

# Comprehensive Annual Financial Report

for the fiscal year ending  
June 30, 2005



Prince William County

PUBLIC SCHOOLS

*Providing A World-Class Education*



Prince William County Public Schools  
A Component Unit of Prince William County, Virginia  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005

## School Board

Lucy S. Beauchamp, Chairperson (*At-Large*)  
Julie C. Lucas, Vice Chairman, *Neabsco District*  
Michael I. Otaigbe Ph.D., *Coles District*  
Betty D. Covington, *Dumfries District*  
Donald P. Richardson, *Gainesville District*  
Milton C. Johns, *Brentsville District*  
Grant E. Lattin, *Occoquan District*  
Denita S. Ramirez, *Woodbridge District*

Superintendent of Schools  
Steven L. Walts

Director of Financial Services  
David S. Cline

Department of Financial Services  
14800 Joplin Road  
Manassas, Virginia 20108  
(703)-791-8753

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Department of Financial Services  
14800 Joplin Road  
Manassas, Virginia 20108  
(703)-791-8753

Director of Financial Services  
David S. Cline

Supervisor of Fiscal Operations  
John M. Wallingford

Chief Accountant  
Patricia Townsend

Accountants  
Kathleen Addison  
Maria Cavin  
Karen Myers

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# Introductory Section

Letter of Transmittal  
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Organizational Chart



# Prince William County

## PUBLIC SCHOOLS

*Providing A World-Class Education*

Steven L. Walts  
Superintendent of Schools

September 30, 2005

**Mr. Chairman, Members of the County Board of Supervisors:  
Madam Chairman, Members of the School Board:  
Citizens of the County of Prince William Virginia:**

We are pleased to present the Comprehensive Annual Financial Report of the Prince William County Public Schools (PWCPS), a component unit of Prince William County, Virginia, for the year ended June 30, 2005.

This report consists of management's representations concerning the finances of PWCPS. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the PWCPS has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the PWCPS' financial statements in conformity with accounting principles generally accepted in the United States (GAAP). Because the cost of internal controls should not outweigh their benefits, the PWCPS' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

PWCPS' financial statements have been audited by Ernst & Young LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of PWCPS for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence 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. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the PWCPS' financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

The independent audit of PWCPS was part of a broader, federally mandated "Single Audit" for Prince William County (County) designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP requires that management 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. PWCPS' MD&A can be found immediately following the report of independent auditors.

## **Profile of the Government**

Prince William County is located in Northern Virginia, approximately 35 miles southwest of Washington D.C. and encompasses an area of 348 square miles. Prince William County has, within its boundaries, the independent cities of Manassas and Manassas Park and the incorporated towns Dumfries, Haymarket, Occoquan and Quantico. The cities of Manassas and Manassas Park have their own public school divisions.

PWCPS is a corporate body operating under the constitution of the Commonwealth of Virginia and the Code of Virginia. The eight members of the School Board are elected by the citizens of the County to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCPS is organized to focus on meeting the needs of its 66,093 students while managing the 49 elementary schools, 13 middle schools, 10 high schools, 4 special education schools, 2 alternative schools, and 2 traditional schools.

## **Local Economy**

The local economy is inseparable from that of the regional Washington D.C. metropolitan area, and the area's economic performance was superb over the last year. Job growth in the metropolitan area continued to be among the nation's best, driven, in part, by robust federal spending, which accounts for about 1/3 of the region's economy, strong consumer spending and a very positive economic environment. The metropolitan area should continue to prosper in the year ahead as the factors that influenced the past year remain largely unchanged.

Prince William County saw its population increase by 17,563, or 5.2%, to 354,383 during fiscal year 2005. The growth represents an acceleration in the rate of population increase from the prior year and was fueled by metropolitan area and in-county job growth. Recently formalized plans to relocate thousands of military and civilian workers from less secure locations will result in job growth at Fort Belvoir and Quantico Marine Corps Base and likely add to the County's population growth. The County's population growth will continue to translate into robust housing growth. Building permit activity, a leading indicator for housing construction, is higher on a year-over-year basis and new home construction within the County is brisk. Residential resale activity is robust, as well. As of August 2005, calendar year-to-date home sales in the County were 7,981 units compared to 7,166 units during the same period last year according to MRIS home sale records, an 11.4% increase. The average sales price for resale homes for the 8 months ended August, 2005 was \$409,508 compared to \$314,315 in for the same period in 2004 representing an increase of 30.2%. About 84% of the County's real estate tax base consists of residential housing, with approximately 15% comprised of commercial, industrial and public service properties and 1% undeveloped land. Indicative of the robust real estate market, the average number of days a home was on the market was only 22 for the 8 months ended August 2005, down slightly from the prior year's 23 days.

One of Prince William County's strategic goals is to maintain an economic development climate that will attract and foster the expansion of environmentally-sound industries that create quality jobs, diversify the non-residential tax base, and allow people to live in, work in, and visit the County. In that regard, the County's Department of Economic Development has worked diligently to attract new businesses in quality industries to locate in Prince William County. Since 1997, 197 companies have announced they would locate or expand their operations within the County. These new and expanding businesses have resulted in the announced intention to create 10,602 high-tech jobs and \$2.56 billion of announced investment. On May 8, 2002, Prince William County and the Commonwealth of Virginia welcomed Eli Lilly and Company (Lilly) to the County. Lilly has announced that they will build a 300,000 square foot insulin manufacturing center on 120 acres in the technology park, INNOVATION@Prince William. Groundbreaking ceremonies for the facility's construction took place in August 2003. When complete, the complex will employ 350 new workers and represent an investment of \$325 million.



The County's economic strength combined with sound fiscal management has allowed the Board of County Supervisors to reduce the real estate tax rate from \$1.36 to \$0.91 over the past five years. The vibrancy of the County's economy was further reflected when Fitch IBCA awarded the County its highest bond rating of AAA, Moody's Investors Service reiterated the County's bond rating of Aa1 in October 2004, and Standard and Poors raised the County's rating from AA to AA+ in May of 2004. The County is now among a very select group of jurisdictions nationwide which carry a AAA bond rating.

Prince William County's close proximity to the federal government and affiliated contractor industries has largely isolated it from the severity of normal business cycle troughs. While the County is by no means immune from economic downturns, their depth and duration tend to be ameliorated by the fairly constant uptrend in Federal spending and procurement. Additionally, this relationship has provided the County with a demand base for its housing and retail trade. The County depends heavily on residential housing and consumer spending to maintain its prosperity and levels of local government services. These two sectors have fared extraordinarily well over the past three years as homebuyers, consumers, and business growth energized the County's economy.

In spite of the County's excellent 2005 performance, there are challenges ahead. The recent acceleration of the County's population growth requires continued management of Prince William's infrastructure needs during a time when critical commodity prices such as steel, lumber, and energy have spiraled higher. The County's rapid increase in home prices has made it essential to reduce the real estate tax rate and assuage the impact on residential tax bills. Prince William County must also continue to manage and prepare for the threat of terrorism by working with Department of Homeland Security personnel and others to equip and train our first responders.

As Prince William County enters fiscal year 2006, the local economy is stronger than it has been in years. Expectations going forward are for continued prosperity with a mildly muted momentum. The demographics are in place to reinforce those expectations, and with unemployment rates under 3%, low interest rates, and a positive regional and national economic outlook, it is likely that the current local economic climate will remain quite positive over the near term.

### **Long-term Financial Planning**

Each year PWCPS, coordinating with the County, prepares a Five-Year Budget Plan. This plan incorporates expected revenue and expenditure growth to determine how future needs will be met. As part of this plan the County Board of Supervisors and the School Board have entered into a revenue sharing agreement that shares the general revenues of the County between the Schools and the County on a 56.75% to 43.25% basis, respectively.

The goals of this five-year plan are as follows:

1. To maintain current instructional, support, and extracurricular programs and services.
2. To provide services to new students.
3. To construct and operate the new schools and facilities identified in the Capital Improvements Program.
4. To complete all critical capital projects identified in the Capital Improvements Program.
5. To maintain competitive salaries and benefits for all employees.

Each year PWCPS prepares a ten year Capital Improvements Plan (CIP). The CIP provides for the projected investment needs both with regard to new facilities and maintenance projects required to keep PWCPS facilities in good operating condition. This document also provides the necessary input for the five year budget plan with regard to debt service.

The County has adopted several policy documents, including the Strategic Plan, the Comprehensive Plan, and the Principles of Sound Financial Management that help guide in both the general management and financial management of PWCPs.

### **Relevant Financial Policies**

As a component unit, PWCPs is directly impacted by the County's Financial Policies that control fund balance, revenues and collections, debt management, cash management, and investments. These areas in particular have a long-term impact on the fiscal health of the County and PWCPs. The policies are published in the County's *Principles of Sound Financial Management*.

PWCPs budgets approximately one percent (1%) of our operating fund annually in reserve. The reserve is utilized to fund the costs of additional students above enrollment projections each school year and/or to respond to fiscal issues that may arise during the school year.

### **Major Initiatives**

PWCPs is the third largest of 135 school divisions in Virginia and the sixty fifth largest school division in the country. The school division provides services to over six percent of the state student enrollment. During the next five years, student membership is projected to increase by an annual rate of over four percent. This will result in almost 12,300 additional students by the 2008-09 school year. The costs associated with these additional students for personnel, employee benefits, and material to provide school-level instructional and support services will equate to approximately \$83.6 million.

Providing quality educational facilities is important in providing quality education. PWCPs' Capital Program identifies 16 schools for new construction or additions and one administration building over the next six years. PWCPs endeavors to spend, as is recommended by the National Building Research Board, between 2% and 4% of the total replacement value of buildings on an annual basis on maintenance of existing school facilities. PWCPs facilities were constructed between 1918 and 2005, with the oldest school being Dumfries Elementary School constructed 86 years ago.

### **Financial Reporting Certificate Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This was the third consecutive year the School Board has received this prestigious award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a governmental entity financial report. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A GFOA Certificate is the highest form of recognition awarded in the field of governmental financial reporting and is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine the School Board's eligibility for another certificate award.

Also, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board for its CAFR for the fiscal year ended June 30, 2004. This was the third consecutive year the School Board has received this prestigious award. ASBO sponsors this Certificate of Excellence in Financial Reporting program to foster excellence in the preparation and issuance of school system annual financial reports. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. We believe that our current CAFR conforms also to the ASBO Certificate of Excellence program requirements, and we are submitting it to

the ASBO to determine the School Board's eligibility for another certificate award.

### **Acknowledgments**

Many professional staff members in the Finance Office of PWCPS contributed to the preparation of this report. Their hard work, professional dedication, and continuing efforts to produce and improve the quality of this report are a direct benefit to all that read and use it. We would also like to acknowledge the cooperation and assistance of the PWCPS' departments and agencies throughout the year in the efficient administration of the PWCPS' financial operations. Additionally, we would like to thank the financial reporting and control division of the Prince William County who has helped support the efforts of PWCPS in the preparation of this report.

