,188)</u> | <u>(971,931)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in from other governmental funds | <u>235,000</u> | <u>235,000</u> | <u>235,000</u> | - |
| Net change in fund balances | <u>\$ 932,033</u> | <u>\$ 602,743</u> | <u>\$ (369,188)</u> | <u>\$ (971,931)</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, 2016

EXHIBIT R

| | Health Benefits | Insurance | Total Internal Service Funds |
|--|----------------------------|----------------------|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash on deposit with County of Fairfax, VA | \$ 58,704,054 | \$ 52,252,202 | \$ 110,956,256 |
| Receivables: | | | |
| Accounts | 18,063,655 | - | 18,063,655 |
| Accrued interest | 29,546 | - | 29,546 |
| Total current assets | <u>76,797,255</u> | <u>52,252,202</u> | <u>129,049,457</u> |
| Non-current assets: | | | |
| Capital assets: | | | |
| Equipment | - | 40,029 | 40,029 |
| Accumulated depreciation | - | (40,029) | (40,029) |
| Total non-current assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>76,797,255</u> | <u>52,252,202</u> | <u>129,049,457</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 4,967,120 | 113,381 | 5,080,501 |
| Unearned revenues | 10,664,103 | - | 10,664,103 |
| Compensated absences | 103,585 | 44,548 | 148,133 |
| Actuarial claims payable | 21,293,300 | 7,898,195 | 29,191,495 |
| Total current liabilities | <u>37,028,108</u> | <u>8,056,124</u> | <u>45,084,232</u> |
| Non-current liabilities: | | | |
| Compensated absences | 44,394 | 19,092 | 63,486 |
| Actuarial claims payable | 1,120,700 | 31,592,780 | 32,713,480 |
| Total non-current liabilities | <u>1,165,094</u> | <u>31,611,872</u> | <u>32,776,966</u> |
| Total liabilities | <u>38,193,202</u> | <u>39,667,996</u> | <u>77,861,198</u> |
| NET POSITION | | | |
| Unrestricted | 38,604,053 | 12,584,206 | 51,188,259 |
| Total net position | <u>\$ 38,604,053</u> | <u>\$ 12,584,206</u> | <u>\$ 51,188,259</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, 2016

| | Health Benefits | Insurance | Total Internal Service Funds |
|------------------------------------|--------------------|---------------|------------------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 369,209,834 | \$ 13,521,142 | \$ 382,730,976 |
| OPERATING EXPENSES | | | |
| Salaries and wages | 2,652,285 | 908,768 | 3,561,053 |
| Claims and benefits | 356,104,178 | 12,050,007 | 368,154,185 |
| Professional consultant services | 11,195,388 | 1,355,406 | 12,550,794 |
| Other operating expenses | 51,237 | 304,768 | 356,005 |
| Total operating expenses | 370,003,088 | 14,618,949 | 384,622,037 |
| Operating loss | (793,254) | (1,097,807) | (1,891,061) |
| NONOPERATING REVENUES | | | |
| Interest revenue | 156,326 | - | 156,326 |
| Change in net position | (636,928) | (1,097,807) | (1,734,735) |
| Total net position - July 1, 2015 | 39,240,981 | 13,682,013 | 52,922,994 |
| Total net position - June 30, 2016 | \$ 38,604,053 | \$ 12,584,206 | \$ 51,188,259 |

FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2016

EXHIBIT T

| | Health Benefits | Insurance | Total Internal Service Funds |
|---|----------------------------|----------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from interfund services provided | \$ 359,618,145 | \$ 13,652,478 | \$ 373,270,623 |
| Payments to employees | (2,652,285) | (908,768) | (3,561,053) |
| Payments for claims and health benefits | (356,410,702) | (10,086,433) | (366,497,135) |
| Payments for professional services | (14,655,199) | (1,532,794) | (16,187,993) |
| Payments for other operating expenses | (51,237) | (304,768) | (356,005) |
| Net cash provided by (used in) operating activities | (14,151,278) | 819,715 | (13,331,563) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 148,286 | - | 148,286 |
| Net cash provided by investing activities | 148,286 | - | 148,286 |
| Net (decrease) increase in cash and cash equivalents | (14,002,992) | 819,715 | (13,183,277) |
| Cash and cash equivalents - July 1, 2015 | 72,707,046 | 51,432,487 | 124,139,533 |
| Cash and cash equivalents - June 30, 2016 | \$ 58,704,054 | \$ 52,252,202 | \$ 110,956,256 |
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | | |
| Operating loss | \$ (793,254) | \$ (1,097,807) | \$ (1,891,061) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | |
| (Increase) decrease in accounts receivable | (10,021,869) | 131,337 | (9,890,532) |
| Decrease in prepaid items | - | 2,188 | 2,188 |
| Decrease in accounts payable | (3,459,810) | (179,577) | (3,639,387) |
| Increase in unearned revenues | 430,180 | - | 430,180 |
| Increase (decrease) in compensated absences | (12,525) | 3,459 | (9,066) |
| Increase (decrease) in actuarial claims payable | (294,000) | 1,960,115 | 1,666,115 |
| Total adjustments to operating income (loss) | (13,358,024) | 1,917,522 | (11,440,502) |
| Net cash provided by (used in) operating activities | \$ (14,151,278) | \$ 819,715 | \$ (13,331,563) |





FIDUCIARY FUNDS

Pension and Other Postemployment Benefit 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 Benefit (OPEB) Trust Funds—used to account for accumulating and investing assets for FCPS' post-employment 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, 2016

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 | \$ 1,325,863 | \$ 500 | \$ 1,326,363 |
| Cash with fiscal agent | 883,462 | - | 883,462 |
| Cash collateral for securities on loan | 142,266,388 | - | 142,266,388 |
| Short-term investments | 20,926,504 | - | 20,926,504 |
| Receivables: | | | |
| Accrued interest | 2,680,082 | - | 2,680,082 |
| Securities sold | 13,630,225 | 23,378 | 13,653,603 |
| Investments, at fair value: | | | |
| U.S. government obligations | 8,772,468 | - | 8,772,468 |
| Mortgage-backed securities | 125,681,958 | - | 125,681,958 |
| Stocks | 563,530,318 | 45,041,989 | 608,572,307 |
| Real estate | 182,108,025 | - | 182,108,025 |
| Global asset allocation | 207,360,520 | - | 207,360,520 |
| Better beta derivatives | 114,838,276 | - | 114,838,276 |
| Hedge funds | 165,183,995 | 10,087,962 | 175,271,957 |
| Private equity mutual partnership | 61,386,165 | - | 61,386,165 |
| Mutual funds | 654,694,483 | 45,375,980 | 700,070,463 |
| Capital assets: | | | |
| Equipment | 152,406 | - | 152,406 |
| Accumulated depreciation | (117,492) | - | (117,492) |
| Total assets | <u>2,265,303,646</u> | <u>100,529,809</u> | <u>2,365,833,455</u> |
| LIABILITIES | | | |
| Accounts payable | 1,802,640 | 37,700 | 1,840,340 |
| Payable for purchase of investments | 13,646,920 | - | 13,646,920 |
| Liability for collateral received under securities lending agreements | <u>142,266,388</u> | <u>-</u> | <u>142,266,388</u> |
| Total liabilities | <u>157,715,948</u> | <u>37,700</u> | <u>157,753,648</u> |
| NET POSITION | | | |
| Held in trust for pension and other postemployment benefits | <u>\$ 2,107,587,698</u> | <u>\$ 100,492,109</u> | <u>\$ 2,208,079,807</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 June 30, 2016

