

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



COUNTY OF FAIRFAX, VIRGINIA  
For the Fiscal Year Ended June 30, 1996

# COUNTY OF FAIRFAX

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 1996



OFFICE OF FINANCE  
Susan S. Planchon, Director

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COUNTY OF FAIRFAX, VIRGINIA  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 1996  
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# Introductory Section

This section contains the transmittal letter which provides an overview of Fairfax Countys' finances, economic prospects, and achievements. Also, included in this section is the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association. It is the highest form of recognition in governmental financial reporting.



# FAIRFAX COUNTY

*12000 Government Center Parkway*

*Fairfax, Virginia 22035*

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## VIRGINIA

The Board of Supervisors  
County of Fairfax  
Commonwealth of Virginia

November 15, 1996

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the County of Fairfax, Virginia for fiscal year (FY) 1996, is submitted herewith. Responsibility for the accuracy and completeness of the data presented and the fairness of the presentation, including all disclosures, rests with the County. We believe the data presented is accurate in all material respects; that it is designed and presented in a manner to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all the necessary disclosures have been included to enable the reader to gain the maximum understanding of the County's financial affairs.

The financial report is published pursuant to the Code of Virginia Section 15.1 - 167, as amended. The letter of transmittal is traditionally addressed to the governing or legislative body. We believe, however, that the Comprehensive Annual Financial Report should be management's report to constituents, oversight bodies, resource providers, investors and creditors. This letter is addressed to you, and by wide circulation it also is directed to the citizens of Fairfax County and all other concerned readers. In addition to complying with legal requirements, Fairfax County has a strong tradition of full financial disclosure. This transmittal letter, the exhibits and the statistical tables contained herein reflect this philosophy.

Beginning with FY 1994, the County adopted the Governmental Accounting Standards Board (GASB) Statement No. 14 (GASB 14) - The Financial Reporting Entity. GASB 14 establishes standards for defining and reporting on the organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that an exclusion would cause the primary government's financial statements to be misleading or incomplete. As the result of the implementation of GASB 14, the following entities are reported as discrete component units:

Fairfax County Redevelopment and Housing Authority  
Fairfax County Economic Development Authority  
Fairfax County Public Schools  
Fairfax County Park Authority

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements, and the combining and individual fund and account group financial statements and schedules, and the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section consists of the schedule of federal financial assistance, the independent auditors' reports required by the single audit requirements, and the auditors' findings, recommendations, and questioned costs.



## **LOCAL ECONOMY**

Moderate growth was experienced by most sectors of the local economy in FY 1996. Sales tax receipts, for example, expanded 3.9 percent in FY 1996, indicating a slowdown in the retail sector from FY 1995's quick pace of 7.9 percent. Spurred by lower interest rates, sales of existing homes began to recover by the end of FY 1996, despite a further weakening in the new home market. In addition, the South Atlantic Consumer Confidence Index and the Local Coincident Index ended the fiscal year essentially unchanged. Employment growth slowed during the latter half of FY 1996, indicating the private sector's inability to absorb all of the federal job cuts because of its own slowing growth. Moderate economic growth is expected to continue through FY 1997.

The slowdown in the Virginia economy was brought on by the slower growth nationally which was precipitated by higher interest rates, Federal government furloughs, and the severe winter weather patterns across the east coast. Business conditions are improving in FY 1997 and the sectors that continue to be fast growing are services, construction, and finance. Consumer spending in Virginia remains sluggish for retail sales with significant slowdown in the manufacturing sectors, however, the long term prospects for the Virginia economy are positive.

## **Regional Development**

Fairfax County is a desirable location for commercial and industrial business operations, business travel, meetings, conferences and seminars because of its strategic location near Washington, D.C. and between Washington National Airport and Dulles International Airport. Fairfax County is home to numerous national and international corporate headquarters. It is expected that the base of technology-oriented companies, particularly in the systems development, aerospace, and telecommunications sectors will continue to serve as a magnet for the expansion of business and professional services. Major corporations which maintain headquarters in Fairfax County include Mobil Corporation, General Dynamics, Lafarge, Booz-Allen Hamilton, Mitel, Rolls Royce, Northern Telecom, Federal Home Loan Mortgage Corporation (Freddie Mac), American Mobile Satellite Corporation, Allnews Company, Metters Industries, American Management Systems, Inova Health Systems, Inc., LCI Internal, Navy Federal Credit Union, and Internet providers Performance Systems International and UUNet Technologies. Companies with major regional headquarters include AT&T, MCI, Sprint International, EDS Corporation, Cable & Wireless, SAIC, IBM, Toshiba and Computer Sciences Corporation.

## Real Estate Market

### Industrial and Commercial Market Highlights

The commercial and industrial base expanded during FY 1996. While no speculative development is underway, construction on two buildings totaling 500,000 square feet was completed during the Spring of 1996. Construction on two other projects began during the Spring of 1996, a building along Dulles Toll Road for Airbus Industries and one in Tysons Corner for KPMG Peat Marwick LLP. Vacancy rates, standing inventory, and absorption are discussed below.

**Vacancy Rates:** Commercial and industrial/hybrid vacancy rates decreased in FY 1996, representing a decrease in both office and industrial/hybrid rates for the third consecutive year. Vacancy rates are calculated using space available in both recently completed and previously occupied (relet) buildings. Buildings under construction are not included in this figure. The County wide vacancy rate as of December 31, 1995, is 8.5 percent for office and 8.0 percent for industrial/hybrid space. This represents a decrease over 1994 of 1.4 percentage points and 1.8 percentage points, respectively.

**Standing Inventory:** As of December 31, 1995, the standing inventories for office space increased slightly to 76.1 million square feet. Industrial/hybrid space remained at 35.0 million square feet. The total standing inventories of the Fairfax County office and industrial/hybrid space markets are:

At Dec 31	Office Space		Industrial/Hybrid	
	Sq. Ft. (Millions)	Percent Change	Sq. Ft. (Millions)	Percent Change
1986	42.8	22	23.4	8
1987	48.7	14	24.4	4
1988	53.6	10	28.2	16
1989	58.1	8	31.4	11
1990	63.6	9	32.6	4
1991	67.2	6	34.2	5
1992	72.7	8	34.3	1
1993	74.7	2	35.8	4
1994	75.6	2	35.6	-2
1995	76.1	1	35	0