This comprehensive annual financial report reflects the PWCPS' commitment to the citizens of Prince William County, the Board of County Supervisors, the County School Board, and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully,

Steven L. Walts  
Division Superintendent

David S. Cline  
Director of Financial Services

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Prince William County  
Public Schools, Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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.



*Nancy L. Zjella*

President

*Jeffrey R. Emer*

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

**Prince William County Public Schools**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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## Organization of Prince William County Schools

### The Prince William County School Board

Lucy S. Beauchamp Chairperson, *At-Large*

Julie C. Lucas, Vice Chairman, *Neabsco District*

Michael I. Otaigbe, Ph.D., *Coles District*

Betty D. Covington, *Dumfries District*

Donald P. Richardson, *Gainesville District*

Milton C. Johns, *Brentsville District*

Grant E. Lattin, *Occoquan District*

Denita S. Ramirez, *Woodbridge District*

### School Division Administration

Steven L. Walts  
Superintendent of Schools

Wayne Mallard  
Deputy Superintendent

Pamela K. Gauch  
Associate Superintendent  
Instruction

George Kisha  
Associate Superintendent  
Finance and Support Services

Alison Nourse-Miller  
Associate Superintendent  
Area 1 Schools

Karen Spillman  
Associate Superintendent  
Area 2 Schools

Rae Darlington  
Associate Superintendent  
Area 3 Schools

Michael Mulgrew  
Associate Superintendent  
Area 4 Schools

David S. Cline  
Director of Financial Services

John M. Wallingford  
Supervisor of Fiscal Operations

# 2005-06 Organizational Chart Prince William County Schools

**School Board**

Lucy S. Beauchamp Chairman At-Large	Julie C. Lucas Vice Chairman Neabsco District	Betty D. Covington Dumfries District	Milton C. Johns Brentsville District
Grant Lattin Occoquan District	Michael I. Otaigbe, Ph.D. Coles District	Denita S. Ramirez Woodbridge District	Donald P. Richardson Gainesville District

Steven L. Walts  
**Superintendent**

Clerk  
Deputy Clerk

**Deputy Superintendent**

Director of Risk  
Management &  
Security Services

**Associate  
Superintendent for  
Area I**

Area I Schools

Alvey ES	Mullen ES
Battlefield HS	PACE West Special
Bull Run MS	Pennington TS
Ellis ES	Saunders MS
Glenkirk ES	Sinclair ES
Hylton HS	Stonewall Jackson HS
King ES	Stonewall MS
Loch Lomond ES	Sudley ES
McAuliffe ES	Tyler ES
Mountain View ES	West Gate ES

**Associate  
Superintendent for  
Area II**

Area II Schools

Bel Air ES	Marsteller MS
Beville MS	Marumsco Hills ES
Brentsville HS	Minnieville ES
Bristow Run ES	Neabsco ES
Cedar Point ES	Nokesville ES
Dale City ES	Vaughan ES
Enterprise ES	Victory ES
Gar-Field HS	Woodbridge MS
Godwin MS	Woodbine PS
Kerrydale ES	

**Associate  
Superintendent for  
Area III**

Area III Schools

Ann Ludwig/PACE East	Penn ES
Bennett ES	Porter ES
Benton MS	Potomac HS
Coles ES	Rippon MS
Featherstone ES	River Oaks ES
Freedom HS	Signal Hill ES
Independent Hill Special	Springwoods ES
Leesylvania ES	Westridge ES
Marshall ES	Williams ES
Osborn Park HS	Yorkshire ES
Parkside MS	

**Associate  
Superintendent for  
Area IV**

Area IV Schools

Antietam ES	Lynn MS
Ashland ES	Montclair ES
Belmont ES	Occoquan ES
Dumfries ES	Old Bridge ES
Forest Park HS	Pattie ES
Graham Park MS	Potomac View ES
Henderson ES	Rockledge ES
Kilby ES	Swans Creek ES
Lake Ridge ES	Triangle ES
Lake Ridge MS	Woodbridge HS

**Associate  
Superintendent for  
Human Resources**

**Director of  
Human  
Resources**

- Supervisor of Benefits
- Supervisor of Elementary & Spec. Ed. Personnel
- Supervisor of Classified Personnel
- Supervisor of Recruiting & Specialty Pgms
- Supervisor of Secondary Personnel

**Associate  
Superintendent for  
Student Learning  
and Accountability**

**Director of  
Student Learning  
and Professional  
Development**

- Curriculum Supervisors (6)
- Supervisor of Instructional Technology
- Supervisor of Multicultural Education
- Supervisor of Professional Development
- Curriculum Supervisor Career & Technical Education
- Supervisor of Gifted Education & Special Programs
- Supervisor of Title 1

**Director of  
Assessment**

- Supervisor of Quality Control
- Supervisor of Testing
- Supervisor of Program Evaluation

**Director of  
OSMAP**

- Principals (2)  
New Dominion,  
New Directions
- Supervisor of Alternative Education & Summer School

**Director of  
Student  
Services**

- Supervisor of Secondary Counseling and Support Services
- Supervisor of Elementary Counseling and Support Services
- Supervisor of Student Assistance and Prevention Programs
- Supervisor of School Health

**Director of  
Special  
Education**

- Supervisor of Special Education (8)

**Associate  
Superintendent for  
Finance and  
Support Services**

**Director of  
Financial  
Services**

- Supervisor of Budget
- Supervisor of Financial Services
- Supervisor of Fiscal Operations
- Supervisor of Purchasing
- Supervisor of Supply Services

**Director of  
Construction  
and Planning  
Services**

- Supervisor of Planning
- Supervisor of Land Acquisition & CIP Planning
- Project Managers (8)

**Director of  
Transportation  
Services**

- Supervisor of Bus Operations
- Supervisor of Transportation Planning

**Director of  
Facilities  
Management  
Services**

- Supervisor of Facilities Management

**Director of  
Food Services**

**Associate  
Superintendent for  
Communications and  
Technology Services**

**Director of  
Information  
Technology  
Services**

- Supervisor of Student Applications
- Supervisor of Business Applications
- Supervisor of Information Systems Support
- Supervisor of Network Services & Central Ops
- Imaging Center

**Director of  
Communications  
Services**

- Supervisor of Community Relations
- Supervisor of Media Production Services

Business Partnerships

Education Foundation



# Financial Section

Independent Auditors Report  
Management Discussion and Analysis  
Basic Financial Statements  
Required Supplementary Information  
Supplementary Information

## Report of Independent Auditors

The School Board of  
Prince William County Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prince William County Public Schools (PWCPS), as of and for the year ended June 30, 2005, which collectively comprise the PWCPS's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PWCPS's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Fund, which represents 55% percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of PWCPS' internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PWCPS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 the Prince William County Public Schools, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the PWCPs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 13 through 25, and the Schedule of Funding Progress on page 54, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prince William County Public Schools' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Ernst + Young LLP*

September 30, 2005

**Prince William County Public Schools**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2005

This section of the Prince William County Public Schools' (PWPCS) annual financial report presents our discussion and analysis of the districts financial performance during the fiscal year ended June 30, 2005 (FY 2005). Please read it in conjunction with the transmittal letter at the front of this report and the school divisions' financial statements, which immediately follow this section. (All values in MD&A expressed in thousands).

**Financial Highlights**

- General revenues accounted for \$649,588 or 87% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$95,758 or 13% of total revenues of \$745,346.
- The school division had \$647,834 in expenses related to governmental activities of which \$95,758 was offset by program specific charges, grants, or contributions. General revenues, primarily County and State, were adequate to fund the remaining expenses.
- Net assets increased by \$97,512 to a total of \$792,356. The value of net assets reflects the financial health of the school division and includes certain assets procured with debt. The school division is a component unit of, and fiscally dependent on Prince William County. As such, all debt related to school division assets is shown on the County's Statement of Net Assets.
- On September 30, 2004 (FY 2005) student membership was 66,093, an increase of 3,737 students, or 4.7% greater than the FY 2004 Approved budget. The student membership was also 372 students greater than projected for FY 2005. The additional students, plus changes in the demographic makeup of the student population, required additional funding of \$4,150.
- The school division received an additional \$4.3 million in County revenue for PWPCS' share of FY 2004 revenues that exceeded the original FY 2004 revenue projections. These funds were used to support the local cost of the additional students and to fund capital projects.
- Battlefield High School, Freedom High School, Ellis Elementary School, Williams Elementary School, Porter Traditional School, and New Directions Alternative High School were opened in September 2004.

**Using this Comprehensive Annual Financial Report**

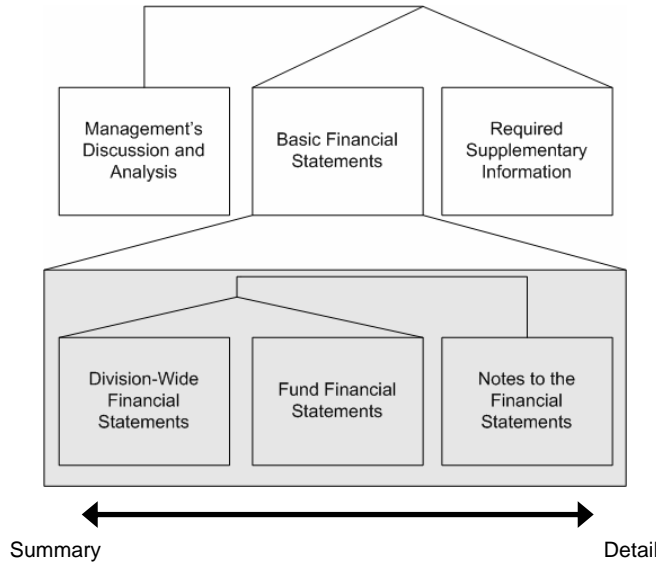
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school division.

- The first two statements are *division-wide financial statements* that provide both *short-term* and *long-term* information about the school division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the division, reporting the division's operations in *more detail* than the division-wide statements.
- The *governmental funds statements* describe how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities that the division operates *like businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the division acts solely as a *trustee* or *agent*.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**Prince William County Public Schools**  
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Organization of Prince William County Public Schools Annual Financial Report



Major Features of the Division-Wide and Fund Financial Statements				
	Division-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school division (except fiduciary funds)	The activities of the school division that are not proprietary or fiduciary, such as special education and building maintenance	Activities the school division operates similar to private businesses: self insurance, health insurance, and the warehouse	Instances in which the school division administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>•Statement of net assets</li> <li>•Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>•Balance sheet</li> <li>•Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>•Statement of fund net assets</li> <li>•Statement of cash flows</li> <li>•Statement of revenues, expenditures, and changes in fund net assets</li> </ul>	<ul style="list-style-type: none"> <li>•Statement of fiduciary net assets</li> <li>•Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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**Division-wide Statements**

The division-wide statements report information about Prince William County Public Schools as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by PWCPSS to provide programs and activities, the view of PWCPSS, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. The accrual basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

The two division-wide statements report PWCPSS' *net assets* and how they have changed. Net assets – the difference between PWCPSS' assets and liabilities – are one way to measure the division's financial health or position.