EXHIBIT V

| | Educational Employees' Supplementary Retirement System | School Other Postemployment Benefits Trust | Total Pension and Other Postemployment Benefit Trust Funds |
|---|---|---|---|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 76,599,695 | \$ 21,689,000 | \$ 98,288,695 |
| Plan members | 41,383,642 | - | 41,383,642 |
| Total contributions | <u>117,983,337</u> | <u>21,689,000</u> | <u>139,672,337</u> |
| Investment earnings: | | | |
| From investing activities: | | | |
| Net depreciation in fair value of investments | (39,636,603) | (321,244) | (39,957,847) |
| Interest and dividends | 32,506,243 | 246 | 32,506,489 |
| Real estate income | 4,074,306 | - | 4,074,306 |
| Other | 1,862 | - | 1,862 |
| Net loss from investing activities | <u>(3,054,192)</u> | <u>(320,998)</u> | <u>(3,375,190)</u> |
| Less investment expenses: | | | |
| Investment management fees | 12,561,313 | 86,156 | 12,647,469 |
| Investment consulting fees | 428,919 | - | 428,919 |
| Investment custodial fees | 195,579 | 500 | 196,079 |
| Investment salaries | 228,768 | - | 228,768 |
| Total investment expenses | <u>13,414,579</u> | <u>86,656</u> | <u>13,501,235</u> |
| Net loss from investing activities | <u>(16,468,771)</u> | <u>(407,654)</u> | <u>(16,876,425)</u> |
| From securities lending activities: | | | |
| Securities lending | 916,181 | - | 916,181 |
| Securities lending borrower rebates | 85,548 | - | 85,548 |
| Securities lending management fees | (299,925) | - | (299,925) |
| Net income from securities lending activities | <u>701,804</u> | <u>-</u> | <u>701,804</u> |
| Net investment loss | <u>(15,766,967)</u> | <u>(407,654)</u> | <u>(16,174,621)</u> |
| Total additions | <u>102,216,370</u> | <u>21,281,346</u> | <u>123,497,716</u> |
| DEDUCTIONS | | | |
| Benefit payments | 165,721,790 | 16,689,000 | 182,410,790 |
| Refund of contributions | 4,626,057 | - | 4,626,057 |
| Administrative expenses | 4,004,882 | - | 4,004,882 |
| Total deductions | <u>174,352,729</u> | <u>16,689,000</u> | <u>191,041,729</u> |
| Change in net position | (72,136,359) | 4,592,346 | (67,544,013) |
| Net position - July 1, 2015 | 2,179,724,057 | 95,899,763 | 2,275,623,820 |
| Net position - June 30, 2016 | <u>\$ 2,107,587,698</u> | <u>\$ 100,492,109</u> | <u>\$ 2,208,079,807</u> |

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Fiscal Year Ended June 30, 2016

EXHIBIT W

| | Balance June 30, 2015 | Additions | Deductions | Balance June 30, 2016 |
|------------------------|--------------------------|----------------------|------------------------|--------------------------|
| ASSETS | | | | |
| Cash with fiscal agent | \$ 20,262,454 | \$ 58,568,656 | \$ (57,981,088) | \$ 20,850,022 |
| Accounts receivable | 531,507 | 348,632 | (421,729) | 458,410 |
| Inventories | 429,036 | - | (429,036) | - |
| Total assets | <u>\$ 21,222,997</u> | <u>\$ 58,917,288</u> | <u>\$ (58,831,853)</u> | <u>\$ 21,308,432</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 556,464 | \$ 272,029 | \$ (329,495) | \$ 498,998 |
| Due to student groups | 20,666,533 | 8,812,992 | (8,670,091) | 20,809,434 |
| Total liabilities | <u>\$ 21,222,997</u> | <u>\$ 9,085,021</u> | <u>\$ (8,999,586)</u> | <u>\$ 21,308,432</u> |



The background image shows two young boys in a classroom. The boy on the left is wearing a blue t-shirt with 'Q4A' and 'RWA' visible. The boy on the right is wearing a grey and white striped long-sleeved shirt. They are both looking intently at a laptop screen. The laptop is on a desk, and there are other laptops and papers visible in the background.

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 (2)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

| | Fiscal Year | | | | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities | 2016 | 2015 | 2014 | 2013 | 2012 |
| Net investment in capital assets | \$ 2,298,394 | \$ 2,226,691 | \$ 2,126,682 | \$ 2,026,739 | \$ 1,986,758 |
| Restricted (1) | 66,320 | 60,964 | 103,699 | 137,390 | - |
| Unrestricted | (2,892,239) | (2,961,330) | 200,355 | 251,288 | 411,291 |
| Total net position | <u>\$ (527,525)</u> | <u>\$ (673,675)</u> | <u>\$ 2,430,736</u> | <u>\$ 2,415,417</u> | <u>\$ 2,398,049</u> |

(1) Starting in fiscal year 2008, net position was restricted for grant programs and unspent bond proceeds restricted for major capital projects.

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

Source: FCPS Comprehensive Annual Financial Reports 2007-2016

TABLE 1

| Fiscal Year | | | | | Governmental Activities |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | |
| \$ 1,941,947 | \$ 1,866,973 | \$ 1,851,436 | \$ 1,788,593 | \$ 1,736,800 | Net investment in capital assets |
| 8,940 | 71,568 | 28,520 | 21,647 | - | Restricted (1) |
| 388,234 | 255,695 | 172,741 | 149,557 | 166,902 | Unrestricted |
| <u>\$ 2,339,121</u> | <u>\$ 2,194,236</u> | <u>\$ 2,052,697</u> | <u>\$ 1,959,797</u> | <u>\$ 1,903,702</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 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Expenses (4) | | | | | |
| Instruction | \$ 2,256,704 | \$ 2,220,230 | \$ 2,216,228 | \$ 2,201,593 | \$ 2,034,780 |
| Support programs | 361,025 | 360,930 | 360,657 | 340,158 | 328,736 |
| Food service | 76,123 | 77,804 | 81,128 | 82,418 | 79,303 |
| Technology | - | - | - | - | - |
| Interest on long-term debt (3) | 2,908 | 2,865 | 3,043 | 3,372 | 3,390 |
| Total expenses | <u>2,696,760</u> | <u>2,661,829</u> | <u>2,661,056</u> | <u>2,627,541</u> | <u>2,446,209</u> |
| Program Revenues | | | | | |
| Charges for services: | | | | | |
| Instruction | 48,935 | 47,392 | 49,753 | 51,495 | 49,918 |
| Support programs (4) | 15,624 | 15,672 | 11,536 | 11,489 | 9,322 |
| Food service (4) | 39,604 | 39,592 | 41,567 | 43,563 | 47,547 |
| Operating grants and contributions | 267,993 | 259,109 | 262,295 | 253,061 | 235,073 |
| Capital grants and contributions | 184,126 | 171,313 | 160,008 | 167,136 | 161,268 |
| Total program revenues | <u>556,282</u> | <u>533,078</u> | <u>525,159</u> | <u>526,744</u> | <u>503,128</u> |
| Total net expense | <u>(2,140,478)</u> | <u>(2,128,751)</u> | <u>(2,135,897)</u> | <u>(2,100,797)</u> | <u>(1,943,081)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Grants and contributions not restricted to specific purposes: | | | | | |
| Federal government (5) | 5,446 | 4,635 | 4,739 | 6,324 | 6,224 |
| Commonwealth of Virginia | 453,988 | 448,297 | 427,765 | 426,778 | 383,205 |
| County of Fairfax, VA | 1,825,153 | 1,768,498 | 1,716,989 | 1,683,322 | 1,610,835 |
| Revenue for the use of money (2) | 48 | 21 | 19 | 74 | 60 |
| Other | 1,993 | 1,688 | 1,703 | 1,668 | 1,685 |
| Special items (3) | - | - | - | - | - |
| Total general revenues and other changes in net position | <u>2,286,628</u> | <u>2,223,139</u> | <u>2,151,215</u> | <u>2,118,166</u> | <u>2,002,009</u> |
| Change in Net Position | <u>\$ 146,150</u> | <u>\$ 94,388</u> | <u>\$ 15,318</u> | <u>\$ 17,369</u> | <u>\$ 58,928</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.