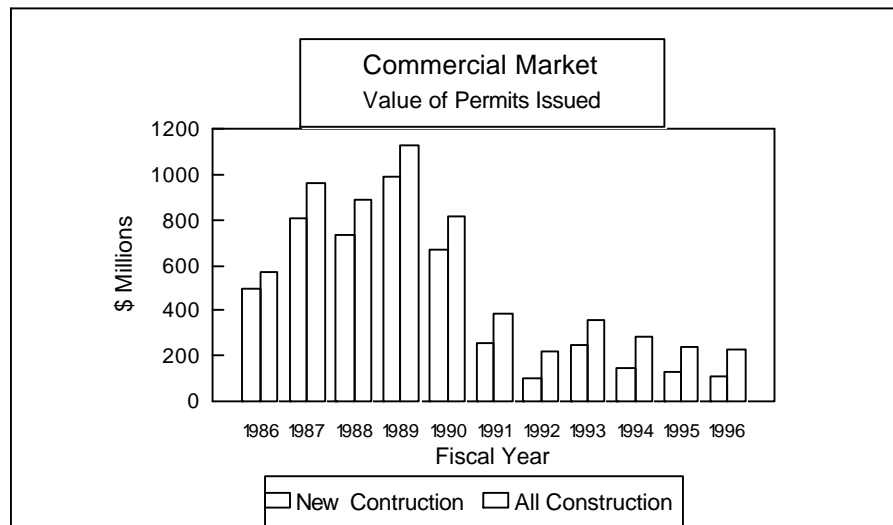
Source: Fairfax County Economic Development Authority

**Absorption:** At the close of calendar year 1995 the absorption rate for office space was 5.3 million square feet, and the rate for industrial/hybrid space was 2.2 million square feet, representing 16 percent and 12 percent declines, respectively, from calendar year 1994.

At Dec 31	Office Space		Industrial/Hybrid	
	Sq. Ft. (Millions)	Percent Change	Sq. Ft. (Millions)	Percent Change
1986	5.9	16	1.8	6
1987	5.4	(8)	1.7	(6)
1988	5.0	(7)	2.1	24
1989	6.0	(20)	2.6	24
1990	5.0	(20)	1.4	(46)
1991	5.5	10	1.3	(7)
1992	4.9	(11)	2.2	69
1993	5.3	8	2.0	(9)
1994	6.3	19	2.5	25
1995	5.3	(16)	2.2	(12)

Source: Fairfax County Economic Development Authority

**Construction:** In FY 1996 the value of commercial construction decreased from the prior year, particularly new construction. A total of 3,961 permits for construction valued at \$230.3 million were issued in FY 1996 for the construction of industrial and commercial properties, a 2.7 percent decrease from the FY 1995 amount of \$236.7 million. Of the total number of permits issued, 166 for construction valued at \$107.4 million were issued for new construction only, representing a 15.2 percent decrease from the FY 1995 amount of \$126.7 million.



Source: Fairfax County Department of Environmental Management

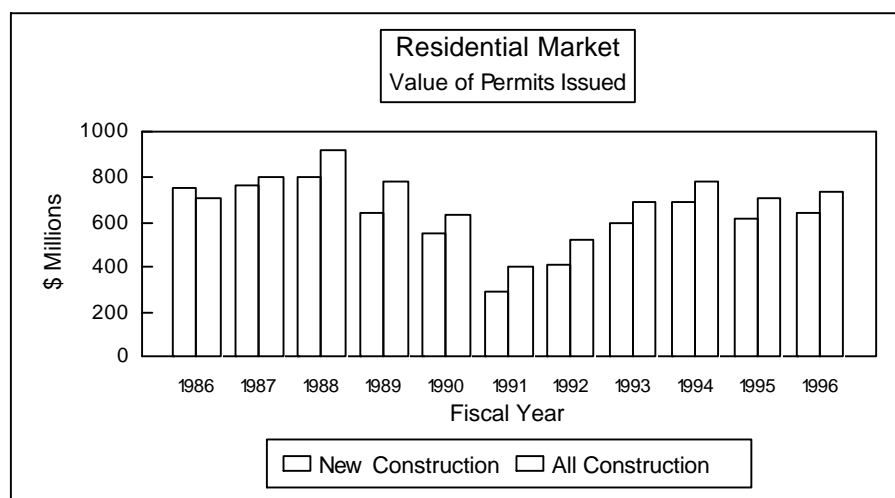
### Residential Market Highlights

The residential market is dominated by single-family housing units. However, there has been a significant shift in the past decade from detached units to attached units, primarily town homes. Significant increases in both total construction and new construction continued in FY 1995, as detailed below.

Housing Units by Type of Structure								
	1970		1980		1990		1995	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Single Family:								
Detached	91,134	69.7	125,580	59.3	163,029	53.9	172,359	52.5
Attached	6,427	4.9	30,833	14.6	67,306	22.3	77,356	23.6
Multi-Family	33,207	25.4	55,333	26.1	72,129	23.8	78,436	23.9
Total	130,768	100.0	211,746	100.0	302,464	100.0	328,151	100.0

Source: 1970 U.S Bureau of the Census, U.S. Census of Housing . 1980, 1990 and 1995 data were provided by the Fairfax County Office of Management and Budget. Single-family detached includes all single family homes and mobile homes; and single family attached includes duplexes, townhomes and multiplex units. Multi family includes garden and elevator units.

**Construction:** In FY 1996, a total of 23,086 permits for construction valued at \$737.9 million were issued for the construction of residential properties, a 4.4 percent increase over the FY 1995 amount of \$706.7 million. Of the total number of permits issued, 8,567 were issued for new construction valued at \$646.7 million, representing a 5.3 percent increase over the FY 1995 amount of \$614.0 million.



Source: Fairfax County Department of Environmental Management

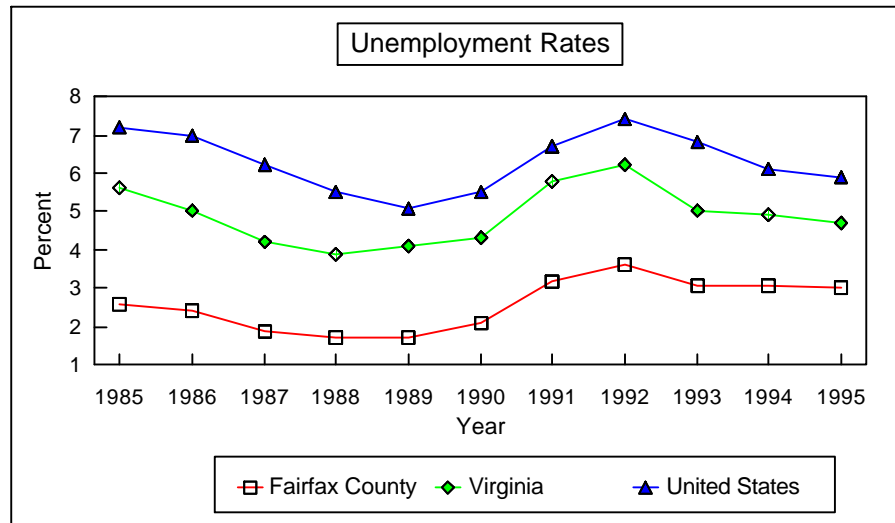
### Hotel Market Highlights

The County wide inventory of hotel rooms is 10,551, an increase of 2 percent over the previous base of 10,362. Construction was recently completed on two facilities, one in Baileys Crossroads and another in the Mount Vernon area. One hotel facility is under construction in the Lorton area of the County. Additional construction will depend on increased room-night demand and the climate of the financial markets for underwriting this type of construction.