- Over time increases or decreases in the division's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of PWCPSS, additional non-financial factors may also be relevant, such as changes in the County tax base, the condition of school buildings and other facilities, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, PWCPSS reports amounts related to governmental-type activities and its three internal service funds. PWCPSS' governmental-type activities include: regular instruction, special instruction, other instruction, instructional leadership, general administration, student services, curricular/staff development, pupil transportation, operations, utilities, maintenance, central business services, capital projects, reimbursement to the county for debt service, food services, and community services operations.

**Fund Financial Statements**

The fund financial statements provide more detailed information about PWCPSS' most significant or "major" funds. Funds are accounting devices that PWCPSS uses to help keep track of specific sources of funding and spending for particular purposes:

PWCPSS has three types of funds:

- **Governmental Funds:** Most of PWCPSS' activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of PWCPSS' general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the division-wide statements, additional information has been added in the form of reconciliations between the total fund balances of the governmental funds and the total net assets of the division-wide activities. An additional reconciliation is added to explain the differences between the net change in fund balance and the change in net assets of the school division.
- **Proprietary Funds:** Proprietary funds are reported on a full accrual basis and economic resources focus. PWCPSS uses internal service funds (one kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. PWCPSS has three internal service funds: the Self Insurance fund, the Health Insurance fund, and the Warehouse fund.
- **Fiduciary Funds:** PWCPSS is a trustee or fiduciary for the Northern Virginia Regional Special

**Prince William County Public Schools**  
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Education Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from PWCP's division-wide statements because PWCP's cannot use these assets to finance its operation. The student activity monies are also accounted for in an agency fund.

**Financial Analysis of PWCP's as a Whole**

**Net Assets**

The condensed statement of net assets describes the financial position of PWCP's on June 30, 2005. The largest portion of PWCP's net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 79.9% of the total net assets and have increased by \$72,304 since June 30, 2004. This increase is primarily the result of continued construction necessary to house the continuing growth in the student population. These capital assets are not net of related debt because, as a component unit (school division) in Virginia, PWCP's does not have the authority to issue debt. All debt is issued by Prince William County and, therefore, shown as a liability on their Statement of Net Assets. In years where there are substantial additions to capital assets that are funded through the issuance of debt, the school division will have substantial increases in net assets. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

<b>Condensed Statement of Net Assets</b>			
(amounts expressed in thousands)			
	<b>Governmental Activities</b>		
	<b>2005</b>	<b>2004</b>	<b>Percent Change</b>
Current and other assets	\$ 262,703	\$ 241,683	8.7%
Capital assets	<u>633,276</u>	<u>560,972</u>	12.9
<b>Total assets</b>	<u>895,979</u>	<u>802,655</u>	11.6
Current liabilities	77,283	77,410	-0.2
Long-term liabilities	<u>26,340</u>	<u>30,401</u>	-13.4
<b>Total liabilities</b>	<u>103,623</u>	<u>107,811</u>	-3.9
Net assets:			
Invested in capital assets	633,276	560,972	12.9
Restricted	89,379	97,055	-7.9
Unrestricted	<u>69,701</u>	<u>36,817</u>	89.3
<b>Total net assets</b>	<u>\$ 792,356</u>	<u>\$ 694,844</u>	14.0

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Restricted net assets decreased by \$7,676 during the current fiscal year reflecting a decrease in PWCP's resources restricted for specific construction projects. Unrestricted net assets are those resources that may be used to meet the obligations placed on PWCP's by its creditors and to pay for ongoing operations of the school division. At the end of the fiscal year unrestricted net assets amounted to \$69,701, an increase of \$32,884. All three components of net assets show positive balances.

**Prince William County Public Schools**  
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**Changes in Net Assets**

(amounts expressed in thousands)

	<b>Governmental Activities</b>		<b>Percent Change</b>
	<b>2005</b>	<b>2004</b>	
<b>Program revenues:</b>			
Charges for services	\$ 17,141	\$ 15,256	12.4%
Operating grants and contributions	77,713	66,695	16.5
Capital grants and contributions	904	902	0.2
<b>General revenues:</b>			
Federal	1,646	1,385	18.8
State aid	234,640	200,115	17.3
County	407,130	350,669	16.1
Unrestricted investment earnings	2,499	1,518	64.6
Other	3,673	3,067	19.8
<b>Total revenues</b>	<u>745,346</u>	<u>639,607</u>	16.5
<b>Expenses:</b>			
Instructional:			
Regular	309,172	268,482	15.2
Special	72,039	65,759	9.6
Other	7,995	6,694	19.4
Instructional leadership	40,212	36,898	9.0
Support services:			
General administration	4,960	5,028	-1.4
Student services	7,808	7,238	7.9
Curricular/staff development	10,606	10,046	5.6
Pupil transportation	35,292	29,348	20.2
Operations	20,024	17,605	13.7
Utilities	16,889	14,665	15.1
Maintenance	15,892	13,308	19.4
Central business services	35,235	30,047	17.3
Supply services	—	—	—
Reimbursement to County for debt service	47,582	41,824	13.8
Food service	23,629	21,232	11.3
Community service operations	499	489	2.0
<b>Total expenses</b>	<u>647,834</u>	<u>568,663</u>	13.9
Change in net assets	97,512	70,944	37.5
Net assets, beginning of year	694,844	623,900	11.4
Net assets, end of year	<u>\$ 792,356</u>	<u>\$ 694,844</u>	14.0



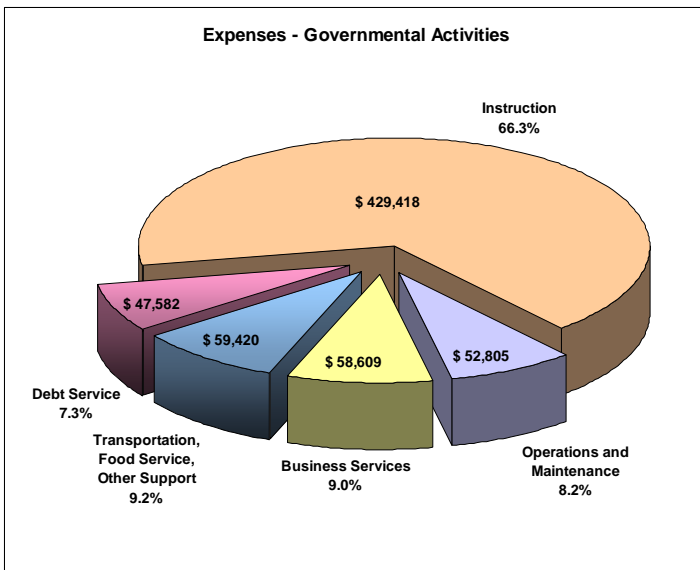
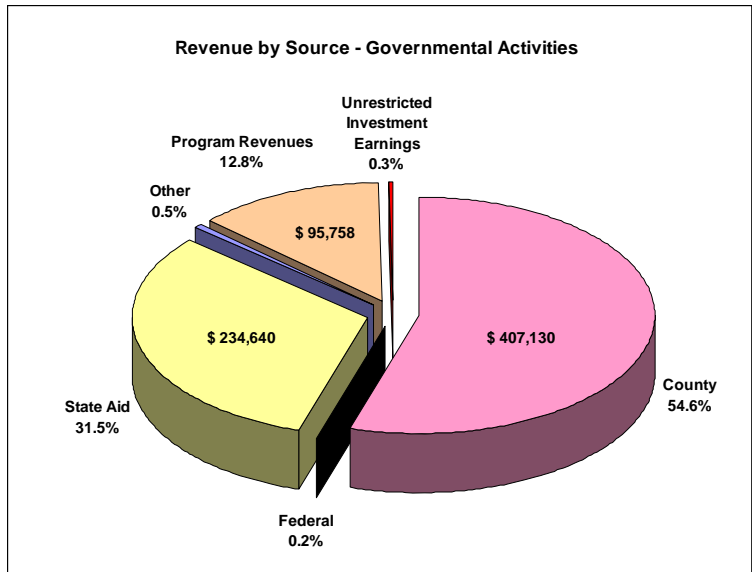
**Prince William County Public Schools**  
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**Changes in net assets**

Total revenues increased by \$105,739 for a 16.5% increase over fiscal year 2004. This is primarily the result of increases in state aid and increased revenue from the County.

PWCPS receives 54.6% of it's revenue from the primary government (PWC), 31.5% from the state of Virginia, 12.8% in the form of program revenues (Charges for services, operating and capital grants and contributions), and 1.1% from other categories. The funds PWCPS receives from PWC are comprised, primarily, of two components; 56.75% of all county general revenues, and amounts provided to us that are the result of bonds sold by PWC to fund schools capital projects.

The component of county revenue that is a function of county bond sales increased from fiscal year 2004 by \$13,840 or 26.5%. components of general revenues from the county, other than bond sales, increased by \$42,641 or 14.3% for a total increase of \$56,461 or 16.1% year over year. This increase is a function of the overall growth in general county revenues and the cooperative funding formula.



“Other” revenue disclosed on the statement of activities increased by \$606. This increase is a function of one time activity resulting from the sale of a parcel adjoining the Stonewall High property on Rixlew lane. In fiscal year 2004 there was no sale of land or buildings.

State revenue increased \$34,525 or 17.25% due to both the increased growth in student enrollment and the calculation of the state's funding of the standards of quality.

The total cost of all programs increased by 13.9% to \$647,834 in fiscal year 2005. 75.5% of the division's expenses are related to the instruction of and caring for the needs of students (instruction, transportation, student service, and food service). The division's business and administrative activities accounted for 9.0% of total costs while

operations and maintenance amounted to 8.2% of total cost. Reimbursements to the County for debt service totaled 7.3% of fiscal year 2005 costs. For the fiscal year ended 2004, revenues exceeded expenses by a total of \$97,512. A substantial portion of this excess is the recognition of revenues associated with capital outlay related to PWCPS continued expansion of facilities.

**Governmental Activities**

The two primary sources of revenue for the school division are from Prince William County and the Commonwealth (State) of Virginia. Funding from the County is provided through a revenue sharing agreement whereby the school division receives 56.75% of general county revenue. The budget is developed based upon

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projected revenue for that year. In the following fiscal year, revenues are adjusted to reflect the difference between projected and actual revenues (plus or minus). FY 2005 County funding was increased by \$1,956 due to additional recognized revenues from FY 2004.

State funding is provided through a formula that calculates the state share of the cost of education, as determined in the Standards of Quality (SOQ), including basic aid, categorical areas, and sales tax. State funding in FY 2005 increased for two primary reasons. First, State funding for basic and categorical aid increased as a result of the calculation of required state funding as defined in the state SOQ. Second, State funding also increases with growth in enrollment. State revenue increased from FY 2004 as a result of the state funding their share of the SOQ cost of the additional 3,737 students in the school division; an increase in student population of 4.7%.