(3) In fiscal year 2007, FCPS sold the Eleven Oaks Administrative Center, originally purchased for \$789,200 in 1952, for \$4,000,000, which resulted in a gain. Also, in fiscal year 2007, FCPS transferred land and associated property to the County, which had a net book value of \$10,874,069.

TABLE 2

| Fiscal Year | | | | | Governmental Activities |
|--------------|--------------|--------------|--------------|--------------|---|
| 2011 | 2010 | 2009 | 2008 | 2007 | |
| \$ 1,902,838 | \$ 1,884,182 | \$ 1,962,020 | \$ 1,925,025 | \$ 1,627,142 | Expenses (4) |
| 332,906 | 322,682 | 333,639 | 347,875 | 469,971 | Instruction |
| 73,756 | 68,957 | 71,118 | 67,872 | - | Support programs |
| - | - | - | - | 125,341 | Food service |
| 4,088 | 3,942 | 4,238 | 4,611 | 6,030 | Technology |
| 2,313,588 | 2,279,763 | 2,371,015 | 2,345,383 | 2,228,484 | Interest on long-term debt (6) |
| | | | | | Total expenses |
| | | | | | Program Revenues |
| 43,188 | 21,413 | 46,984 | 48,122 | 52,114 | Charges for services: |
| 11,106 | 7,698 | 8,175 | 6,535 | 45,166 | Instruction |
| 47,458 | 47,207 | 49,280 | 45,794 | - | Support programs (4) |
| 229,644 | 225,774 | 179,396 | 167,889 | 165,195 | Food service (4) |
| 141,171 | 162,727 | 170,736 | 165,578 | 145,185 | Operating grants and contributions |
| 472,567 | 464,819 | 454,571 | 433,918 | 407,660 | Capital grants and contributions |
| (1,841,021) | (1,814,944) | (1,916,444) | (1,911,465) | (1,820,824) | Total program revenues |
| | | | | | Total net expense |
| | | | | | General Revenues and Other Changes in Net Position |
| 7,574 | 6,506 | 8,828 | 7,099 | 10,343 | Grants and contributions not restricted to specific purposes: |
| 365,912 | 319,350 | 365,932 | 364,021 | 364,978 | Federal government (5) |
| 1,611,591 | 1,626,601 | 1,626,601 | 1,586,601 | 1,533,218 | Commonwealth of Virginia |
| 692 | 957 | 1,839 | 4,404 | 4,586 | County of Fairfax, VA |
| 137 | 3,069 | 6,144 | 5,435 | 5,436 | Revenue for the use of money (2) |
| - | - | - | - | (7,663) | Other |
| 1,985,906 | 1,956,483 | 2,009,344 | 1,967,560 | 1,910,898 | Special items (3) |
| \$ 144,885 | \$ 141,539 | \$ 92,900 | \$ 56,095 | \$ 90,074 | Total general revenues and other changes in net position |
| | | | | | Change in Net Position |

(4) In fiscal year 2008, FCPS revised its program categories and as part of this change, food service expenses were reported separately from support programs. In addition, technology was no longer a program and the related expenses were reported primarily as part of the instruction program beginning in fiscal year 2008.

(5) The fiscal year 2006 impact aid payment was not received until fiscal year 2007 causing a small spike in Federal revenue.

(6) FCPS began accounting for accrued interest on its outstanding capital leases and installment purchases beginning in fiscal year 2007.

Source: FCPS Comprehensive Annual Financial Reports 2007-2016

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

| | Fiscal Year | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| General Fund: | | | | | |
| Nonspendable | \$ 144 | \$ 396 | \$ 427 | \$ 259 | \$ 26,937 |
| Committed | 49,986 | 54,084 | 57,205 | 90,651 | 126,092 |
| Assigned | 91,943 | 90,075 | 97,550 | 119,806 | 83,565 |
| Unassigned | - | 2,141 | 2,086 | 3,272 | 22,493 |
| Total General Fund | <u>\$ 142,073</u> | <u>\$ 146,696</u> | <u>\$ 157,268</u> | <u>\$ 213,988</u> | <u>\$ 259,087</u> |
| All other governmental funds: | | | | | |
| Nonspendable | \$ 1,529 | \$ 1,852 | \$ 2,348 | \$ 1,466 | \$ 3,633 |
| Restricted | 66,320 | 61,362 | 104,066 | 137,974 | 114,292 |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | (975) |
| Total all other governmental funds | <u>\$ 67,849</u> | <u>\$ 63,214</u> | <u>\$ 106,414</u> | <u>\$ 139,440</u> | <u>\$ 116,950</u> |

Source: FCPS Comprehensive Annual Financial Reports 2007-2016 and FCPS Final Budget Review Reports 2007-2016.

TABLE 3

| Fiscal Year | | | | | |
|-------------|------------|------------|------------|------------|------------------------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | |
| \$ 23,246 | \$ 19,652 | \$ 18,128 | \$ 17,507 | \$ 298 | General Fund: |
| 47,993 | - | - | - | - | Nonspendable |
| 140,890 | 136,247 | 75,569 | 63,528 | 76,505 | Committed |
| 48,607 | 33,858 | 24,447 | 27,776 | 52,099 | Assigned |
| \$ 260,736 | \$ 189,757 | \$ 118,144 | \$ 108,811 | \$ 128,902 | Unassigned |
| | | | | | Total General Fund |
| \$ 2,253 | \$ 2,459 | \$ 2,248 | \$ 2,191 | \$ 1,160 | All other governmental funds: |
| 31,461 | 27,598 | 15,365 | 13,957 | 11,789 | Nonspendable |
| 75,009 | 94,276 | 36,466 | 12,922 | - | Restricted |
| - | - | - | - | - | Assigned |
| \$ 108,723 | \$ 124,333 | \$ 54,079 | \$ 29,070 | \$ 12,949 | 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 | | | | |
|---|------------------|--------------------|--------------------|--------------------|------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues | | | | | |
| Intergovernmental | \$ 2,726,484 | \$ 2,639,091 | \$ 2,559,313 | \$ 2,514,854 | \$ 2,384,966 |
| Charges for services | 56,291 | 56,650 | 57,838 | 60,184 | 64,672 |
| Revenue from the use of money and property | 3,948 | 3,630 | 3,183 | 3,170 | 3,232 |
| Recovered costs (1) | 44,033 | 42,426 | 42,140 | 43,523 | 39,262 |
| Other | 12,154 | 14,420 | 13,900 | 23,179 | 15,600 |
| Total revenues | <u>2,842,910</u> | <u>2,756,217</u> | <u>2,676,374</u> | <u>2,644,910</u> | <u>2,507,732</u> |
| Expenditures | | | | | |
| Current (5): | | | | | |
| Instruction | 2,206,938 | 2,154,041 | 2,121,484 | 2,102,979 | 1,940,659 |
| Support programs | 353,194 | 350,964 | 345,640 | 325,273 | 313,294 |
| Food service (5) | 74,128 | 75,526 | 77,987 | 78,635 | 75,782 |
| Technology | - | - | - | - | - |
| Capital outlay (3) | 215,607 | 229,852 | 214,819 | 154,625 | 174,390 |
| Debt service: (3) | | | | | |
| Principal | 14,444 | 15,238 | 14,407 | 12,834 | 13,474 |
| Interest | 2,909 | 2,751 | 3,273 | 3,372 | 3,390 |
| Total expenditures | <u>2,867,220</u> | <u>2,828,372</u> | <u>2,777,610</u> | <u>2,677,718</u> | <u>2,520,989</u> |
| Excess (deficiency) of revenues over (under) expenditures | (24,310) | (72,155) | (101,236) | (32,808) | (13,257) |
| Other financing sources (uses) | | | | | |
| Transfers in | 30,687 | 30,491 | 36,874 | 30,393 | 22,206 |
| Transfers out | (30,687) | (30,491) | (36,874) | (30,393) | (22,206) |
| Capital leases and installment purchases (2) | 24,646 | 18,340 | 11,148 | 10,294 | 19,680 |
| Total other financing sources (uses), net | <u>24,646</u> | <u>18,340</u> | <u>11,148</u> | <u>10,294</u> | <u>19,680</u> |
| Special items (4) | - | - | - | - | - |
| Net change in fund balances (6) | <u>\$ 336</u> | <u>\$ (53,815)</u> | <u>\$ (90,088)</u> | <u>\$ (22,514)</u> | <u>\$ 6,423</u> |
| Debt service as a percentage of noncapital expenditures (3) | 0.7% | 0.7% | 0.7% | 0.6% | 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. The substantial increase in fiscal year 2010 was due to the fact fiscal year 2009 leases were postponed because the master lease agreement expired in fiscal year 2009.