### Employment

Fairfax County is one of the top high-technology centers in the nation. It is home to numerous national firms and has the largest concentration of multi-national firms in the Commonwealth of Virginia. According to the Virginia Employment Commission, "at place" employment in Fairfax County as of March 1995 was estimated at 410,146, an increase of 18,080 persons or 4.6 percent compared to the March 1994 estimate of 392,066. This employment

figure does not include the self-employed and agricultural workers. Unemployment in the County has historically been and continues to be well below national and statewide averages. The 1995 average annual unemployment rate was 2.8 percent in the County, and the state and national unemployment rates were 4.4 percent and 5.6 percent, respectively.



Source: U.S. Bureau of Labor Statistics

## MAJOR INITIATIVES, SERVICE EFFORTS AND ACCOMPLISHMENTS

### Transportation

Fairfax County has undertaken major initiatives in the area of transportation. These initiatives include a number of multi-year projects aimed at relieving traffic congestion along the major arteries connecting to Washington, D.C. and along the major cross-County roadways, and expanding rail facilities and services.

#### Highway Improvements

Since 1985, the voters have authorized a total of \$495 million of local financing for road and other transportation improvement projects. Improvements focus on intra-County travel, alleviating highway congestion in the vicinity of economic development centers and improving access to Metrorail stations located within the County. Local bond financing has enabled these improvements to be undertaken at a much earlier point as compared to Commonwealth improvement schedules. The County has no liability for the operating costs of the roads because they are, or will become, part of the Commonwealth's primary and secondary road systems and will be maintained by the Commonwealth.

#### Metro and County Transit Systems

Since 1970 Fairfax County and the other major political subdivisions in the Washington, D.C. metropolitan area have contracted with the Washington Metropolitan Area Transit Authority (WMATA) to finance, construct and operate a 103-mile subway and surface rail transit system known as "Metrorail". Through FY 1996, the County's total current contribution of approximately \$178.1 million for Metrorail construction has been funded with \$91.7 million of County general obligation bond proceeds and \$86.4 million of State aid for transportation, including state bond funds provided on behalf of the County through the Northern Virginia Transportation Commission (NVTC). As of June 30, 1996, general obligation bonds totaling \$69.5 million from Transportation Improvements and Transit Facilities referenda remain authorized for this purpose and unissued. To increase rail and bus ridership, the County implemented its own initiatives

including the expansion of parking facilities at Metrorail stations, the establishment of commuter "Park-and-Ride" lots, and continued expansion of the FAIRFAX CONNECTOR System, a feeder bus service to Metrorail stations which is operated by a private contractor and supported by the general fund. In September 1995, the County replaced Metrobus operations in the Reston and Herndon areas with Fairfax Connector Service to provide better service and lower costs to citizens.

### **Fairfax County Parkway**

The Fairfax County Parkway has been funded from a variety of sources. These have included County bonds, general funds and developer contributions, state secondary road funds, state bonds and Federal funds. Construction on the Parkway section from Route 123 to the Hooes Road/Pohick Road interchange was completed in 1996. Three critical sections of the Parkway were opened for traffic in 1995 and 1996 to form a twenty-six mile continuous length of the Parkway from Sunset Hills Road in the Reston area to Beulah Street in Franconia. Two additional sections totaling 2.8 miles between Newington and Route 1 are under construction, and another 3.9 mile section between Baron Cameron Avenue and Route 7 (including a grade separated interchange with Route 7) is funded for construction, scheduled to begin in 1997. This completes all sections of the main parkway funded by the County.

The following amounts of funds have been allocated and expended by the County through the end of FY 1996:

Source of Funds (in millions)	Allocated through Fiscal Year 1996	Expended Fiscal Year 1996
Bond Funds	\$ 195	164
General Funds	39	39
Other Funds	5	5
Total	\$ 239	208

Source: Department of Transportation

## **Human Services Redesign**

Human Services consolidated all administrative functions of various Human Services agencies into one agency, the Office of Human Services Administration (OHSA). OHSA began its first full year of operation in the newly designed Human Services delivery environment in FY 1996. OHSA serves the administrative needs of Human Services agencies by assisting field staff in the following areas: Financial Management, Human Resources, Contract Management, Physical Resources and Information Technology. By consolidating administrative functions, previously housed in separate human services agencies, OHSA reduced duplication resulting from each agency maintaining individual administrative support staff, increasing operational efficiency and efficient use of resources.

## **Department of Tax Administration**

Beginning in FY 1997, the Board of Supervisors authorized the closing of the seven branch tax offices to achieve budget reductions and made the main Government Center the location for serving the County's citizens. This effort actually increased responsiveness to citizens, streamlined business processes and provided cost savings. The Department of Tax Administration continued the award winning "SMILES" program at the Government Center location. With unprecedented success, over 85,000 people were served at the main office during the 1996 decal season and over 165,000 were served by phone. Quality customer service was provided without any significant lines, wait or problems. This program has previously been honored with an award from KPMG Peat Marwick LLP and the Government Finance Officers Association of Washington for "Excellence in Program Management" and an award from the National Association of Counties.

## **Customer Service Initiatives**

### **Improved Taxpayer Support Services**

During FY 1996 the Department of Tax Administration introduced alternative means for taxpayers to conduct business with the County. Citizens with a computer and modem may access the County's electronic bulletin board service and pay taxes on-line using a credit card. Also, credit card payments are accepted by telephone and through kiosks located at public libraries and satellite government centers. Information about taxes is also available on the Internet, and citizens may e-mail questions directly to a departmental administrator. The Automated Information System (AIS) is an interactive computer-voice response service which affords taxpayers the capability to research real property assessments by telephone and pay taxes by credit card.