The FY 2005 expense budget was adjusted to fund schools and central departments for the costs of the additional student enrollment. The Net Cost of Governmental Activities table shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

<b>Net Cost of Governmental Activities</b>						
(amounts expressed in thousands)						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2005</b>	<b>2004</b>	<b>Percent Change</b>	<b>2005</b>	<b>2004</b>	<b>Percent Change</b>
<b>Instruction</b>						
Regular	309,172	\$268,482	15.2%	280,223	\$241,827	15.9%
Special	72,039	65,759	9.6	35,151	35,863	-2.0
Other	7,995	6,694	19.4	3,167	2,407	31.6
Instructional leadership	40,212	36,898	9.0	40,212	36,898	9.0
<b>Total instruction</b>	<u>429,418</u>	<u>377,833</u>	13.7	<u>358,753</u>	<u>316,995</u>	123.2
<b>Support services</b>						
General administration	4,960	5,028	-1.4	4,960	5,028	-1.4%
Student services	7,808	7,238	7.9	7,808	7,238	7.9
Curricular/staff development	10,606	10,046	5.6	10,360	9,995	3.7
Pupil transportation	35,292	29,348	20.3	35,208	29,260	20.3
Operations	20,024	17,605	13.7	19,978	17,540	13.9
Utilities	16,889	14,665	15.2	16,889	14,665	15.2
Maintenance	15,892	13,308	19.4	15,892	13,308	19.4
Central business services	35,235	30,047	17.3	34,360	29,169	17.8
Reimbursement to County for debt	47,582	41,824	13.8	47,582	41,823	13.8
Food service	23,629	21,232	11.3	426	877	-51.4
Community service operations	499	489	2.0	(140)	(88)	59.1
<b>Total support services</b>	<u>218,416</u>	<u>190,830</u>	14.5	<u>193,323</u>	<u>168,815</u>	14.5
<b>Total expenses</b>	<u>647,834</u>	<u>\$568,663</u>	13.9	<u>552,076</u>	<u>\$485,810</u>	13.6

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**Governmental Activities (continued)**

- The cost of all governmental activities was \$647,834.
- The net cost of governmental activities was \$552,076.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$407,130.
- The Commonwealth of Virginia contributed general revenue of \$234,640.
- Some of the other costs were paid for by:
  - Users who benefited from the programs: \$17,141,
  - Total Grants and Contributions: \$77,713,
  - Other payments: \$3,673.
- There are several significant activity changes in the net cost of services:
  - Regular instruction costs increased as a result of State funding for the Standards of Quality (SOQ). Significant changes included the addition of a technology teacher at every school and the funding for full day kindergarten at Title I eligible schools.
  - The net cost of other instruction increased as a result of expanded non-tuition SOL remediation programs for students in summer school and other tuition based programs.
  - The net cost of general administration increased as a function of the opening of six new schools and the staffing and startup costs associated with these schools.
  - The net costs of Student Services increased with the hiring of twenty additional nurses associated with the continued expansion of the school nurse program.
  - Curricular/staff development increased with the additional costs associated with SOL remediation.
  - Reimbursements to the County for debt service increased with the increase in debt service associated with the two new high schools and three new elementary schools.
  - Food services net cost increased as a result of the opening of six new schools and the continued growth in student enrollment.
  - Community services operations are subject to change each year as a function of the number of activities conducted within the community use of building (rental) program.

**Financial Analysis of the District's Funds**

Information about PWCPS' major funds begins on page 31. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$742,385 and expenditures of \$726,053. The net change in fund balance was most significant in the Construction Fund amounting to an increase of \$12,862. This increase is due, primarily, to timing differences between the sale of bonds and the expenditures for the construction of the associated projects.

The General Fund net change in fund balance of \$3,683 reflects an increase in the Operating Fund of \$3,216 and an increase in the funds used as payment in lieu of debt service of \$467. The change in the Operating Fund's fund balance is primarily a result of greater than anticipated savings in salary and benefit accounts with the largest savings coming from our supplemental retirement plan and health insurance premiums. The decrease in fund balance in Other Governmental Funds of \$213 is primarily attributable to the use of fund balance in the Food Services Fund to support the increased cost of operating new schools while maintaining the price of meals.

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**General Fund Budgetary Highlights**

The PWCPS' budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, PWCPS amended its general fund budget as follows:

- Amended appropriation of \$21,390 to reflect the carryover of encumbrances from Fiscal Year 2004 to Fiscal Year 2005.
- Amended appropriation of \$14,891 to reflect the carryover of encumbrances from Fiscal Year 2005 to Fiscal Year 2006.
- Supplemental appropriation of \$1,956 for PWCPS' share of FY 2004 revenues that exceeded the original FY 2004 revenue projections. Based upon the revenue sharing agreement with the County, PWCPS develops the Approved budget based upon projected revenues. After the final close of the fiscal year, the County determines the actual revenues for the year (FY 2004). In the following fiscal year (FY 2005) an appropriation adjustment is made (plus or minus) to the school division budget to reflect the difference between the actual and projected revenues. The supplemental appropriation is net of other adjustments including contribution to the County fund balance.
- Supplemental appropriations totaling \$8,299 for increases in federal, state, and local grants and for additional state aid due to a higher student population than originally projected in the budget.

PWCPS' final budget for the general fund anticipated that expenses would exceed revenues by roughly \$12,384. Of this \$12,384 there was a planned draw down of fund balance of \$9,957 for a total anticipated loss of \$2,327. The actual results for the year show a savings of \$3,683. The increased fund balance will be utilized to support future budgets in the five-year budget plan.

**Capital Assets**

At the end of fiscal year 2005, PWCPS had \$633,276 invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table shows fiscal year 2005 balances, net of accumulated depreciation. Readers interested in more detailed information on capital assets should refer to the Notes to the Basic Financial Statements.

	<b>Governmental Activities</b>		<b>Percent Change</b>
	<b>2005</b>	<b>2004</b>	
	<b>Capital Assets</b> (net of accumulated depreciation) (amounts expressed in thousands)		
Land	30,093	\$29,640	1.5%
Construction in progress	47,803	31,296	52.8
Depreciable capital assets	555,380	500,036	11.1
<b>Total</b>	<u>\$633,276</u>	<u>\$560,972</u>	12.9

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**Major capital asset additions for FY 2005 included:**

- Completion of construction and opening of the following schools:
  - Williams Elementary School on Four Year Trail
  - Battlefield High School located near Dominion Valley subdivision, adjacent to Route 15
  - Freedom High School located near Northern Virginia Community College, Woodbridge
  - Porter Traditional School on Blackburn Ave (Belmont).
  - Ellis Elementary School on Ashton Avenue
- Completion of construction of "mid-county" Transportation Center.
- Major renovations were accomplished at the following schools:
  - Gar-Field High School
  - Sudley Elementary School
  - Elizabeth Vaughan Elementary School
- Roof replacements were completed at Henderson Elementary School and Lake Ridge Elementary School.
- Mechanical system replacements were completed at Potomac High School and Pennington Traditional
- Replacement of 120 buses and 47 trucks and other vehicles.
- Replacement of designated computers identified within the school division three year technology refresh plan.
- Continued construction of two elementary schools - Glenkirk Avenue and Victory Lakes - opening 2006
- Commenced construction of two elementary schools - Somerset and Princedale - and one middle school- Four Year Trail - opening 2007
- Commenced renovations at the following schools:
  - Stonewall High School
  - Potomac View Elementary School
  - Minnieville Elementary School
  - Woodbridge High School
  - Osbourn Park High School

**The following major capital projects are included in PWCPs' FY 2006 capital budget:**

- Administrative Building is scheduled for site improvements and paving
- Building additions to:
  - Belmont Elementary School
  - Dale City Elementary School
- Major renovations at:
  - Osbourn Park High School (Phase 2 of 2)
  - Stonewall Jackson High School (Phase 2 of 2)
  - Woodbridge High School (Phase 2 of 2)
- Mechanical System replacements at Rockledge Elementary Schools and Marumscos Hills Elementary
- Roof replacements at Stonewall Middle School and Triangle Elementary School
- Purchase of 55 school busses (13 replacement and 42 additional)
- Replacement of 13 trucks and other vehicles
- Replacement of designated computers identified within the school division's three year technology refresh plan.

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Funding for the FY 2006 capital projects includes \$20,010 in appropriated funds and \$48,955 to be financed by Prince William County through the sale of General Obligations bonds to the Virginia Public School Authority (VPSA) in the spring of 2005.

**Outstanding Long-Term Debt**

School divisions in the Commonwealth of Virginia are fiscally dependent, in that they do not have taxing authority and rely upon appropriations from the County/City. Only government entities with taxing authority are legally permitted to incur long term debt, therefore, all debt required for capital projects for the school division is incurred by the County. As a result, Prince William County government retains the liability for the portion of general obligation bonds issued to fund capital projects for PWCPSS.

The County Government appropriates funds to PWCPSS for the education of the students of Prince William County. The School Board, in its annual budget process and in consultation with the County, determines the amount of these funds to support the financing of capital projects for the school division. The School Board budgeted funds are used by the County to offset the debt service cost that the County incurs on the PWCPSS' behalf.

The following information is provided to acknowledge the portion of long-term debt that is incurred by the County at the request of the School Board and funded by the school district. At June 30, 2005, the County is liable for \$437,878 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2005, outstanding long-term debt increased by a net \$36,833. Consisting of:

- \$62,172 in debt principal retired during the fiscal year.
- \$99,005 new debt issued during FY 2005:
  - \$62,320 in sale of general obligation bonds to the Virginia Public School Authority (VPSA);
  - In addition, a bond premium of \$3,841 was realized on the sale of the VPSA bonds. (Bringing the total funds available from the sale to \$66,161);
  - \$36,685 in refunding bonds that helped defease prior GO bond sales dated 1997, 1998, 1999, and 2000.

The FY 2006 Approved School Board budget provides funding for \$48,629 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$48,955 in new bonds to support school capital projects, as detailed in the FY2006 – 2010 Capital Improvements Program. Readers interested in more detailed information for long-term activity should refer to the Notes to the Basic Financial Statements.

<b>Outstanding Long-Term Debt</b>			
(Incurred by Prince William County on behalf of PWCPSS)			
(amounts expressed in thousands)			
	<b>Total School Division</b>		
	<b>2005</b>	<b>2004</b>	<b>Percent Change</b>
General obligation bonds *	\$ 432,562	\$ 395,332	9.4%
Literary loans	5,316	5,713	-6.9
<b>Total</b>	<u>\$ 437,878</u>	<u>\$ 401,045</u>	9.2

\*Includes G.O. bonds sold directly by County and through the Virginia Public School Authority

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**Bond Ratings**

In October, 2004, Fitch IBCA upgraded the County's general obligation bonds from AA+ to AAA. AAA is the highest rating awarded by a credit rating agency and certifies the County's sound, consistent, and excellent financial management practices. Moody's Investors Service reiterated the County's bond rating of Aa1 in October 2004, and Standard and Poors raised the County's rating from AA to AA+ in May of 2004. The County is now among a very select group of jurisdictions nationwide which carry a AAA bond rating.

**Factors influencing future budgets:**

The FY 2006 budget provides funding for the following significant costs:

- A step increase and pay adjustment averaging 5.9%.
- A 2.5% cost-of-living adjustment in supplies and materials accounts.
- Funding for current programs to support an increase of 3,352 students.
- Funding to support the capital projects included in the FY 2006 – 2010 CIP.