(3) Prior to fiscal year 2007, capital outlays relating to capital leases and installment purchases were reported separately in expenditures. Annual debt service payments on capital leases and installment purchases were included in various functions in current expenditures. In fiscal year 2007, FCPS began reporting these outlays as part of capital outlay and separately reporting debt service payments. Amounts for capital outlays and debt service as a percentage of noncapital expenditures were restated in prior years.

TABLE 4

| Fiscal Year | | | | | |
|--------------|--------------|--------------|--------------|--------------|--|
| 2011 | 2010 | 2009 | 2008 | 2007 | |
| \$ 2,343,575 | \$ 2,349,368 | \$ 2,336,434 | \$ 2,277,965 | \$ 2,206,411 | Revenues |
| 64,862 | 63,733 | 65,021 | 62,077 | 58,742 | Intergovernmental |
| 3,518 | 3,614 | 3,371 | 3,365 | 3,326 | Charges for services |
| 35,795 | 34,852 | 37,344 | 36,472 | 33,946 | Revenue from the use of money and property |
| 11,136 | 12,919 | 12,776 | 17,021 | 15,707 | Recovered costs (1) |
| 2,458,886 | 2,464,486 | 2,454,946 | 2,396,900 | 2,318,132 | Other |
| | | | | | Total revenues |
| | | | | | Expenditures |
| | | | | | Current (5): |
| 1,826,700 | 1,820,542 | 1,882,672 | 1,854,380 | 1,568,179 | Instruction |
| 311,628 | 311,695 | 313,837 | 334,251 | 451,946 | Support programs |
| 70,522 | 66,917 | 68,282 | 65,704 | - | Food service (5) |
| - | - | - | - | 120,840 | Technology |
| 174,358 | 127,979 | 148,604 | 138,534 | 138,588 | Capital outlay (3) |
| | | | | | Debt service: (3) |
| 22,759 | 13,210 | 15,487 | 20,119 | 19,739 | Principal |
| 4,317 | 3,950 | 4,448 | 4,620 | 4,776 | Interest |
| 2,410,284 | 2,344,293 | 2,433,330 | 2,417,608 | 2,304,068 | Total expenditures |
| | | | | | Excess (deficiency) of revenues over |
| 48,602 | 120,193 | 21,616 | (20,708) | 14,064 | (under) expenditures |
| | | | | | Other financing sources (uses) |
| 24,684 | 30,445 | 45,227 | 38,998 | 43,807 | Transfers in |
| (24,684) | (30,445) | (34,527) | (38,998) | (43,807) | Transfers out |
| 7,058 | 21,496 | 1,996 | 16,404 | 15,618 | Capital leases and installment purchases (2) |
| 7,058 | 21,496 | 12,696 | 16,404 | 15,618 | Total other financing sources (uses), net |
| - | - | - | | 4,000 | Special items (4) |
| \$ 55,660 | \$ 141,689 | \$ 34,312 | \$ (4,304) | \$ 33,682 | Net change in fund balances (6) |
| 1.2% | 0.8% | 0.9% | 1.1% | 1.1% | Debt service as a percentage of |
| | | | | | noncapital expenditures (3) |

(4) In fiscal year 2007, FCPS sold the Eleven Oaks Administrative Center, originally purchased in 1952 for \$789,200, for \$4,000,000, which resulted in a gain. Also, in fiscal year 2007, FCPS transferred land and associated property, which had a net book value of \$10,874,069, to the County.

(5) In fiscal year 2008, FCPS revised its program categories and as part of this change, food service expenditures were reported separately from support programs. In addition, technology was no longer a program and the related expenditures were reported primarily as part of the instruction program beginning in fiscal year 2008.

(6) 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.

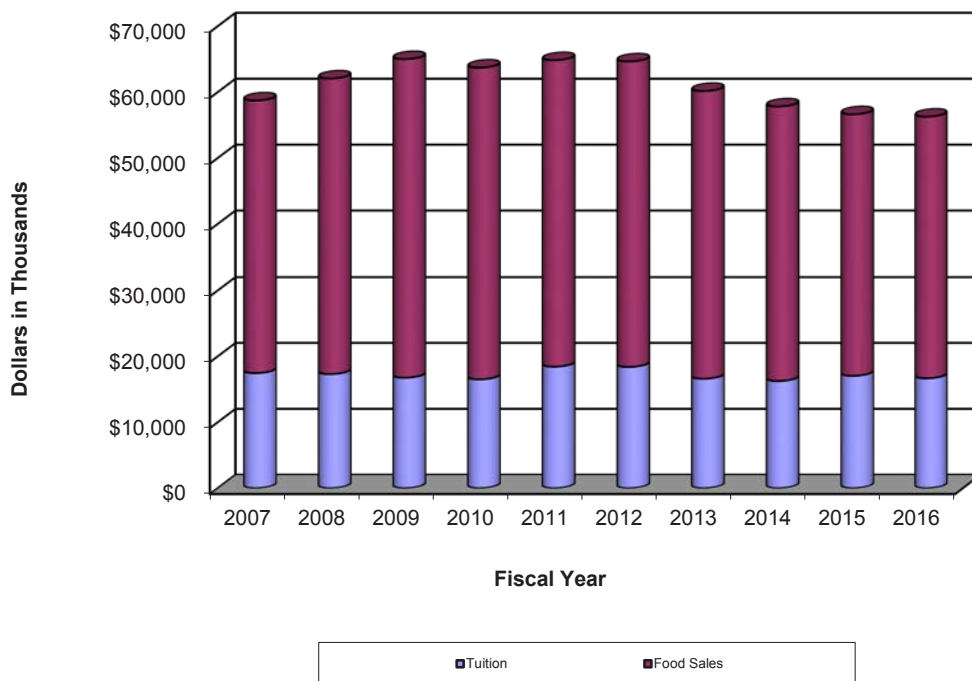
Source: FCPS Comprehensive Annual Financial Reports 2007-2016

FAIRFAX COUNTY PUBLIC SCHOOLS
Charges for Services Revenue by Source (1)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

TABLE 5

| Fiscal Year | Tuition | Percentage | Food Sales | Percentage | Total |
|--------------------|----------------|-------------------|-------------------|-------------------|--------------|
| 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 |
| 2009 | 16,773 | 25.8 | 48,248 | 74.2 | 65,021 |
| 2008 | 17,325 | 27.9 | 44,752 | 72.1 | 62,077 |
| 2007 | 17,472 | 29.7 | 41,270 | 70.3 | 58,742 |

Charges for Services Revenue by Source



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

Source: FCPS Comprehensive Annual Financial Reports 2007-2016

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 | |
| 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 |
| 2009 | 1.50 | 2.40 | 2.50 | 2.50 | 3.40 |
| 2008 | 1.25 | 2.15 | 2.25 | 2.25 | 3.15 |
| 2007 | 1.10 | 2.00 | 2.10 | 2.10 | 3.00 |