In FY 1996 a cross-jurisdiction effort was continued in advertising personal property and decal due dates. Advertisements were displayed on METRO buses, on signs and posters throughout participating counties, and on banners placed above high volume traffic areas in participating jurisdictions. It also included advertisements being placed in both the metropolitan and local newspapers, and public service announcements on radio and local government cable television stations. Multilingual advertisements were also utilized.

The multi-jurisdiction compact also includes a joint effort to enforce the display of decals and thus the collection of taxes. The participating jurisdictions are Arlington, Alexandria, Falls Church, Fairfax City, Loudoun County, and Herndon.

In addition to the cooperative advertisement with participating jurisdictions, Fairfax County placed advertisements publicizing the October 5th due date on the Connector buses, County motor pool vehicles and on vehicles used to provide services to taxpayers such as FASTRAN. These joint efforts helped improve customer service, reduce unnecessary penalties to the public and increase current tax collections.

## **Automated Systems**

### **Financial Accounting Management Information System (FAMIS) Upgrade**

The County began a modernization of its automated financial systems in FY 1995. The multi-year project, involving an upgrade of an existing commercial system, will be completed in FY 1998. During FY 1996, to achieve the economies of consolidation and to eliminate redundant processes, the County and the Fairfax County Public Schools formed a partnership to make joint use of both the software and the mainframe computer on which it runs. This consolidation effort to upgrade the suite of financial systems permits the County and the Schools to avoid costly reprogramming to accommodate processing data containing dates in the years 2000 and beyond.

### **Group Decision Support System (GDSS)**

In FY 1996, the Office of Finance expanded its use of a technique called the “group decision support system.” This technique, managed and supported by the County’s Department of Information Technology, employs networked computers, allowing participants of meetings and planning sessions to interact online outside the traditional meeting environment. Use of this technique has produced noticeable efficiencies in group problem-solving. Moreover, the needs and desires of internal customers in the Office of Finance are brought to clear focus using this technique. The use of this system has been credited with achieving substantial reductions in overtime in support of year-end accounting functions. In recognition of the innovative use of this technology and the exceptional results it has produced, Virginia Government Finance Officers Association named Fairfax County as its 1996 First Place winner in the area of Financial Reporting for jurisdictions with populations over 75,000.

### **Corporate Land Development System (CLDS) Project**

The County is developing a new computer system, CLDS, to replace three existing systems in the Department of Environmental Management and the Office of Comprehensive Planning. Planning and Development redesign efforts are focused on automating the functions and activities conducted by all agencies involved in the land development process. Applicants, developers, and homeowners are all affected by the system change. The County intends to create a single computer system for the land development process, from planning to occupancy, which will be used jointly by these two departments. The new system is being developed by a multi-agency team, working with Life Cycle Technologies. This system is being built from the ground up because no commercial software package exists for processing applications in the land development process.

During FY 1996, the Board of Supervisors authorized the continued implementation of CLDS. The first component of CLDS became operational in early FY 1997. This component automates the application, scheduling, zoning, and related processes. This system will become fully operational during FY 1997.



### **Human Services ASSIST Project**

Efforts continued in FY 1996 to replace the current human services structure with an integrated, accountable, human services system that increases client self-sufficiency and yields long-term benefits and cost savings. A system-wide consolidation and restructuring has been completed with the implementation of the Automated System for Integrated Services Teamwork (ASSIST). ASSIST is a system of integrated computer applications to support streamlined access to services and integrated services planning. The ASSIST technology will support the newly designed client-based service access model, which will allow clients to access appropriate, coordinated services from any point in the system. This one-stop-shop feature allows the user to research and obtain information at one source. The three modules of ASSIST to be completed before the end of calendar year 1996 are (1) the client profile builder, (2) the eligibility determination expert system, and (3) the service planner. The client profile builder automates client registration and client demographics; and it links the client to service needs, service options, and service providers. The second module, determines client eligibility determination for 104 County services. The third module is the service planner which focuses on objectives, tasks, due dates and outcomes. The use of ASSIST will improve business processes, streamline operational efficiency and will enhance client service responsiveness. Human Services together with the Cities of Fairfax and Falls Church and the Fairfax-Falls Church United Way completed a comprehensive needs assessment which will be used to help set future program priorities.

### **County and Schools Procurement System (CASPS)**

The County and the Public Schools, in response to a call to achieve efficiencies and cost savings through consolidation, undertook a joint project to upgrade their procurement systems. The CASPS, undertaken in the Spring of 1996, includes an automated accounts payable module in addition to streamlined procurement and inventory management functions. Through process re-engineering and the use of automated document and routing approval, CASPS offers opportunities for operating and staff efficiencies. With both the County and Schools utilizing the same system, the same software, and direct interface with a shared financial system, considerable operating and maintenance costs will be avoided. Design work will continue through the Summer of 1997; full implementation is planned for the Fall of 1997.

## **OTHER**

### **Public Education**

The Fairfax County public school system is the largest educational system in the Commonwealth of Virginia and is the twelfth largest in the nation. The system is directed by a twelve-person School Board whose members are elected to four-year terms.

The operating costs of the school system are provided from the federal and state governments and by transfers from the general fund of the County to the School Board. Capital construction funding for public school facilities is provided primarily by the sale of general obligation bonds of the County.

In FY 1997, the School Board will operate 24 special education centers and 180 schools including 134 elementary, 20 middle, 20 high, and 3 secondary schools and 3 alternative high schools. Student membership as of June 1996 was 143,040. Enrollment for FY 1997 is estimated to be 147,543. It is projected that enrollment will increase through FY 2001 to an estimated 156,736.

The County supports a superior quality educational system that provides a strong academic program for college-bound students. Standardized test scores for the 1995-96 school year show that Fairfax County public school students scored well above national averages in each test category and scored above all other school systems in Virginia in the majority of test categories. With approximately 14 percent of the high school juniors in Virginia, the Fairfax County public school system in 1996 had more than 41 percent of the National Merit Scholarship semifinalists named in Virginia.

Fairfax County maintains one of the lowest per-pupil costs in the Washington metropolitan area. For FY 1996, Fairfax County spent \$6,738 per pupil, with the estimated average cost rising to \$7,160 per student in FY 1997.