At the time these financial statements were prepared and audited, the school division was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Student membership on September 30, 2005 was 68,285. This represents an increase of 2,564 students for a growth rate in excess of 3.9%. The student membership was 736 students below the 69,021 projected in the FY 2006 Approved Budget. The rate of student growth continues to place fiscal demands upon the school division requiring additional staff, buses, and classroom space. The moderation in the rate of growth should make the fiscal demands more manageable in future budgets.
- County FY 2005 revenues exceeded the projections; the school division anticipates receiving an additional \$4,400 in December 2005. These funds will be utilized to acquire additional sites for the construction of schools as needed in the Capital Improvements Program (CIP). Initial County projections for FY 2006 indicate that revenues are running slightly ahead of projection.
- Not only is the student population continuing to grow, but the demographics of the student population continue to change. The changes in student demographics increases the number of students requiring additional educational services, which in turn increases school division expenses to meet those needs.
- The school division continues to receive information and assess the potential impact and associated costs of the federal No Child Left Behind legislation. The legislation will likely result in increased costs for remediation of under-performing students, and for improved information/data processing systems to meet additional federal requirements for student assessment and reporting.
- During FY 2006 the school division is experiencing fuel (natural gas, heating fuel, vehicle fuels) costs that have increased by as much as 50 percent. The FY 2007 budget will have to address these ongoing increases which may amount to as much a \$2 million to \$4 million a year.
- The costs for school construction and renovation continue to climb with inflationary increases of as much as 10% - 15% per year. The costs have increased as a function of high demand in both the national and international markets and the rebuilding efforts from hurricanes in the past several years. These costs continue to impact the fiscal ability of the school division to sustain the construction and renovation of our facilities.

## **Prince William County Public Schools**

### *Management's Discussion and Analysis*

For the Year Ended June 30, 2005

- During the past six years, the growth in real estate values has enabled both a reduction in the real property rate of 45 cents to a value of \$0.91 while providing additional revenues to the County and School Board. While citizens are increasingly concerned about rising property valuations and resulting tax bills, the County is committed to moderating the average real estate increase to single digits levels.
- FY 2007 marks the beginning of the biennial budget process for the Commonwealth of Virginia. The budget for FY 2007 may be impacted by a number of significant changes including:
  - Re-benchmarking of the Standards of Quality (SOQ) which updates the state funding formula for prevailing costs, average salaries and inflation factors.
  - For FY 2007 – FY 2008 the state will be re-calculating the Local Composite Index (LCI), a measure of relative wealth used in the funding formula. Changes to the LCI impact the amount of funding received from the state. The impact upon future budgets of the change in the LCI will depend upon the magnitude of the change.
  - The Virginia Retirement System (VRS) Board has indicated that rates for the retirement system will have to increase significantly. The determination of the rates and the time period over which rates will be implemented will be addressed in the Governors FY 2007 Budget (December 2005) and by the Legislature in February 2006. The school division will likely see significant cost increases for VRS over the next several years.
  - The Virginia Retirement System (VRS) has recommended restoration of payments for Group Life Insurance (GLI). The payments are currently subject to a rate holiday. The determination of the rate and the time period over which the rate will be implemented will be addressed in the Governors FY 2007 Budget (December 2005) and by the Legislature in February 2006.

### **Contacting the Prince William County Public Schools' (PWPCS) Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of PWPCS' finances and to show PWPCS' accountability for the money it receives. If you have questions about this report or need additional financial information contact the Department of Financial Services at Prince William County Public Schools, P.O. Box 389, Manassas, Virginia 20108, (703) 791-8753 or online at [www.pwcs.edu](http://www.pwcs.edu).



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# Basic Financial Statements

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**Prince William County Public Schools  
Statement of Net Assets  
As of June 30, 2005**

**Exhibit 1**

	<b>Governmental Activities</b>
	<hr/>
<b>ASSETS</b>	
Cash and pooled investments	\$145,544,793
Accounts receivable and other current assets	439,776
Due from other governmental units	24,544,118
Inventory	2,683,987
Prepays	111,544
Restricted assets:	
Restricted cash	89,378,484
Capital assets:	
Land	30,093,117
Construction in progress	47,802,629
Depreciable capital assets	737,558,689
Less: accumulated depreciation	(182,178,384)
 <i>Total assets</i>	 <hr/> <hr/> <b>895,978,753</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	11,266,518
Salaries payable and withholdings	60,984,412
Deferred revenue	5,032,360
Long-term liabilities:	
Due within one year	9,689,495
Due in more than one year	16,650,022
 <i>Total liabilities</i>	 <hr/> <hr/> <b>103,622,807</b>
<b>NET ASSETS</b>	
Invested in capital assets	633,276,051
Restricted for:	
Capital projects	89,378,484
Unrestricted	69,701,411
 <i>Total net assets</i>	 <hr/> <hr/> <b>\$792,355,946</b>

*The accompanying notes to the basic financial statements are an integral part of this statement*

Prince William County Public Schools  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Instruction:					
Regular	\$309,172,014	505,843	28,406,955	36,287	(280,222,929)
Special	72,038,512	160,055	36,727,064	-	(35,151,393)
Other	7,995,340	1,452,146	3,376,228	-	(3,166,966)
Instructional leadership	40,211,821	-	-	-	(40,211,821)
<b>Total instruction</b>	<b>429,417,687</b>	<b>2,118,044</b>	<b>68,510,247</b>	<b>36,287</b>	<b>(358,753,109)</b>
Support services:					
General administration	4,960,372	-	-	-	(4,960,372)
Student services	7,807,678	-	-	-	(7,807,678)
Curricular/staff development	10,605,517	1,565	243,769	-	(10,360,183)
Pupil transportation	35,292,326	84,934	-	-	(35,207,392)
Operations	20,024,452	46,453	-	-	(19,977,999)
Utilities	16,889,412	-	-	-	(16,889,412)
Maintenance	15,891,615	-	-	-	(15,891,615)
Central business services	35,234,818	6,722	-	867,708	(34,360,388)
Reimbursement to County for debt service	47,582,088	-	-	-	(47,582,088)
Food service	23,628,571	14,243,159	8,959,121	-	(426,291)
Community service operations	499,611	640,435	-	-	140,824
<b>Total support services</b>	<b>218,416,460</b>	<b>15,023,268</b>	<b>9,202,890</b>	<b>867,708</b>	<b>(193,322,594)</b>
<b>Total governmental activities</b>	<b>\$647,834,147</b>	<b>17,141,312</b>	<b>77,713,137</b>	<b>903,995</b>	<b>(552,075,703)</b>
<b>General revenues:</b>					
Federal, State, and Local Revenues					
					1,645,805
					234,639,603
					407,130,356
					2,499,435
					3,672,948
					<b>649,588,147</b>
					Change in net assets 97,512,444
					Net assets, beginning of year 694,843,502
					Net assets, end of year <b>792,355,946</b>

The accompanying notes to the basic financial statements are an integral part of this statement

Prince William County Public Schools  
 Balance Sheet  
 Governmental Funds  
 June 30, 2005

Exhibit 3

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 86,295,871	34,175,214	1,456,389	121,927,474
Restricted cash	-	89,378,484		89,378,484
Accounts receivable	191,770	71,209	76,041	339,020
Due from other funds	115,807	-	-	115,807
Due from other governmental units	21,837,503	1,326,514	1,380,101	24,544,118
Inventory	681,079	-	934,614	1,615,693
Total assets	<u>\$ 109,122,030</u>	<u>124,951,421</u>	<u>3,847,145</u>	<u>237,920,596</u>
<b>LIABILITIES and FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,404,975	4,582,765	397,181	10,384,921
Salaries payable and withholdings	60,502,861	20,675	450,175	60,973,711
Deferred revenue	5,100,721	-	761,616	5,862,337
Total liabilities	<u>71,008,557</u>	<u>4,603,440</u>	<u>1,608,972</u>	<u>77,220,969</u>
Fund balances:				
Reserved for:				
Inventory	681,079	-	934,614	1,615,693
Encumbrances	14,890,570	91,738,913	23,602	106,653,085
Unreserved:				
Designated reported in the general fund	11,179,000	-	-	11,179,000
Designated reported in the capital projects fund	-	28,609,068	-	28,609,068
Designated reported in special revenue funds	-	-	119,614	119,614
Undesignated reported in general fund	11,362,824	-	-	11,362,824
Undesignated reported in special revenue funds	-	-	1,160,343	1,160,343
Total fund balances	<u>38,113,473</u>	<u>120,347,981</u>	<u>2,238,173</u>	<u>160,699,627</u>
Total liabilities and fund balances	<u>\$ 109,122,030</u>	<u>124,951,421</u>	<u>3,847,145</u>	<u>237,920,596</u>

The accompanying notes to the basic financial statements are an integral part of this statement

Prince William County Public Schools  
 Reconciliation of Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 As of June 30, 2005

Exhibit 4

**Total fund balances -- governmental funds** \$ 160,699,627

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.

Land	30,093,117	
Construction in progress	47,802,629	
Library books	3,253,045	
Buildings and improvements	663,567,544	
Equipment	10,464,311	
Vehicles	60,273,789	
Total capital assets	815,454,435	
Accumulated depreciation	(182,178,384)	633,276,051

Certain revenues are measurable but not available to pay for current period expenditures and, therefore, are reported in the funds as deferred revenue. 4,355,581

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

Compensated absences	(21,428,011)	
Other liabilities	(158,312)	(21,586,323)

Net Assets of internal service funds. 15,611,010

**Total net assets - governmental activities** \$ 792,355,946

*The accompanying notes to the basic financial statements are an integral part of this statement*

Prince William County Public Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit 5

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Use of money and property:				
Use of money - interest	\$ 1,665,502	1,504,784	51,725	3,222,011
Use of property	-	-	640,435	640,435
Charges for services	5,135,072	965,072	14,207,458	20,307,602
Intergovernmental revenue:				
Federal	23,085,208	-	8,630,445	31,715,653
State	282,702,821	1,326,514	321,812	284,351,147
County	326,284,738	75,820,735	-	402,105,473
Miscellaneous revenue	-	-	42,564	42,564
Total revenues	<u>638,873,341</u>	<u>79,617,105</u>	<u>23,894,439</u>	<u>742,384,885</u>
<b>EXPENDITURES:</b>				
Current:				
Regular instruction	296,032,093	6,061,520	-	302,093,613
Special instruction	73,041,683	-	-	73,041,683
Other instruction	8,103,462	-	-	8,103,462
Instructional leadership	40,211,821	-	-	40,211,821
General administration	5,394,306	-	-	5,394,306
Student services	7,891,021	-	-	7,891,021
Curricular/staff development	10,690,864	-	-	10,690,864
Pupil transportation	41,874,024	-	-	41,874,024
Operations	20,310,059	-	-	20,310,059
Utilities	16,889,412	-	-	16,889,412
Maintenance	15,970,752	-	-	15,970,752
Central business services	38,900,184	-	-	38,900,184
Community service operations	-	-	499,611	499,611
Food services	-	-	23,607,748	23,607,748
Reimbursement to the County for debt service	42,677,022	1,008,544	-	43,685,566
Capital outlay	-	76,889,260	-	76,889,260
Total expenditures	<u>617,986,703</u>	<u>83,959,324</u>	<u>24,107,359</u>	<u>726,053,386</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,886,638</u>	<u>(4,342,219)</u>	<u>(212,920)</u>	<u>16,331,499</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
TRANSFERS IN:				
General fund	-	18,204,101	-	18,204,101
Construction fund	1,000,000	-	-	1,000,000
TRANSFERS OUT:				
Construction fund	(18,204,101)	-	-	(18,204,101)
General fund	-	(1,000,000)	-	(1,000,000)
Total other financing sources (uses)	<u>(17,204,101)</u>	<u>17,204,101</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>3,682,537</u>	<u>12,861,882</u>	<u>(212,920)</u>	<u>16,331,499</u>
<b>FUND BALANCES, beginning of year</b>	<u>34,430,936</u>	<u>107,486,099</u>	<u>2,451,093</u>	<u>144,368,128</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 38,113,473</u>	<u>120,347,981</u>	<u>2,238,173</u>	<u>160,699,627</u>