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 2016 | | | Fiscal Year 2007 (1) | | |
|-----------------------------|------------------|------|---------------------------|----------------------|------|---------------------------|
| | Sales | Rank | Percentage of Total Sales | Sales | Rank | Percentage of Total Sales |
| Student | \$ 33,010 | 1 | 83.71 % | \$ 28,129 | 1 | 63.67 % |
| School-age child care(SACC) | 2,719 | 2 | 6.42 | 5,636 | 2 | 12.76 |
| Vending | 2,427 | 3 | 6.19 | 4,243 | 3 | 9.60 |
| Senior nutrition | 484 | 4 | 1.22 | 2,232 | 5 | 5.06 |
| Adult | 424 | 5 | 1.08 | 973 | 6 | 2.20 |
| Daycare | 272 | 6 | 0.69 | 2,258 | 4 | 5.11 |
| Catering/other | 268 | 7 | 0.69 | 707 | 7 | 1.60 |
| Total: | <u>\$ 39,604</u> | | <u>100.00%</u> | <u>\$ 44,178</u> | | <u>100.00%</u> |

(1) Sales for fiscal year 2007 includes sales from SACC and Senior Nutrition. These sales are between the County and FCPS and were reported as Intergovernmental revenue in the fiscal year 2007 CAFR

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 | |
| 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 |
| 2009 | 10,456 | 83,385 | 28,302 | 3,421 |
| 2008 | 10,555 | 81,432 | 25,292 | 3,603 |
| 2007 | 10,889 | 82,273 | 23,726 | 3,975 |

Percentage of Free and Reduced-Price Lunches to Total Student Lunches Served Daily



(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 | | |
| 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 |
| 2009 | 77,232 | 11,509 | 88,741 | 0.12 | 84 |
| 2008 | 89,078 | 13,153 | 102,231 | 0.15 | 98 |
| 2007 | 91,216 | 14,730 | 105,946 | 0.16 | 102 |

(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.

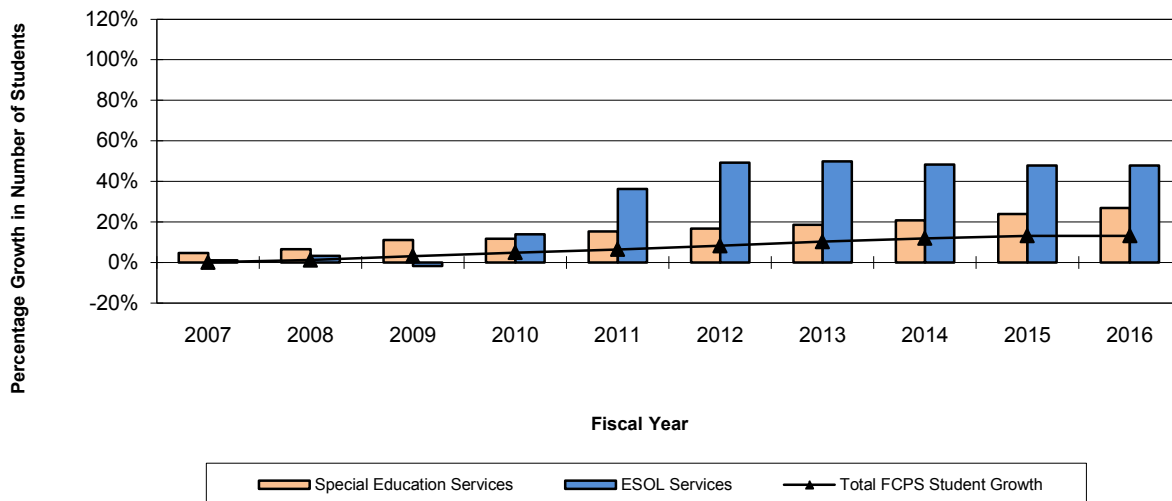
Source: FCPS Comprehensive Annual Financial Reports 2007-2016

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 |
|-------------|----------------|------------|-----------------|-----------------------|---------|
| 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 |
| 2009 | 83,114 | 22,931 | 49,422 | 14,071 | 169,538 |
| 2008 | 81,341 | 22,744 | 48,723 | 13,499 | 166,307 |
| 2007 | 80,134 | 22,375 | 48,712 | 13,265 | 164,486 |

Total FCPS Student Growth from Fiscal Year 2006 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.

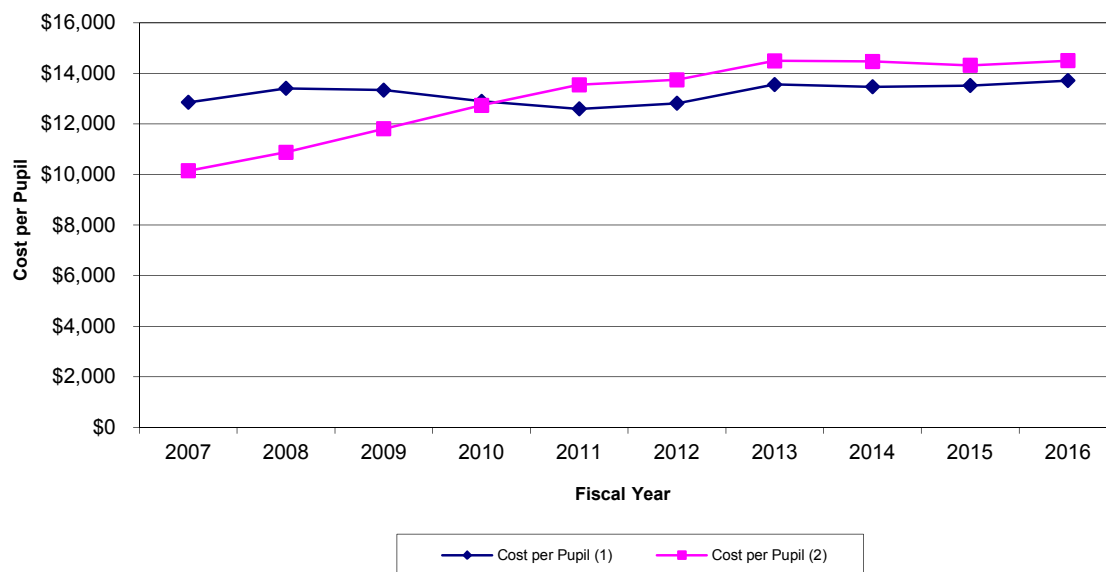
Source: FCPS Approved Budgets 2007-2016

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

TABLE 11

| Fiscal Year | Cost per Pupil (1) | Cost per Pupil (2) |
|--------------------|-------------------------------|-------------------------------|
| 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 |
| 2009 | 13,340 | 13,985 |
| 2008 | 13,407 | 14,103 |
| 2007 | 12,853 | 13,548 |
| 2006 | 11,915 | 12,736 |

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 2007-2016
 FCPS Comprehensive Annual Financial Reports 2007-2016

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

TABLE 12

| Calendar Year | Population (1) | Personal Income (000s) (2) | Per Capita Personal Income (2) | Median Age (years) (3) | Percent of People \geq 25 Years Old with a Bachelor's Degree (3) | Public School Enrollment (4) | Unemployment Rate (5) |
|---------------|----------------|----------------------------|--------------------------------|------------------------|--|------------------------------|-----------------------|
| 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 | 4.3 |
| 2011 | 1,100,692 | 71,145,429 | 64,637 | 37.6 | 58.0 | 174,933 | 4.2 |
| 2010 | 1,081,726 | 72,577,324 | 67,094 | 37.5 | 56.1 | 172,391 | 4.9 |
| 2009 | 1,074,227 | 74,380,758 | 69,241 | 37.3 | 58.1 | 169,538 | 4.8 |
| 2008 | 1,050,315 | 74,385,409 | 70,822 | 39.4 | 58.5 | 166,307 | 3.4 |
| 2007 | 1,041,507 | 70,500,650 | 67,691 | 39.1 | 59.0 | 164,486 | 2.2 |
| 2006 | 1,037,311 | 67,111,947 | 64,698 | 38.4 | 58.7 | 164,284 | 2.2 |