### Demographic Characteristics

The population in Fairfax County in 1995 was 879,500. The reported 1994 (latest figure available) median household income was \$66,000. The FY 1995 per capita personal income was forecast to be \$35,482. Per capita taxable sales are:

Per Capita Taxable Sales			
Calender Year	Taxable Sales (000) (1)	Population (2)	Per Capita Taxable Sales
1986	\$ 787,275	683,800	\$ 7001
1987	5,411,745	715,400	7565
1988	6,038,560	746,600	8088
1989	6,357,947	782,600	8124
1990	6,498,346	818,584	7939
1991	6,368,379	827,100	7699
1992	6,581,741	837,100	7863
1993	7,471,846	851,900	8638
1994	7,958,707	863,100	9049
1995	8,313,387	879,500	9453

(1) Source: Commonwealth of Virginia Department of Taxation,  
"Taxable Sales"

(2) Source: Fairfax County Office of Management and Budget

### INTERNAL CONTROL STRUCTURE

Systems designed to prevent fraud and waste, ensure accuracy of the accounting data, promote adherence to stated policies, and ensure compliance with applicable laws are generally known as internal controls. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Internal Audit Office reports to the County Executive and functions as an independent audit activity within Fairfax County for the review of accounting, financial, and other operations. Internal Audit's primary responsibility is that of reviewing the internal controls over activities in the County. It is not responsible for evaluating the performance of professional or technical activities for which specialized study and knowledge are required. This office performs staff and advisory functions, conducts independent examinations of County or any agency activities, reports on conditions found and makes appropriate recommendations to management.

## BUDGETARY CONTROLS

The budget process is controlled through periodic detailed reviews and an appropriations system maintained on the automated financial accounting system. Purchase orders are encumbered prior to their release to vendors; those which exceed appropriations are not released until additional appropriations are available. Appropriations lapse at the end of each fiscal year. Details of budgetary controls are discussed in notes to the financial statements.

## FINANCIAL OVERVIEW

### Financial Forecast

On April 22, 1996, the Board of Supervisors adopted budget guidelines for FY 1998 through FY 2000. These guidelines include (a) that the County Executive be directed to develop budgets from FY 1998- FY 2000 that limit increases in expenditures to projected increase in revenues, and (b) that increases in the County's transfers to Fairfax County Public Schools be limited to the rate of increase in revenues. County revenue growth is projected at 4.0 percent in FY 1998, 4.4 percent in FY 1999, and 5.2 percent in FY 2000.

### Governmental Fund Operations

The County's governmental funds comprise the general fund, special revenue funds, debt service funds and capital projects funds.

### Revenue:

Governmental fund revenue, excluding other financing sources (as shown in Exhibit A-1 of the General Purpose Financial Statements), totaled \$1.7 billion in FY 1996, an increase of 3.8 percent from FY95.

Revenue				
Governmental Funds - Fiscal Year 1996				
Source	Amount (000)	Percent of Total	Increase (Decrease) over 1995	
			Amount (000)	Percent
General government revenue				
Taxes	\$ 1,381,703	80.1 %	\$ 58,035	4.4 %
Permits, privilege fees and regulatory licenses	30,544	1.8	1,746	6.1
Intergovernmental	122,188	7.1	3,630	3.1
Charges for services	124,805	7.2	(490)	(0.4)
Fines and forfeitures	6,751	0.4	544	8.8
Developers' contributions	1,909	0.1	(386)	(16.8)
Revenue from the use of money and property	44,771	2.6	1,616	3.7
Recovered costs	7,304	0.4	(1,962)	(21.2)
Other (1)	4,762	0.3	(235)	(4.7)
Total	\$1,724,737	100.0 %	\$ 62,498	3.8 %

Source: Office of Finance

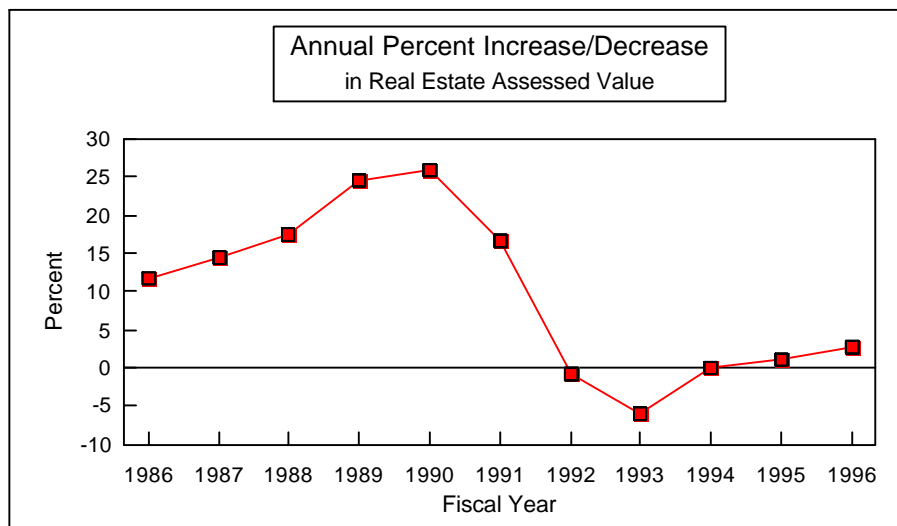
Note: Figures above represent the Primary Government

1) Includes donated food of \$55,015

Significant changes in the governmental funds revenue categories include:

Total tax revenue amounted to approximately \$1.4 billion, an increase of \$58.0 million or 4.4 percent from FY 1995. Tax revenue in the general fund alone increased by \$58.7 million, primarily the result of a \$24.7 million increase in personal property taxes, an increase of \$21.2 million in real estate taxes, an increase in \$3.8 million in BPOL license fees, and an increase of \$4.7 million in local sales and use tax.

Real Estate Tax. The Code of Virginia Section 58.1-3201 requires that all real property be assessed at 100 percent of fair market value. The assessed value of real estate, other than that owned by public utilities, governmental entities or other tax-exempt activities, totaled approximately \$69.1 billion. After decreasing steadily from FY 1978 to FY 1992, the tax rate increased by \$0.05 to \$1.16 in FY 1993, and remained at \$1.16 through FY 1996. For a historical perspective on the change in tax rates see Table 5 of the Statistical Section.