*The accompanying notes to the basic financial statements are an integral part of this statement*



Prince William County Public Schools  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit 6

**Total net change in fund balances - total governmental funds** \$ 16,331,499

Amounts reported for governmental activities in the Statement of Activities are different because:

Certain revenues that are disclosed in the Statement of Activities do not provide current financial resources and are, therefore, not reported in the funds:

Additional FY 2005 County general revenue allocation	4,355,581	
Additional FY 2004 County general revenue allocation	<u>(1,956,030)</u>	
		2,399,551

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period:

Capital outlays	89,929,793	
Depreciation expense	<u>(17,625,623)</u>	
		72,304,170

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		4,918,167
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Activities of Internal Service Funds that serve governmental activities		<u>1,559,057</u>
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**Change in net assets of governmental activities** \$ 97,512,444

*The accompanying notes to the basic financial statements are an integral part of this statement*

**Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
General Fund  
For the Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
<b>REVENUES:</b>				
Use of money and property:				
Use of money - interest	\$ -	1,665,502	1,665,502	-
Charges for services	2,082,853	4,636,361	5,135,072	498,711
Intergovernmental revenue:				
Federal	18,411,874	23,853,166	23,085,208	(767,958)
State	277,069,944	280,147,317	282,702,821	2,555,504
County	325,872,889	326,163,417	326,284,738	121,321
Miscellaneous revenue	-	-	-	-
Total revenues	<u>623,437,560</u>	<u>636,465,763</u>	<u>638,873,341</u>	<u>2,407,578</u>
<b>EXPENDITURES:</b>				
Regular instruction	306,791,214	301,309,875	296,032,093	5,277,782
Special instruction	73,426,106	76,704,659	73,041,683	3,662,976
Other instruction	7,165,232	8,404,157	8,103,462	300,695
Instructional leadership	41,680,954	40,946,484	40,211,821	734,663
General administration	5,657,413	5,728,675	5,394,306	334,369
Student services	8,056,499	7,854,150	7,891,021	(36,871)
Curricular/staff development	10,577,287	10,409,119	10,690,864	(281,745)
Pupil transportation	44,019,546	41,586,984	41,874,024	(287,040)
Operations	19,634,410	19,738,832	20,310,059	(571,227)
Utilities	20,581,682	18,660,311	16,889,412	1,770,899
Maintenance	16,768,940	16,030,332	15,970,752	59,580
Central business services	45,399,276	41,042,961	38,900,184	2,142,777
Reimbursement to the County for debt service	44,423,529	43,229,428	42,677,022	552,406
Total expenditures	<u>644,182,088</u>	<u>631,645,967</u>	<u>617,986,703</u>	<u>13,659,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,744,528)</u>	<u>4,819,796</u>	<u>20,886,638</u>	<u>16,066,842</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
TRANSFERS IN:				
Construction fund	1,000,000	1,000,000	1,000,000	-
TRANSFERS OUT:				
Construction fund	<u>(12,260,000)</u>	<u>(18,204,101)</u>	<u>(18,204,101)</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,260,000)</u>	<u>(17,204,101)</u>	<u>(17,204,101)</u>	<u>-</u>
Net change in fund balance	<u>(32,004,528)</u>	<u>(12,384,305)</u>	<u>3,682,537</u>	<u>16,066,842</u>
<b>FUND BALANCE, beginning of year</b>	<u>34,430,936</u>	<u>34,430,936</u>	<u>34,430,936</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 2,426,408</u>	<u>22,046,631</u>	<u>38,113,473</u>	<u>16,066,842</u>

*The accompanying notes to the basic financial statements are an integral part of this statement*

**Prince William County Public Schools**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**As of June 30, 2005**

**Exhibit 8**

	<b>Internal Service Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 23,617,319
Accounts receivable and other current assets	100,756
Inventory	1,068,294
Prepays	111,544
Total current assets	<u>24,897,913</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	881,597
Salaries payable and withholdings	10,701
Deferred revenue	3,525,604
Due to other funds	115,807
Total current liabilities	<u>4,533,709</u>
Noncurrent liabilities:	
Incurred but not reported claims	4,753,194
Total liabilities	<u>9,286,903</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ 15,611,010</u></u>

*The accompanying notes to the basic financial statements are an integral part of this statement*

**Prince William County Public Schools**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

**Exhibit 9**

	<u><b>Total Internal Service Funds</b></u>
<b>Operating Revenues:</b>	
Charges for services	\$ 47,566,217
Total operating revenues	<u>47,566,217</u>
<b>Operating Expenses:</b>	
Personnel services	833,613
Materials/supplies	28,692
Administrative costs	2,626,468
Premiums	4,208,123
Claims and benefits paid	34,120,977
Losses and unallocated loss adjustment	973,259
Cost of goods sold	3,852,271
Total operating expenses	<u>46,643,403</u>
Operating income	<u>922,814</u>
<b>Non-Operating Revenues:</b>	
Interest and miscellaneous	<u>636,243</u>
Change in net assets	1,559,057
<b>Total Net Assets, beginning of year, as restated (note 10)</b>	<u>14,051,953</u>
<b>Total Net Assets, end of year</b>	<u><u>\$ 15,611,010</u></u>

*The accompanying notes to the basic financial statements are an integral part of this statement*

**Prince William County Public Schools**  
**Statement of Cash Flows**  
**Proprietary Funds - Internal Service Funds**  
**For the Year Ended June 30, 2005**

**Exhibit 10**

	<u><b>Total Internal Service Funds</b></u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers and users	\$ 44,190,727
Receipts from interfund services provided	3,838,891
Payments to suppliers for goods and services	(43,898,940)
Payments to employees	<u>(831,762)</u>
Net cash provided by operating activities	<u>3,298,916</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers from other funds	40,848
<b>Cash Flows from Investing Activities:</b>	
Interest received from investments	<u>628,794</u>
Net increase in cash and cash equivalents	3,968,558
Cash and cash equivalents, beginning of year	<u>19,648,761</u>
Cash and cash equivalents, end of year	<u><u>\$ 23,617,319</u></u>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>	
Operating loss	<u>\$ 922,814</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease in accounts receivable	4,252
(Increase) in inventories	(101,940)
Decrease in prepaids	1,266,017
Increase in deferred revenue	459,149
(Decrease) in accounts payable and accrued liabilities	(109,383)
Increase in salaries payable and withholdings	1,851
Increase in incurred but not reported claims	856,156
Net cash provided by operating activities	<u><u>\$ 3,298,916</u></u>

*The accompanying notes to the basic financial statements are an integral part of this statement*

**Prince William County Public Schools  
Statement of Assets and Liabilities  
Agency Funds  
As of June 30, 2005**

**Exhibit 11**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and pooled investments	\$ 6,784,410
Due from other governmental units	<u>1,707,741</u>
Total assets	<u>\$ 8,492,151</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 8,492,151</u>

*The accompanying notes to the basic financial statements are an integral part of this statement*

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**Prince William County Public Schools  
Notes to the Financial Statements  
June 30, 2005**

**NOTE 1 – Summary of significant accounting policies**

**A. Financial reporting entity**

Prince William County Public Schools (PWCPSS) is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The eight members of the School Board are elected by the citizens of Prince William County (County) to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCPSS is organized to focus on meeting the needs of its 66,093 students while managing 80 schools and centers. The mission of PWCPSS is to provide programs to meet the educational needs of all students in the County in a safe learning environment. PWCPSS receives funding from taxes collected and allocated by the County; tuition and fees; and state and federal aid. School construction projects are funded by the proceeds of general obligation bonds issued by the County and approved by the County voters. Accounting principles generally accepted in the United States establish PWCPSS as a component unit of the County.

**B. Government-wide and fund financial statements**

The basic financial statements include both district-wide statements, based on the entity as a whole, and fund financial statements that focus only on the individual funds defined by PWCPSS. Management's discussion and analysis, although not part of the basic financial statements, are a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis"(MD&A). This analysis is similar to the analysis private sector entities provide in their annual reports.

**Government-wide financial statements** The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Fiduciary funds are not included in the government-wide financial statements.

The basic financial statements include both government-wide (based on PWCPSS as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model, the focus is on either PWCPSS as a whole or major individual funds (within the fund financial statements). PWCPSS does not engage in business-type activities, and as such issues single column government-wide financial statements. In the government-wide statement of net assets, both the governmental activities' assets and liabilities (a) are presented on a consolidated basis and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

**Statement of net assets** - The statement of net assets is designed to display the financial position of the primary government. PWCPSS reports all capital assets in the government-wide statement of net assets and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of PWCPSS are broken down into three categories - 1) invested in capital assets; 2) restricted; and 3) unrestricted.

**Statement of activities** - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each PWCPSS function. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). These directly matched revenues are called program revenues. This format enables the government-wide statement of activities to reflect both the gross and net cost per functional category (regular instruction, special instruction, pupil transportation, etc.) that are otherwise being supported by general government revenues.



Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category. Other items that are not properly included among program revenues are reported as general revenues.

Direct expenses are considered those that are clearly identifiable with a specific function. PWCPS does not allocate indirect expenses.

**Fund financial statements** Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of PWCPS are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

PWCPS' fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of PWCPS, these funds are not incorporated into the government-wide statements.

**Budgetary comparison schedules** Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, PWCPS has chosen to make its budgetary comparison statement of the general fund part of the basic financial statements. PWCPS and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Non-exchange transactions include grants and donations where PWCPS either gives or receives value without directly receiving or giving equal value in exchange. Revenues from general-purpose grants are recognized in the period for which they are earned.

It is PWCPS policy to first use restricted resources for expenses incurred for which both restricted and unrestricted resources are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PWCPs considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. PWCPs' primary revenues susceptible to accrual include grants, intergovernmental revenues, charges for services, and interest on investments.

PWCPs reports the following major funds:

#### **Governmental Funds:**

**General fund:** The *General* fund is the operating fund of PWCPs and is used to account for the revenues and expenditures necessary for the day-to-day operation of PWCPs. This fund is used to account for all financial resources except those required to be accounted for in another fund.