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 2015 is estimated using percent change in per capita personal income from 2014.
- (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 2007-2016.
- (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 2016 (1) | | | Fiscal Year 2007 (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 | 24,581 | 1 | 3.93 % | 22,707 | 1 | 3.91 % |
| Federal Government | 23,664 | 2 | 3.79 | 13,359 | 2 | 2.30 |
| Fairfax County Government | 12,335 | 3 | 1.97 | 11,324 | 3 | 1.95 |
| Inova Health System | 7,000 - 10,000 | 4 | 1.36 | 7,000 - 10,000 | 4 | 1.46 |
| George Mason University | 5,000 - 10,000 | 5 | 1.20 | - | - | - |
| Booz-Allen Hamilton | 4,000 - 6,999 | 6 | 0.88 | 7,000 - 10,000 | 5 | 1.46 |
| Federal Home Loan Mortgage | 4,000 - 6,999 | 7 | 0.88 | 4,000 - 6,999 | 8 | 0.95 |
| General Dynamics | 4,000 - 6,999 | 8 | 0.88 | - | - | - |
| Science Applications International Corporation (4) | 1,000 - 3,999 | 9 | 0.40 | 4,000 - 6,999 | 7 | 0.95 |
| Northrup Grumman | 1,000 - 3,999 | 10 | 0.40 | 7,000 - 10,000 | 6 | 1.46 |
| Lockheed Martin | - | - | 0.00 | 4,000 - 6,999 | 9 | 0.95 |
| Sprint | - | - | 0.00 | 4,000 - 6,999 | 10 | 0.95 |
| Totals | | | <u>15.69 %</u> | | | <u>16.34 %</u> |

(1) Employment information for fiscal year 2016 excluding data for Fairfax County Government and FCPS, is from the first quarter of calendar year 2016 VEC. Employment information for fiscal year 2007 is from the fiscal year 2007 County of Fairfax 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 2016 is estimated at 625,030, based on Business Vital Statistics of the Fairfax Development Authority. Average total County employment for fiscal year 2007 was estimated at 581,053.

Source: Fairfax County Economic Development Authority (using Virginia Employment Commission 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 | Fiscal Year | | | | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| School Based: | | | | | |
| Principals | 198.0 | 197.0 | 196.0 | 196.0 | 195.0 |
| Assistant principals & directors | 459.0 | 454.0 | 454.0 | 450.0 | 439.0 |
| Teachers | 15,295.3 | 15,086.8 | 15,221.3 | 14,986.0 | 14,574.2 |
| Instructional assistants | 2,790.3 | 2,600.3 | 2,719.6 | 2,678.5 | 2,537.6 |
| Custodian | 1,327.0 | 1,301.5 | 1,345.0 | 1,338.0 | 1,267.0 |
| Other school based personnel | 2,619.3 | 2,658.1 | 2,690.8 | 2,667.3 | 2,609.5 |
| Non-School Based: | | | | | |
| Administration | 1,140.1 | 1,125.6 | 1,158.1 | 1,120.6 | 1,044.2 |
| Teachers (1) | 31.0 | 27.5 | 38.0 | 40.5 | 40.0 |
| Office assistants | 243.1 | 251.6 | 274.1 | 274.6 | 282.9 |
| Trades personnel | 478.0 | 479.0 | 493.0 | 480.0 | 545.0 |
| Total | <u>24,581.1</u> | <u>24,181.4</u> | <u>24,589.9</u> | <u>24,231.5</u> | <u>23,534.4</u> |

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

Source: FCPS - Office of Budget Services

TABLE 14

| Fiscal Year | | | | | Function |
|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------------------|
| 2011 | 2010 | 2009 | 2008 | 2007 | |
| 194.0 | 195.0 | 196.0 | 195.0 | 196.0 | School Based: |
| 437.0 | 438.0 | 444.0 | 439.0 | 436.0 | Principals |
| 14,230.4 | 13,979.5 | 13,945.1 | 13,941.7 | 13,821.3 | Assistant principals & directors |
| 2,419.2 | 2,334.9 | 2,228.0 | 2,243.2 | 2,154.9 | Teachers |
| 1,251.5 | 1,327.5 | 1,432.0 | 1,410.5 | 1,396.5 | Instructional assistants |
| 2,536.1 | 2,569.4 | 2,711.9 | 2,687.4 | 2,674.4 | Custodian |
| | | | | | Other school based personnel |
| 1,014.7 | 1,054.7 | 1,092.0 | 1,094.1 | 1,076.6 | Non-School Based: |
| 30.0 | 54.5 | 27.5 | 28.0 | 37.7 | Administration |
| 279.9 | 311.1 | 343.8 | 358.3 | 355.2 | Teachers (1) |
| 546.0 | 587.0 | 594.0 | 597.0 | 595.0 | Office assistants |
| | | | | | Trades personnel |
| <u>22,938.8</u> | <u>22,851.6</u> | <u>23,014.3</u> | <u>22,994.2</u> | <u>22,743.6</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 | | |
|-------------|---|-----------------------------|----------|
| | County of Fairfax, VA | Commonwealth of Virginia | National |
| 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 |
| 2009 | 1664 | 1521 | 1509 |
| 2008 | 1654 | 1522 | 1511 |
| 2007 | 1639 | 1520 | 1511 |

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 |
|-------------|------------|--------|--------------------|
| 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 |
| 2009 | 20.9 | 23.7 | 24.5 |
| 2008 | 20.7 | 23.0 | 24.1 |
| 2007 | 20.7 | 23.1 | 23.9 |

Source: Metropolitan/Washington Area Boards of Education Guides 2007-2016

FAIRFAX COUNTY PUBLIC SCHOOLS
Teacher Salary
Last Ten Fiscal Years
Unaudited

TABLE 17

| Fiscal Year | Contract Length | Salary | | |
|-------------|-----------------|-------------------|-----------------|-----------------|
| | | Beginning Teacher | Maximum Teacher | Average Teacher |
| 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 |
| 2009 | 194 days | 44,789 | 92,094 | 66,237 |
| 2008 | 194 days | 43,911 | 90,289 | 64,219 |
| 2007 | 194 days | 42,400 | 88,394 | 62,638 |

Source: Metropolitan/Washington Area Boards of Education Guides 2007-2016

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

TABLE 18

| | Fiscal Year | | | | | | | | | |
|--------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Elementary schools | 139 | 139 | 139 | 139 | 138 | 139 | 139 | 137 | 137 | 137 |
| Middle schools | 23 | 23 | 23 | 23 | 22 | 22 | 22 | 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 | 8 | 8 | 9 | 10 | 11 |
| Alternative high schools | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Central administrative centers | 22 | 22 | 22 | 22 | 22 | 21 | 21 | 23 | 23 | 24 |
| Buses | 1,852 | 1,685 | 1,586 | 1,541 | 1,588 | 1,534 | 1,633 | 1,658 | 1,691 | 1,664 |

(1) The decreases for fiscal years 2007 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, 2016
Unaudited