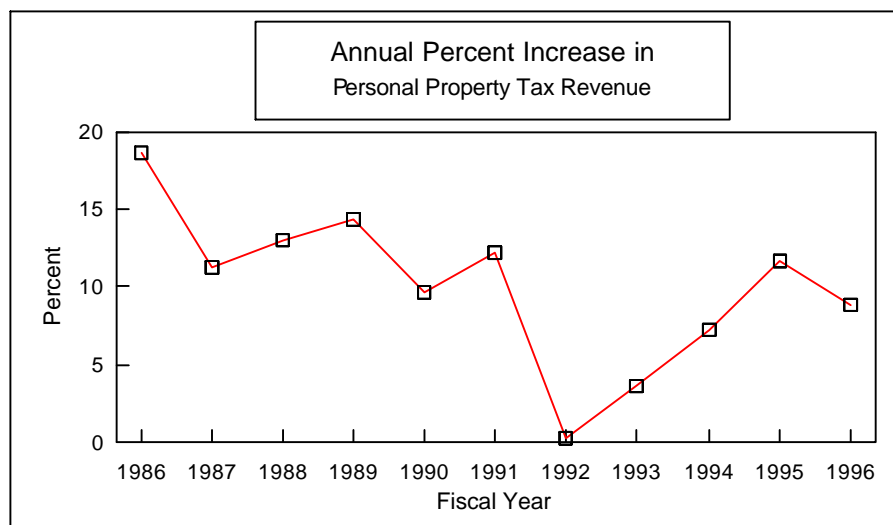
Source: Fairfax County Office of Management and Budget

Current real estate tax revenue represents revenue received for the current tax year, including late-payment penalty and interest. The FY 1996 real estate current year tax revenue amount of \$801.0 million reported in the general fund represents an increase of \$21.8 million or 2.8 percent from the FY 1995 actual current tax revenue of \$779.2 million. The increase in value can be accounted for by a 0.36 percent increase in equalization and a 2.16 percent increase in normal growth associated with new properties in the County. Delinquent real estate tax collections are \$4.3 million, thus, total real estate tax revenue reported in the general fund is \$805.3 million.

Real Estate Tax Collection Rates	
Year	Percent
1986	99.48
1987	99.43
1988	99.58
1989	99.59
1990	99.49
1991	98.96
1992	98.87
1993	99.03
1994	99.11
1995	99.27
1996	99.16
1997 (est)	99.33

Source: Fairfax County Department of Tax Administration

**Personal Property Tax:** The County assesses personal property tax on automobiles, trucks, motor homes, mobile homes, campers, motorcycles, trailers, boats, outboard motors, airplanes, and business personal property. Fairfax County prorates property taxes levied on motor vehicles. The total assessed value of locally assessed personal property for FY 1996 was approximately \$7.5 billion. The personal property tax rates for FY1996, per \$100 valuation, are \$4.57 for automobiles and \$1.16 for mobile homes. Machinery and tools used in mining, manufacturing, processing and reprocessing, radio or television broadcasting, cable television, dry cleaning or laundry, and dairy business are also taxed at a rate of \$4.57 per \$100 valuation. There are also a small number of specially designated categories of vehicles authorized by the General Assembly to have a separate and lower tax rate. These categories are taxed in Fairfax at \$0.01 per \$100 of assessed value and include, for example, motor vehicles specially equipped for the handicapped. For a historical perspective of the changes in tax rates see Table 5 of the Statistical Section.



Source: Fairfax County Office of Management and Budget

The current year personal property tax revenue of \$294.8 million, including late-payment penalty and interest, represents an increase of \$25.7 million or 9.6 percent compared to the prior year actual of \$269.1 million. This increase is primarily due to an increase in the collection rate as a result of process changes in FY 1996 to improve customer service and to enhance discovery collections.

Collection for delinquent tax for personal property is \$7.1 million with total property tax revenue received in FY 1996 of \$301.9 million. Delinquent collections were down from the prior year actual of \$10.4 million. Changes in the collection of delinquent taxes can be attributed to two efforts. First, delinquency collections are approached from a combined effort and the concentration on tax types can vary somewhat from year to year. The Department of Tax Administration targets not only personal property, but also delinquent real estate and BPOL taxes. Second, staff uses a variety of tools to collect taxes, including telephone calls, computer generated letters, set-off debt, bank and wage liens, booting, towing and other property seizures as well as making referrals to the County Attorney's Office and private collection agencies. Both collection efforts have contributed to higher current year collections, thus, decreasing the amount of taxes that remain delinquent.

Intergovernmental Revenue: In FY 1996, intergovernmental revenue increased \$3.6 million or 3.1 percent. Revenue from the Commonwealth increased \$7.5 million to fund the transfer of the Health Department from the Commonwealth to the County. There was also a significant decrease in revenue from the Federal Transportation Administration (FTA) in the County Bond Construction Fund. Revenues decreased in FY 1996 by approximately \$4 million because FTA funding is based on reimbursements of approximately 75 percent of expenditures which fluctuate greatly from year to year. FTA related expenditures are expected to be \$39.4 million in the next few years due to the increase in project phase completion.

#### **Expenditures:**

Governmental fund expenditures, excluding other financing uses (as shown in Exhibit A-1 of the General Purpose Financial Statements), totaled \$1.1 billion in FY 1996, an increase of \$52.4 million, or 5.2 percent from FY 1995.

Expenditures				
Governmental Funds - Fiscal Year 1996				
Source	Amount (000)	Percent of Total	Increase (Decrease) over 1995	
			Amount (000)	Percent
General government operations				
General government administration	\$ 72,338	6.8 %	10,853	17.7 %
Judicial administration	17,499	1.6	2,022	13.1
Public safety	189,685	17.8	8,777	4.9
Public works	140,348	13.1	4,189	3.1
Health and Welfare (1)	246,753	23.1	18,047	7.9
Community development (2)	56,883	5.3	1,208	2.2
Parks, recreation and cultural (2)	37,837	3.6	2,108	5.9
Nondepartmental	97,494	9.1	6,767	7.5
Capital outlay (2)	57,106	5.4	(1,669)	-2.8
Capital lease	-	-	(10,832)	(100.0)
Debt service	151,296	14.2	10,974	7.8
Total	\$ 1,067,239	100.0 %	52,444	5.2 %

Source : Office of Finance

(1) Includes donated food of \$55,015

(2) Amounts reflect the reclassification of the FY 1995 operating expenditures of certain capital projects funds that were included in capital outlay expenditures, in order to be comparable with the reporting of similar expenditures for FY 1996.

Note: Expenditures shown above represent the primary government.

General government administration expenditures increased by \$10.8 million or 17.7 percent primarily due to the expenditure increases for system development and enhancements which will improve efficiency, management information and customer service.

Public Safety expenditures increased by \$8.7 million or 4.9 percent. Approximately \$4.2 million was spent for expanded police coverage and for emergency service needs. Increased personnel were deployed to better monitor area high schools, for stricter DWI and speed enforcement, and for the protection of nearby communities from Lorton jail escapees. In addition, an increase in expenditures of \$4.3 million in Fire and Rescue was due to the emergency response to the blizzard of 1996 and the start-up costs associated with the opening of two new stations.