**Construction fund:** The *Construction* fund is used to account for the financial resources to be used for the acquisition, construction, or repair of PWCPs major capital facilities.

#### **Proprietary Funds:**

Internal service funds account for health insurance, self-insurance and warehouse services provided to departments of PWCPs on a cost reimbursement basis. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**Self-insurance fund:** The *Self-insurance* fund was created to account for the accumulation of resources to pay for workers compensation losses incurred by the partial or total retention of risk of loss arising out of the assumption of risk rather than transferring that risk to a third party through the purchase of commercial insurance.

**Health insurance fund:** The *Health Insurance* fund was created to better manage health care expenses within PWCPs. The primary sources of revenue for this fund are employer contributions paid by the other funds and employee contributions deducted from employee pay on a semi-monthly basis.

**Warehouse fund:** The *Warehouse* fund was created to account for the operations of the warehouse. This warehouse operation maintains inventories for maintenance, educational supplies, and office supplies. Revenues and expenditures are predominantly a result of operations of the warehouse function.

#### **Fiduciary Funds:**

Fiduciary funds are used to account for assets held by or as an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include the regional school fund and the student activities fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include payments to, and other charges between the PWCPs supply function and other functions of PWCPs. Elimination of these charges would distort the direct costs and program revenues of the functions concerned.

## **D. Assets, liabilities, and net assets or equity**

### **Deposits and investments**

The County maintains a single cash and investment pool for use by the County and some of its component units including PWCPs. All PWCPs funds are maintained in this account except for the School Board Student Activity Funds. Cash and pooled investments represent the majority of PWCPs' available cash.

Investments are carried at fair value based on quoted market prices. In order to maximize investment returns, these funds are maintained in a fully insured or collateralized investment pool administered by the County. The County allocates investment earnings, less an administrative charge, to PWCPs monthly based on PWCPs' average daily balance in cash investments.

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with original maturities less than three months, including pooled investments and restricted assets, to be cash equivalents.

### **Deposits**

At June 30, all of the County's deposits were covered by federal depository related insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the Commonwealth Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similar to depository insurance. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

Cash in the student activity funds represents available cash in the local school accounts, all of which are fully insured or collateralized. Bank balances, including checking and savings accounts and certificates of deposit, are placed with banks and savings and loan institutions which are protected by FDIC laws or collateral held under the provisions of the Act.

Restricted cash of \$89,378,484 consists of funds held by trustees for the funding of specific construction projects.

### **Investments**

State statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, corporate notes rated AA or better by Standard & Poor's, Inc. and Aa or better by Moody's Investors Service, Inc., banker's acceptances, repurchase agreements, money market mutual funds, the State Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP).

The maturities of the County's investments range from one day to ten years. While the County normally plans to hold investments to maturity, it may sell securities before their maturity. For additional information please refer to the County CAFR. Copies of the County's CAFR may be obtained by writing the Finance Office at One County Complex Court, Prince William, Virginia 22192-9201.

### **Receivables and payables**

All interfund receivables and payables are displayed in the fund statements as "due to/due from other funds." These amounts offset each other and are eliminated from the government-wide Statement of Net Assets, so as to not overstate PWCPs' assets and liabilities. All trade receivables are reported net of an allowance for uncollectables.

**Inventory**

Inventory in the *Warehouse* and *Food Services* funds consists of expendable supplies held for consumption. PWCPS values the inventory at cost and utilizes the consumption method of recording inventories. With the consumption method, the cost is recorded as an expenditure at the time individual inventory items are consumed. In the fund statements, Food Service inventories are offset by a fund balance reserve, which indicates that they do not constitute available expendable resources, even though they are a component of assets. The value of the *Warehouse* inventory is determined by the weighted average cost method. The value of the *Food Service* inventory is determined by the first-in first-out method.

**Capital assets**

Capital assets, which include land, buildings and improvements, equipment, vehicles and library books, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-50
Improvements	2-50
Equipment	2-20
Vehicles	3-15
Library books	5

**Compensated absences**

It is PWCPS' policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. In governmental fund types, the cost of vacation and sick pay benefits (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund type vacation and sick pay benefits is recorded as a liability in the government-wide statement of net assets.

**Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change. Fund balances in the governmental funds are reserved for encumbrances, inventories, and capital projects to indicate the amounts are not available for other expenditures.

**Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts, and other commitments for the expenditure of monies to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are normally re-appropriated each year by board resolution.

**Construction Commitments**

At June 30, 2005 PWCPS had contractual commitments of \$91,738,913 in the Construction fund for construction of various projects.

**Note 2 - Stewardship, compliance and accountability**

**A. Budgetary information**

The Code of Virginia requires the appointed superintendent of PWCPs to submit a budget to the County Board of Supervisors, with the approval of the School Board. In February, the Superintendent submits a budget plan to the School Board and to the community. The budget plan is discussed in a series of workshops and public hearings. In March, the School Board adopts the advertised budget and forwards it to the County for inclusion in the County Executive's advertised budget plan. In April, after public hearings, the County Board of Supervisors determines the level of funding for PWCPs. If the requested level of funding is approved there are no further actions taken by the School Board. If the funding request is changed by the County the budget is reworked by PWCPs staff and then adopted by the School Board. The approved budget is the basis for operating PWCPs in the next fiscal year.

Annual budgets are adopted for all funds except for the *Student Activity* fund. Project length financial plans are adopted for all capital projects in the Construction Fund. PWCPs uses the modified accrual basis in budgeting for governmental funds. The budgets are on a basis consistent with GAAP. All annual appropriations lapse at year-end. The budget is revised and amended in October based on September 30 student enrollments.

The budget is controlled at certain legal as well as administrative levels. The legal level is placed at the individual fund level and administrative control is placed at the agency level. Amendments that change the total level of expenditures require the approval of the PWCPs-Board and County Board of Supervisors.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2005, expenditures exceeded appropriations in the General Fund for Student services, Curricular/staff development, Pupil transportation and Operations. Excess budget in other functions covered the shortfall in the mentioned functional areas.

**Note 3 - Due from other governmental units**

Amounts due from other governmental units at June 30, 2005 were:

	<u>Federal</u>	<u>State</u>	<u>County</u>	<u>Total</u>
General Fund	\$5,082,476	12,399,446	4,355,581	21,837,503
Construction Fund	-	1,326,514	-	1,326,514
Food Services Fund	<u>1,380,101</u>	-	-	<u>1,380,101</u>
Total	<u>\$6,462,577</u>	<u>13,725,960</u>	<u>4,355,581</u>	<u>24,544,118</u>

Amounts due from the Federal government in the General Fund are attributed primarily to the Title I, II and III grants. Titles I, II and III programs enhance instruction for disadvantage children.

A significant portion of the receivable from the Commonwealth of Virginia in the General Fund is attributed to state sales taxes due to the school division. The Virginia Retail Sales and Use Tax Act requires one out of every four and one half cents collected in state sales tax to be distributed to school divisions based on school-age population.

In the fund financial statements, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2005, deferred revenue is recorded in the General Fund for the additional County revenue for PWCPs' share of FY 2005 revenues that exceeded the original FY 2005 revenue projections which amounts to \$4,355,581.

#### Note 4 - Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 29,640,174	510,940	(57,997)	30,093,117
Construction in Progress	<u>31,295,379</u>	<u>76,610,495</u>	<u>(60,103,245)</u>	<u>47,802,629</u>
Total capital assets, not being depreciated	<u>60,935,553</u>	<u>77,121,435</u>	<u>(60,161,242)</u>	<u>77,895,746</u>
Capital assets, being depreciated:				
Buildings and improvements	603,363,749	60,203,794	-	663,567,543
Library books	2,720,164	976,756	(443,875)	3,253,045
Equipment	8,954,255	1,597,445	(87,389)	10,464,311
Vehicles	<u>51,147,825</u>	<u>10,207,715</u>	<u>(1,081,750)</u>	<u>60,273,790</u>
Total capital assets being depreciated	<u>666,185,993</u>	<u>72,985,710</u>	<u>(1,613,014)</u>	<u>737,558,689</u>
Less accumulated depreciation for:				
Buildings and improvements	145,653,701	12,308,310	-	157,962,011
Library books	1,570,343	650,609	(443,875)	1,777,077
Equipment	3,839,690	725,088	(80,148)	4,484,630
Vehicles	<u>15,085,926</u>	<u>3,941,616</u>	<u>(1,072,876)</u>	<u>17,954,666</u>
Total accumulated depreciation	<u>166,149,660</u>	<u>17,625,623</u>	<u>(1,596,899)</u>	<u>182,178,384</u>
Total capital assets, being depreciated, net	<u>500,036,333</u>	<u>55,360,087</u>	<u>(16,115)</u>	<u>555,380,305</u>
Capital assets, net	<u>\$560,971,886</u>	<u>132,481,522</u>	<u>(60,177,357)</u>	<u>633,276,051</u>

Depreciation expense was charged to functions/programs as follows:

Instruction	
Regular	\$ 12,995,273
Special	149,049
Other	5,980
Support Services	
General administration	93,498
Student services	9,052
Curricular/staff development	9,775
Pupil transportation	3,966,933
Operations	52,504
Maintenance	49,441
Central business services	273,295
Food service	<u>20,823</u>
Total depreciation expense	<u>\$17,625,623</u>

**Note 5 - Interfund Receivables, Payables and Transfers**

The composition of interfund receivable and payable balances as of June 30, 2005 is as follows:

<b>Due from other funds:</b>		
	General Fund	Warehouse Fund
<b>Due to other funds:</b>		
General Fund	\$ -	115,807
Warehouse Fund	<u>115,807</u>	<u>-</u>
Total	<u>\$ 115,807</u>	<u>115,807</u>

The interfund transactions occur at year-end for financial statement presentation. PWPCS' General Fund advances monies to other funds to offset their year-end cash deficits. The deficits occur due to timing differences between the payment of expenditures and the receipt of cash to cover them. The cash deficit in the Warehouse Fund represents inventory items that have been paid for but will not be billed to the schools until they are delivered in July.

During the current year, PWPCS made the following interfund transfers:

<b>Transfer In:</b>		
	General Fund	Construction Fund
<b>Transfer Out:</b>		
General Fund	\$ -	18,204,101
Construction Fund	<u>1,000,000</u>	<u>-</u>
Total	<u>\$1,000,000</u>	<u>18,204,101</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$18,204,101 to the Construction Fund represents funds required for building maintenance, classroom equipment and facility modifications.

**Note 6 – Long-term debt**

**A. Long-term debt**

PWCPS is a component unit of Prince William County. As such PWPCS does not have the authority to issue long-term debt. The County, therefore, issues any general obligation, VPSA, or Literary Fund debt that is required to fund capital improvements within PWPCS. PWPCS initiates payments each year to defer the County's cost of this debt. Detail of general obligation, VPSA, and literary debt issued for PWPCS can be found in the County's Comprehensive Annual Financial Report.