TABLE 19
(Page 1 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: | | | | | |
| ALDRIN ES | 1994 | 14 | 97,436 | 720 | 135 |
| ANNANDALE TERRACE ES | 1964 | 12 | 75,202 | 718 | 105 |
| ARMSTRONG ES | 1986 | 14 | 80,000 | 454 | 176 |
| BAILEYS ES | 1952, 2014 | 13 | 221,834 | 1,324 | 335 |
| BEECH TREE ES | 1968 | 10 | 70,331 | 388 | 181 |
| BELLE VIEW ES | 1952 | 11 | 75,779 | 531 | 143 |
| BELVEDERE ES | 1954 | 11 | 76,611 | 750 | 102 |
| BONNIE BRAE ES | 1988 | 13 | 88,778 | 735 | 121 |
| BRADDOCK ES | 1959 | 12 | 83,358 | 842 | 99 |
| BREN MAR PARK ES | 1957 | 10 | 62,999 | 528 | 119 |
| BROOKFIELD ES | 1967 | 13 | 107,827 | 853 | 126 |
| BUCKNELL ES | 1954 | 10 | 65,470 | 257 | 255 |
| BULL RUN ES | 1999 | 41 | 98,590 | 860 | 115 |
| BUSH HILL ES | 1954 | 11 | 70,939 | 467 | 152 |
| CAMELOT ES | 1969 | 10 | 89,938 | 631 | 143 |
| CAMERON ES | 1952 | 8 | 86,626 | 521 | 166 |
| CANTERBURY WOODS ES | 1965 | 12 | 89,744 | 762 | 118 |
| CARDINAL FOREST ES | 1966 | 13 | 80,214 | 637 | 126 |
| CENTRE RIDGE ES | 1990 | 14 | 93,981 | 840 | 112 |
| CENTREVILLE ES | 1994 | 13 | 110,450 | 893 | 124 |
| CHERRY RUN ES | 1983 | 11 | 69,604 | 486 | 143 |
| CHESTERBROOK ES | 1926 | 14 | 76,713 | 714 | 107 |
| CHURCHILL ROAD ES | 1958 | 10 | 79,613 | 840 | 95 |
| CLEARVIEW ES | 1979 | 14 | 85,609 | 688 | 124 |
| CLERMONT ES | 1968 | 13 | 80,222 | 545 | 147 |
| COATES ES | 2009 | 14 | 89,758 | 764 | 117 |
| COLIN L. POWELL ES | 2003 | 17 | 110,360 | 976 | 113 |
| COLUMBIA ES | 1967 | 10 | 54,993 | 471 | 117 |
| COLVIN RUN ES | 2003 | 13 | 98,590 | 824 | 120 |
| CRESTWOOD ES | 1955 | 11 | 86,587 | 646 | 134 |
| CROSSFIELD ES | 1988 | 14 | 89,134 | 665 | 134 |
| CUB RUN ES | 1986 | 16 | 77,850 | 586 | 133 |
| CUNNINGHAM PARK ES | 1967 | 10 | 69,842 | 513 | 136 |
| DEER PARK ES | 1995 | 10 | 98,690 | 675 | 146 |
| DOGWOOD ES | 2001 | 14 | 98,900 | 771 | 128 |
| DRANESVILLE ES | 1988 | 13 | 88,778 | 793 | 112 |
| EAGLE VIEW ES | 2006 | 13 | 98,590 | 697 | 141 |
| FAIRFAX VILLA ES | 1965 | 12 | 70,248 | 632 | 111 |
| FAIRHILL ES | 1965 | 10 | 73,174 | 594 | 123 |
| FAIRVIEW ES | 1938 | 14 | 82,115 | 662 | 124 |
| FLINT HILL ES | 1954 | 10 | 73,532 | 729 | 101 |
| FLORIS ES | 1955 | 10 | 83,560 | 686 | 122 |
| FOREST EDGE ES | 1971 | 13 | 96,624 | 723 | 134 |
| FORESTDALE ES | 1964 | 10 | 69,631 | 556 | 125 |
| FORESTVILLE ES | 1980 | 8 | 82,972 | 567 | 146 |
| FORT BELVOIR ES | 1994 | 20 | 134,939 | 1,121 | 120 |
| FORT HUNT ES | 1969 | 13 | 87,481 | 585 | 150 |
| FOX MILL ES | 1979 | 14 | 75,784 | 599 | 127 |

| | Year Opened | Site Acreage | Building Size (2) | Student Population (3) | Square Foot Per Population |
|-------------------------------------|-------------|-----------------|----------------------|---------------------------|-------------------------------|
| Elementary Schools (Cont'd): | | | | | |
| FRANCONIA ES | 1931 | 7 | 71,658 | 491 | 146 |
| FRANKLIN SHERMAN ES | 1952 | 11 | 65,965 | 408 | 162 |
| FREEDOM HILL ES | 1949 | 12 | 79,750 | 638 | 125 |
| GARFIELD ES | 1952 | 8 | 78,373 | 394 | 199 |
| GLEN FOREST ES | 1957 | 10 | 106,869 | 1,040 | 103 |
| GRAHAM ROAD ES | 1950 | 8 | 81,354 | 473 | 172 |
| GREAT FALLS ES | 1952 | 10 | 87,447 | 546 | 160 |
| GREENBRIAR EAST ES | 1968 | 10 | 90,547 | 1,000 | 91 |
| GREENBRIAR WEST ES | 1971 | 10 | 93,203 | 1,007 | 93 |
| GROVETON ES | 1972 | 13 | 103,281 | 788 | 131 |
| GUNSTON ES | 1954 | 10 | 80,736 | 551 | 147 |
| HALLEY ES | 1995 | 20 | 98,900 | 686 | 144 |
| HAYCOCK ES | 1954 | 10 | 72,853 | 921 | 79 |
| HAYFIELD ES | 1966 | 13 | 80,149 | 726 | 110 |
| HERNDON ES | 1961 | 14 | 97,221 | 921 | 106 |
| HOLLIN MEADOWS ES | 1965 | 10 | 73,353 | 651 | 113 |
| HUNT VALLEY ES | 1968 | 13 | 90,187 | 673 | 134 |
| HUNTERS WOODS ES | 1969 | 11 | 99,787 | 946 | 105 |
| HUTCHISON ES | 1975 | 39 | 106,408 | 1001 | 106 |
| HYBLA VALLEY ES | 1964 | 10 | 108,950 | 974 | 112 |
| ISLAND CREEK ES | 2003 | 19 | 98,590 | 804 | 123 |
| KEENE MILL ES | 1961 | 11 | 66,087 | 756 | 87 |
| KENT GARDENS ES | 1957 | 11 | 77,900 | 928 | 84 |
| KINGS GLEN ES | 1969 | 8 | 72,702 | 459 | 158 |
| KINGS PARK ES | 1964 | 10 | 80,019 | 700 | 114 |
| LAKE ANNE ES | 1967 | 10 | 77,400 | 670 | 116 |
| LANE ES | 1995 | 20 | 98,625 | 840 | 117 |
| LAUREL HILL ES | 2009 | 15 | 98,950 | 920 | 107 |
| LAUREL RIDGE ES | 1970 | 13 | 112,320 | 861 | 130 |
| LEES CORNER ES | 1987 | 11 | 81,843 | 755 | 108 |
| LEMON ROAD ES | 1955 | 12 | 61,943 | 564 | 110 |
| LITTLE RUN ES | 1963 | 10 | 55,085 | 335 | 164 |
| LONDON TOWNE ES | 1969 | 13 | 104,570 | 894 | 117 |
| LORTON STATION ES | 2003 | 13 | 98,900 | 1,041 | 95 |
| LOUISE ARCHER ES | 1939 | 8 | 65,509 | 684 | 96 |
| LYNBROOK ES | 1956 | 11 | 85,553 | 653 | 131 |
| MANTUA ES | 1961 | 12 | 97,684 | 959 | 102 |
| MARSHALL ROAD ES | 1961 | 11 | 76,597 | 735 | 104 |
| MASON CREST ES | 2012 | 7 | 98,590 | 610 | 162 |
| MCNAIR ES | 2001 | 15 | 98,900 | 1,283 | 77 |
| MOSBY WOODS ES | 1963 | 12 | 102,204 | 1,022 | 100 |
| MOUNT EAGLE ES | 1949 | 6 | 68,721 | 406 | 169 |
| MOUNT VERNON WOODS ES | 1965 | 10 | 79,586 | 686 | 116 |
| NAVY ES | 1955 | 10 | 91,013 | 908 | 100 |
| NEWINGTON FOREST ES | 1983 | 13 | 77,850 | 587 | 133 |
| NORTH SPRINGFIELD ES | 1956 | 12 | 83,256 | 523 | 159 |
| OAK HILL ES | 1983 | 12 | 85,968 | 896 | 96 |
| OAK VIEW ES | 1968 | 10 | 88,815 | 793 | 112 |