Health and welfare increased by \$18.0 million, or 7.9 percent, primarily a result of a \$5.3 million increase due to the transfer of the Health Department from the Commonwealth to the County. Department of Human Development expenditures increased \$4.6 million due to a 10 percent increase in public assistance applications for administering programs such as Medicaid, food stamps, and general relief and in continuing the Comprehensive Services Act by providing services to families with dependent children. Further expenditures were incurred for new State mandated services for foster care children, special education, and services for troubled at-risk youth and their families. Office for Children expenditures increased by \$3.3 million for additional children served by three new School Age Child Centers that provide for the safety, care and development needs of children.

Nondepartmental expenditures increased by \$6.7 million or 7.5 percent primarily for an increase in health insurance charges for employees.

## **Proprietary Operations**

The County of Fairfax has one enterprise fund, the Integrated Sewer System, responsible for the construction, maintenance, and operation of the County-wide sewer system. The Integrated Sewer System recovers the cost of providing this service primarily through user charges, availability fees and revenue from the use of money. Section 15.1-292.2, Code of Virginia, as amended, enables Fairfax County to regulate sewer use and fix rates or charges. The power to establish and determine the fees is vested in the Fairfax County Board of Supervisors. Total operating revenue were \$95.2 million and the total operating expenses were \$83.7 million.

Several internal service funds account for the financing of services provided by a County agency to other County agencies on a cost reimbursement basis. Included in this group of funds in the primary government are Central Stores, Equipment Management Transportation Agency, Communications, Technology Infrastructure Services, Self-Insurance, Health Benefits Trust and Retiree Health Benefits Trust. Total operating revenue for all these funds were \$78.2 million and the total operating expense were \$76.7 million.

## **Fiduciary Operations**

### **Employee Retirement Systems**

The County administers four separate public employee retirement systems that provide pension benefits for various classes of County employees, as described below:

Fairfax County Supplemental Retirement System — covers County and Public Schools employees who are not members of the Virginia Retirement System or other County funded retirement plans.

Fairfax County Police Officers' Retirement System — covers uniformed members of the Fairfax County Police Department.

Fairfax County Uniformed Retirement System — covers uniformed employees of the Fire and Rescue Department and the Office of Sheriff, Park Police, Helicopter Pilots, and Game Wardens who are not covered by other County funded retirement plans or the Virginia Retirement System.

Educational Employees' Supplementary Retirement System of Fairfax County — covers full-time educational and civil service employees of the Fairfax County Public School System.

In addition, the Virginia Retirement System covers some Fairfax County Public School System employees.

The operations of the four County employee retirement systems remained stable in FY 1996. As of July 1, 1995, the combined actuarial value of assets compared to the combined actuarial accrued liability resulted in a funded ratio of 86 percent. At July 1, 1994, this ratio was also 86 percent. Employee and employer rates of contribution and other pertinent data related to the County's retirement systems are described more fully in Note G to the financial statements.



**DEBT ADMINISTRATION**

Fairfax County borrows money by issuing tax-exempt general obligation bonds to finance major capital projects. Bond financing spreads the cost of land acquisition and building construction over a period of many years, rather than charging the full cost to the present taxpayers. Under the law, general obligation bonds must be approved by County voters in a referendum before they can be issued.

The County continues to maintain its status as a top rated issuer of tax-exempt securities. The County has the highest credit ratings possible for a local government — Aaa from Moody's Investors Service, Inc., and AAA from Standard and Poor's Corporation. The County has had an Aaa rating since October 1975 when it first received a rating from Moody's. Standard and Poor's Corporation first gave Fairfax County an AAA rating in October 1978, and has maintained that rating through the County's last bond issuance in May 1996.

The following table presents a historical perspective on the County's general obligation bond sales:

Series	Date of Issue	Amount Sold (000)	Average Life in Years	True Interest Cost	
1986A	08/01/86	\$89,500	10	6.7694	%
1988A	04/01/88	99,800	10	6.9868	
1988B	10/01/88	94,500	10	6.9897	
1989A	06/01/89	94,000	10	6.8089	
1989B(1)	10/01/89	88,375	8	6.7054	
1990A	04/01/90	123,000	10	6.9251	
1991A	04/01/91	150,000	10	6.4517	
1992A	04/01/92	150,000	8	6.136	
1992B(2)	06/15/92	115,960	9	5.6523	
1992B(3)	12/15/92	137,025	10	5.4882	
1992B(4)	04/01/93	203,040	11	5.1409	
1993B	05/15/94	103,000	11	5.2256	
1993C(5)	07/15/93	253,045	11	5.1489	
1994A	05/15/94	158,100	11	5.5579	
1995A	05/15/95	99,960	11	5.2716	
1996A	05/15/96	\$114,150	11	5.3056	

(1) Refunding of portions of the Series 1982B, 1985A and 1985B Bonds.

(2) Refunding of portions of the Series 1983B, 198B and 1988A Bonds. This issue was consummated in July 1992

(3) Refunding of portions of the Series 1986A, 1988B and 1989A Bonds.

(4) Refunding of portions of the Series 1986A, 1989A , 1989B and 1990A Bonds.

(5) Refund for all of the outstanding Series 1974A, 1975B, 1977A, 1978A, 1978B, 1979A and 1980A Bonds and portions of the Series 1991A and 1992A Bonds.

Note: The EDA Lease Revenue issued in 1994 to acquire Bonds the Herrity and Pennino Buildings are not included

Source: Fairfax County Office of Finance

Factors contributing to Fairfax County's high credit rating include excellent tax collections, low debt ratios, and high income levels. As of FY 1996, only 6 out of 50 states, 14 out of 3,107 counties, and 15 out of 22,529 cities in the U.S. have such high bond ratings. The high credit ratings result in Fairfax County bonds selling at interest rates significantly lower than those of municipalities not so rated, and therefore result in substantial savings for County taxpayers throughout the life of the bonds.

In 1975 the Board of Supervisors adopted a set of financial policy guidelines intended to protect the County's exceptionally favorable credit rating. These were revised slightly in 1980, 1982, 1985 and 1988, and call for maintaining the ratio of net debt to market value of taxable property below 3 percent and the ratio of debt service to combined general fund disbursements below 10 percent. At the close of FY 1996, these ratios were 1.49 percent and 8.8 percent, respectively.