FAIRFAX COUNTY PUBLIC SCHOOLS
School Building Statistics (1)
As of June 30, 2016
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): | | | | | |
| OAKTON ES | 1945 | 9 | 91,537 | 835 | 110 |
| OLDE CREEK ES | 1966 | 11 | 69,330 | 433 | 160 |
| ORANGE HUNT ES | 1974 | 14 | 84,852 | 815 | 104 |
| PARKLAWN ES | 1958 | 11 | 92,280 | 707 | 131 |
| PINE SPRING ES | 1955 | 11 | 65,941 | 603 | 109 |
| POPLAR TREE ES | 1990 | 11 | 94,664 | 647 | 146 |
| RAVENSWORTH ES | 1963 | 10 | 62,061 | 590 | 105 |
| RIVERSIDE ES | 1968 | 11 | 92,850 | 771 | 120 |
| ROLLING VALLEY ES | 1967 | 10 | 77,801 | 570 | 136 |
| ROSE HILL ES | 1957 | 11 | 100,207 | 741 | 135 |
| SANGSTER ES | 1988 | 14 | 88,552 | 930 | 95 |
| SARATOGA ES | 1989 | 14 | 103,570 | 758 | 137 |
| SHREVEWOOD ES | 1966 | 13 | 71,610 | 734 | 98 |
| SILVERBROOK ES | 1988 | 14 | 82,675 | 777 | 106 |
| SLEEPY HOLLOW ES | 1954 | 10 | 73,934 | 433 | 171 |
| SPRING HILL ES | 1965 | 13 | 108,607 | 950 | 114 |
| SPRINGFIELD ESTATES ES | 1957 | 11 | 78,947 | 786 | 100 |
| STENWOOD ES | 1963 | 10 | 71,213 | 507 | 140 |
| STRATFORD LANDING ES | 1963 | 10 | 71,860 | 889 | 81 |
| SUNRISE VALLEY ES | 1979 | 15 | 71,123 | 551 | 129 |
| TERRA CENTRE ES | 1980 | 12 | 88,395 | 583 | 152 |
| TERRASET ES | 1977 | 14 | 70,200 | 552 | 127 |
| TIMBER LANE ES | 1955 | 10 | 80,591 | 644 | 125 |
| UNION MILL ES | 1986 | 13 | 93,420 | 936 | 100 |
| VIENNA ES | 1921 | 15 | 67,055 | 464 | 145 |
| VIRGINIA RUN ES | 1989 | 21 | 90,800 | 711 | 128 |
| WAKEFIELD FOREST ES | 1955 | 14 | 65,062 | 575 | 113 |
| WAPLES MILL ES | 1991 | 14 | 92,470 | 858 | 108 |
| WASHINGTON MILL ES | 1963 | 12 | 73,281 | 612 | 120 |
| WAYNEWOOD ES | 1959 | 10 | 69,104 | 762 | 91 |
| WEST SPRINGFIELD ES | 1964 | 10 | 66,320 | 517 | 128 |
| WESTBRIAR ES | 1965 | 10 | 59,192 | 755 | 78 |
| WESTGATE ES | 1968 | 10 | 49,740 | 576 | 86 |
| WESTLAWN ES | 1951 | 9 | 95,743 | 825 | 116 |
| WEYANOKE ES | 1949 | 10 | 80,633 | 531 | 152 |
| WHITE OAKS ES | 1980 | 16 | 87,609 | 857 | 102 |
| WILLOW SPRINGS ES | 1990 | 21 | 90,014 | 935 | 96 |
| WOLFTRAP ES | 1968 | 10 | 70,670 | 570 | 124 |
| WOODBURN ES | 1952 | 10 | 64,208 | 468 | 137 |
| WOODLAWN ES | 1937 | 11 | 81,246 | 742 | 109 |
| WOODLEY HILLS ES | 1951 | 10 | 78,268 | 772 | 101 |
| Middle Schools: | | | | | |
| CARSON MS | 1998 | 33 | 178,723 | 1467 | 122 |
| COOPER MS | 1962 | 20 | 125,406 | 764 | 164 |
| FRANKLIN MS | 1984 | 35 | 150,481 | 862 | 175 |
| FROST MS | 1964 | 21 | 139,806 | 1137 | 123 |

FAIRFAX COUNTY PUBLIC SCHOOLS
School Building Statistics (1)
As of June 30, 2016
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): | | | | | |
| GLASGOW MS | 2008 | 22 | 199,406 | 1,677 | 119 |
| HERNDON MS | 1927 | 27 | 200,388 | 1,056 | 190 |
| HOLMES MS | 1966 | 28 | 158,849 | 965 | 165 |
| HUGHES MS | 1980 | 25 | 130,400 | 964 | 135 |
| IRVING MS | 1960 | 21 | 156,838 | 980 | 160 |
| KEY MS | 1971 | 21 | 174,232 | 821 | 212 |
| KILMER MS | 1967 | 23 | 153,369 | 1,228 | 125 |
| LIBERTY MS | 2002 | 80 | 178,723 | 1,085 | 165 |
| LONGFELLOW MS | 1960 | 18 | 175,793 | 1,342 | 131 |
| LUTHER JACKSON MS | 1954 | 20 | 154,818 | 1,389 | 111 |
| POE MS | 1954 | 26 | 176,089 | 878 | 201 |
| ROCKY RUN MS | 1980 | 25 | 130,400 | 1,166 | 112 |
| SANDBURG MS | 1963 | 35 | 269,678 | 1,434 | 188 |
| SOUTH COUNTY MS | 2012 | 69 | 176,021 | 1,038 | 170 |
| STONE MS | 1991 | 25 | 157,263 | 800 | 197 |
| THOREAU MS | 1960 | 20 | 115,702 | 856 | 135 |
| TWAIN MS | 1961 | 24 | 156,225 | 977 | 160 |
| WHITMAN MS | 1965 | 20 | 166,633 | 980 | 170 |
| High and Secondary Schools (3): | | | | | |
| ANNANDALE HS | 1954 | 28 | 361,460 | 2,158 | 167 |
| CENTREVILLE HS | 1988 | 36 | 337,003 | 2,472 | 136 |
| CHANTILLY HS | 1972 | 35 | 403,016 | 2,693 | 150 |
| EDISON HS | 1962 | 43 | 351,000 | 1,934 | 181 |
| FALLS CHURCH HS | 1967 | 40 | 306,487 | 1,867 | 164 |
| HAYFIELD SEC | 1968 | 58 | 344,640 | 1,992 | 173 |
| HERNDON HS | 1967 | 40 | 304,921 | 2,294 | 133 |
| JEFFERSON HS | 1964 | 39 | 264,504 | 1,823 | 145 |
| LAKE BRADDOCK SEC | 1971 | 60 | 430,000 | 2,772 | 155 |
| LANGLEY HS | 1965 | 43 | 247,465 | 1,967 | 126 |
| LEE HS | 1959 | 25 | 336,068 | 1,764 | 191 |
| MADISON HS | 1959 | 31 | 314,342 | 2,123 | 148 |
| MARSHALL HS | 1962 | 47 | 368,116 | 2,036 | 181 |
| MCLEAN HS | 1955 | 31 | 282,767 | 2,089 | 135 |
| MOUNT VERNON HS | 1960 | 41 | 458,517 | 1,972 | 233 |
| OAKTON HS | 1967 | 59 | 304,777 | 2,412 | 126 |
| ROBINSON SEC | 1971 | 78 | 380,000 | 2,790 | 136 |
| SOUTH COUNTY HS | 2005 | 69 | 378,000 | 2,186 | 173 |
| SOUTH LAKES HS | 1978 | 60 | 333,750 | 2,436 | 137 |
| STUART HS | 1959 | 21 | 300,491 | 1,973 | 152 |
| WEST POTOMAC HS | 1960 | 45 | 389,012 | 2,466 | 158 |
| WEST SPRINGFIELD HS | 1966 | 39 | 289,770 | 2,247 | 129 |
| WESTFIELD HS | 2000 | 76 | 422,298 | 2,608 | 162 |
| WOODSON HS | 1962 | 95 | 379,256 | 2,446 | 155 |

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 9/30/15.

(3) Does not include Bryant and Mountain View Alternative High Schools.



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8115 Gatehouse Road, Falls Church, Virginia 22042
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