In October 1975 the Board of Supervisors established, as a financial guideline, a self-imposed limitation on the average annual general obligation bond sales of \$50 million. This limitation was increased in August 1988 to a target of \$150 million annually or \$750 million over the ensuing five-year period with the flexibility to increase to \$175 million in any given year if circumstances so require. During FY 1993 and 1994, the County took advantage of the decline in interest rates and sold four refunding issues producing a total debt service savings of \$25.5 million, of which \$4.3 million was realized during FY 1996. The remaining \$.7 million will be recognized in subsequent years.

At June 30, 1996, net general obligation bond indebtedness was \$1.2 billion, which equates to a net debt per capita of \$1,309. Authorized but unissued bonds at June 30, 1996, totaled \$614 million. The details of bonds outstanding and bonds authorized and unissued by the Board of Supervisors are shown in Note I to the financial statements. Table 9 of the Statistical Section provides detailed historical information regarding the debt position of the County.

## **CASH MANAGEMENT**

The County's Investment and Cash Management program operates under the direction of the Investment Committee comprising the Deputy County Executive for Management and Budget, the Director of Finance, the Director of the Office of Management and Budget, and several employees within the Office of Finance. Guided by a formal investment policy, the committee monitors daily investment activity and evaluates investment strategies on a weekly basis. The County's investment policies are reviewed on a quarterly basis.

All investments purchased by the County for its pooled cash and bond funds are held in an account in the County's name by a third-party custodian. For FY 1996 the average balance of the pooled cash was approximately \$1 billion, with an average yield of approximately 5.86 percent. Additionally, for FY 1996 the County has investment portfolios for the Resource Recovery Bonds, Fairfax County Economic Development Authority Parking Revenue Bonds (the Vienna and Huntington Metrorail Projects), and the Sewer Revenue Bonds.

## **RISK FINANCING AND MANAGEMENT**

Since the inception of the risk management program in 1986, when a professional Risk Manager was hired, the County has established written policies and procedures relative to insurance and self-insurance, claims management and rehabilitation services, and employee safety and health programs. During the corresponding period, a number of management initiatives have been accomplished. These include cost effective property and casualty insurance renewals, implementation of a program to assess the risk of County contracts, medical management of long-term

disability claims and vocational rehabilitation of the disabled employees, implementation of several job safety policies to ensure compliance with the Occupational Safety and Health Act (OSHA) regulations, and aggressive pursuit of recoveries for damages caused to County property by third parties. The County self-insures workers compensation and liability risks with a retention of \$1 million, supplemented by excess commercial policies with limits of \$10 million and \$5 million, respectively. In 1993 a retrospective funding plan was initiated as a means of cost allocation and to offer loss control incentives to fund participants. Through a review of the DMV records, the driving eligibility of those employees who operate County vehicles is continually monitored. All of these initiatives have resulted in substantial cost avoidance annually, with the cumulative total since 1986 being in excess of \$20 million. The program has been recognized by the National Association of Counties (NACo) and Virginia Government Finance Officers' Association (VGFOA) for its innovative and effective approach.

## **INDEPENDENT AUDIT**

The Code of Virginia Section 15.1-167, as amended, requires that an annual audit be made of the financial statements of the County by certified public accountants selected by the Board of Supervisors. The auditors' report is found in the Financial Section of this report.

## **AWARDS**

### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Fairfax for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1995. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily read and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County of Fairfax has received a Certificate of Achievement for every year since 1977. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

### ***Distinguished Budget Presentation Award***

The GFOA has presented the Award for Distinguished Budget Presentation to Fairfax County for its annual budget for each year since fiscal year 1987. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications medium. For the fiscal year beginning July 1, 1987, the annual budget received acknowledgment as "An Especially Notable Financial Plan."

### ***Annual National Association of Counties (NACo) Awards***

The County won eight 1996 Achievement Awards for innovative programs. In all, Fairfax County has received two awards for financial management programs. The financial management areas honored in 1996 were the following:

Information Network/Bulletin Board The Purchasing and Supply Management Agency and the Department of Information Technology recognized the need to provide electronic access to information. Working together, staff used existing technologies to design and implement a business process that provides on-line access and retrieval of routine procurement opportunities. This new process has significantly increased the availability of information to citizens and vendors while decreasing the manual processing time and allowing staff to work more efficiently.

Central Information Team (CIT) Merger The Department of Tax Administration implemented phase two of its program to simplify access to the County tax data for taxpayers. Through a process of merging staff from various phone groups, training, and streamlining business processes, response time to citizen inquiries decreased dramatically and customer satisfaction increased.

### **ACKNOWLEDGMENTS**

We recognize the staff of the Office of Finance, especially the members of the Accounting and Reporting Division who contributed to preparation of this report under the leadership of Milagros Jao. Their dedicated and efficient efforts have ensured the timely preparation of this report. In addition, we acknowledge the cooperation and assistance of each County agency throughout the year, in the efficient administration of the County's financial operations. We also acknowledge the assistance of our independent auditors, KPMG Peat Marwick LLP.

Respectfully,

Anthony H. Griffin  
Acting County Executive

Susan S. Planchon  
Director of Finance

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# **COUNTY OF FAIRFAX FAIRFAX, VIRGINIA**

Urban County Executive Form of Government

## **BOARD OF SUPERVISORS**

Katherine K.Hanley, Chairman	At large
Gerald W.Hyland, Vice Chairman	Mount Vernon District
Sharon Bulova	Braddock District
Gerald E.Connolly, Jr.	Providence District
Robert B. Dix, Jr.	Hunter Mill District
Michael R.Frey	Sully District
Penelope A. Gross	Mason District
Dana Kauffman	Lee District
Elaine N.McConnell	Springfield District
Stuart Mendelsohn	Dranesville District

## **Clerk to the Board**

Nancy Vehrs

## **County Executive**

William J.Leidinger

## **Deputy County Executive for Management and Budget**

Dr. James P.McDonald

## **Deputy County Executive for Human Services**

Verdia L.Haywood

## **Deputy County Executive for Public Safety**

Richard A. King (Retired December 1995)

## **Deputy County Executive for Planning and Development**

Anthony H. Griffin

## **Chief Information Officer for Information Technology**

Peter W.Korinis

Office of Management and Budget

Edward L. Long, Jr., Director

Office of Finance

Susan S.Planchon, Director

Department of Tax Administration

Kevin C.Greenlief, Director

Office of the County Attorney

David P.Bobzien, County Attorney

Internal Audit Office

Ronald Coen, Director

Office of Public Affairs

Jean V.White, Director

Independent Auditors

KPMG PeatMarwick LLP

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Fairfax,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1995

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Arthur R. Lynch*  
President

*Jeffrey L. Esser*  
Executive Director