**B. Compensated absences**

Employees of PWPCS are granted annual and sick leave based on their length of service, and may accrue compensatory leave for hours worked in excess of their scheduled hours. Unused annual and compensatory leave is payable to employees upon termination based on the employees' current rate of pay up to certain limits.

The current portion of accrued compensated absences at June 30, 2005 is that amount of the liability that is expected to be paid within one year. The current and long-term portion of accrued compensated absences is included in long-term liabilities in the government-wide statement of net assets. Liabilities for compensated absences are liquidated by the General Fund and the Food Service Fund.

PWCPS' changes in liability for compensated absences are as follows:

Compensated absences	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
	\$ 26,504,495	0	(5,076,484)	21,428,011	\$ 4,936,301

**Note 7 – Self-Insurance**

PWCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which PWCPS carries commercial insurance. PWCPS established a limited risk management program for workers' compensation. Premiums are paid into the Self-Insurance internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

PWCPS participates in a Consortium Group Health Insurance Program made up of employers who provide health insurance to their employees and dependents under one program. Each participant in the program is separately rated and has separate accounting. Anthem Blue Cross/Blue Shield is the plan administrator. Delta Dental Plan of Virginia, Inc. (Delta Dental) is the dental insurance carrier. All full-time and part-time employees who are working at least 17½ hours per week are eligible to enroll in the health insurance program. There are three (3) plans offered through the PWCPS insurance program. An employee may choose either the HMO plan called "Healthkeepers Product 20", or one of the two PPO plans offered, "KeyCare 15 Plus" or the "KeyCare 20". All three plans include comprehensive medical, preventive care, vision, and prescription drug coverage. The basis for estimating incurred but not reported claims at year-end is an annual analysis performed by the plan's administrator. For the fiscal year ended June 30, 2005 PWCPS spent \$33,675,568 on self insured health insurance claims.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. PWCPS Self-Insurance, covering the risks of loss has \$350,000 per occurrence retention for all lines of coverage and purchases excess coverage insurance policy covers individual claims in excess with a \$25,000,000 per occurrence and annual limit. Settlements have not exceeded coverage for each of the past three fiscal years.

The following illustration presents a reconciliation of the PWCPS Self-Insurance's changes in the aggregate liabilities for claims for the current and prior years. These claims liabilities are included in "Long-term liabilities due in more than one year" in the government-wide Statement of Net Assets.

Changes in aggregate liabilities for claims

	<u>Health Insurance</u>	<u>Risk Management</u>
Unpaid Claims June 30, 2003	\$ 2,555,726	\$ 969,386
Incurred Claims	28,556,806	640,451
Claims Paid	<u>(28,076,909)</u>	<u>(748,422)</u>
Unpaid Claims June 30, 2004	<u>3,035,623</u>	<u>861,415</u>
Incurred Claims	33,675,568	973,259
Claims Paid	<u>(33,056,106)</u>	<u>(736,565)</u>
Unpaid Claims June 30, 2005	<u>\$ 3,655,085</u>	<u>\$ 1,098,109</u>



## **Note 8 - Contingent liabilities**

PWCPS is contingently liable with respect to certain lawsuits, as well as other asserted and unasserted claims that have arisen in the course of its operations. It is the opinion of the PWCPS' management and attorneys that any losses that may ultimately be incurred, as a result of these claims, will not be material.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

## **Note 9 - Employee retirement systems and pension plans**

### **A. Virginia Retirement System**

#### **Plan description:**

PWCPS contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer public employee retirement system. The system acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. Benefit provisions and all other requirements are established by state statute. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate, as a separate group, in the agent multiple-employer retirement system.

All full-time salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service, payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning (limited to 5% per year) in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing VRS at PO Box 2500, Richmond, Virginia 23218-2500.

#### **Funding policy and annual pension cost:**

Plan members are required by Title 51.1 of the Code of Virginia (1950) to contribute 5% of their annual salary to the VRS. PWCPS has assumed this member contribution for both the professional and non-professional groups. Additionally, PWCPS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the Board of Trustees. The non-professional contribution rate for the fiscal year ended 2005 was .1% of annual covered payroll. The professional, employer, and employee contributions to the VRS for the three years ended June 30, 2005, 2004, and 2003 were \$38,674,044, \$26,221,956, and \$21,891,689, respectively, equal to the required contributions for each year. The contribution rates for the professional group for the same years were; 5% employee, 6.03% employer, 5% employee, 3.77% employer, 5% employee, 3.77% employer, respectively for the years 2005, 2004, and 2003.

The required contributions for PWCPS (professional and non-professional) were determined as part of an actuarial valuation performed as of June 30, 2004, using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.0% investment rate of return, (b) projected salary increases that range between 4.25% and 6.10%, depending on the member's service and classification, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PWCPS' assets is equal to the modified market value of assets over a five-year period. The

unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004, was zero years for PWCPS.

**Trend information:**

The following illustration summarizes the required three-year trend information for PWCPS:

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation (NPO)
	Employer Portion	Employee Portion paid by employer		
June 30, 2003	\$321,034	1,605,170	100%	\$0
June 30, 2004	\$352,907	1,764,536	100%	\$0
June 30, 2005	\$2,513,812	1,933,702	100%	\$0

**B. Supplemental retirement**

PWCPS also offers, to all except substitute and temporary employees, a tax deferred compensation plan (TDC). PWCPS contributes money on the employee's behalf to purchase annuities after the employee has completed three (3) years of service with PWCPS. The School Board's contribution increases each time an employee has completed five (5), ten (10), and fifteen (15) years of service. At the end of the current year the cap on the employer contribution was \$3,281 per employee. The total employer contribution for fiscal year 2005 was \$7,062,527. Substitutes and temporary employees who participate in the TDC plan are not eligible to receive the employer matching contribution.

**Note 10- Postemployment benefits**

PWCPS provides limited postretirement health and dental benefits as provided for in Virginia state law to retirees who have 15 or more years of creditable VRS service. Retirees are granted the option to participate by paying 100% of their monthly health insurance premium to PWCPS' plan or to the carrier of their choice less a maximum credit of \$75. As of the end of the current fiscal year, there were 1,243 retirees receiving these benefits. The plan is financed by payments from Prince William County Public Schools to the VRS. For fiscal year ended June 30, 2005, the contribution made by PWCPS was \$1,777,741. The surplus funds are not considered advance funded because PWCPS, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

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# Required Supplementary Information

(Unaudited)

A schedule of funding progress for the Virginia Retirement System is provided in the illustration below:

Virginia Retirement System  
Schedule of Funding Progress for PWCPS

Actuarial Valuation Date June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1999	49,100,496	42,810,528	(6,289,968)	114.7%	15,046,021	(41.80)%
2000	57,514,006	45,450,123	(12,063,883)	126.5%	22,124,753	(54.53)%
2001	63,165,383	51,837,593	(11,327,790)	121.9%	24,992,804	(45.32)%
2002	65,439,864	59,481,428	(5,958,436)	110.0%	28,150,039	(21.17)%
2003	67,150,184	67,302,413	152,229	99.77%	32,863,934	.46%
2004	68,955,014	76,461,317	7,506,303	90.18%	36,584,066	20.52%

# Supplementary Information

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## Other Governmental Funds

**Food Services Fund** – This Fund is used to account for the operations of food service activities throughout the school division. Revenues come primarily from sales of meals and through participation in the National School Lunch and Breakfast Programs.

**Facilities Use Fund** – The Facilities Use Fund accounts for the use, by external organizations, of PWCPS facilities. The administrative cafeteria is also accounted for in this fund.



Prince William County Public Schools  
 Combining Balance Sheet  
 Other Governmental Funds - Special Revenue Funds  
 As of June 30, 2005

Schedule 1

	Food Services Fund	Facilities Use Fund	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 317,067	1,139,322	1,456,389
Accounts receivable	3,487	72,554	76,041
Due from other governmental units	1,380,101	-	1,380,101
Inventory	934,614	-	934,614
<i>Total assets</i>	<u>\$ 2,635,269</u>	<u>1,211,876</u>	<u>3,847,145</u>
<b>LIABILITIES and FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 392,707	4,474	397,181
Salaries payable and withholdings	409,844	40,331	450,175
Deferred revenue	761,616	-	761,616
<i>Total liabilities</i>	<u>1,564,167</u>	<u>44,805</u>	<u>1,608,972</u>
Fund Balances:			
Reserved for:			
Inventory	934,614	-	934,614
Encumbrances	23,602	-	23,602
Unreserved:			
Designated for future years	112,886	6,728	119,614
Undesignated	-	1,160,343	1,160,343
<i>Total fund balances</i>	<u>1,071,102</u>	<u>1,167,071</u>	<u>2,238,173</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,635,269</u>	<u>1,211,876</u>	<u>3,847,145</u>

Prince William County Public Schools  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Other Governmental Funds - Special Revenue Funds  
 For the Year Ended June 30, 2005

Schedule 2

	<u>Food Services Fund</u>	<u>Facilities Use Fund</u>	<u>Total Other Governmental Funds</u>
<b>REVENUES:</b>			
Use of money and property:			
Use of money - interest	\$ 24,518	27,207	51,725
Use of property	-	640,435	640,435
Charges for services	14,136,962	70,496	14,207,458
Intergovernmental revenue:			
Federal	8,630,445	-	8,630,445
State	321,812	-	321,812
Miscellaneous revenue	42,564	-	42,564
Total revenues	<u>23,156,301</u>	<u>738,138</u>	<u>23,894,439</u>
<b>EXPENDITURES:</b>			
Current:			
Community service operations	-	499,611	499,611
Food services	23,607,748	-	23,607,748
Total expenditures	<u>23,607,748</u>	<u>499,611</u>	<u>24,107,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(451,447)</u>	<u>238,527</u>	<u>(212,920)</u>
<b>FUND BALANCES, beginning of year</b>	1,522,549	928,544	2,451,093
<b>FUND BALANCES, end of year</b>	<u>\$ 1,071,102</u>	<u>1,167,071</u>	<u>2,238,173</u>

Prince William County Public Schools  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Food Services Fund  
 For the Year Ended June 30, 2005

Schedule 3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
<b>REVENUES:</b>				
Use of money and property:				
Use of money - interest	\$ 60,000	60,000	24,518	(35,482)
Charges for services	14,124,301	16,024,301	14,136,962	(1,887,339)
Intergovernmental revenue:				
Federal	6,391,442	6,391,442	8,630,445	2,239,003
State	333,900	333,900	321,812	(12,088)
Miscellaneous revenue	-	-	42,564	42,564
<i>Total revenues</i>	<u>20,909,643</u>	<u>22,809,643</u>	<u>23,156,301</u>	<u>346,658</u>
<b>EXPENDITURES:</b>				
Food services	<u>22,371,600</u>	<u>24,247,998</u>	<u>23,607,748</u>	<u>640,250</u>
<i>Total expenditures</i>	<u>22,371,600</u>	<u>24,247,998</u>	<u>23,607,748</u>	<u>640,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,461,957)</u>	<u>(1,438,355)</u>	<u>(451,447)</u>	<u>986,908</u>
<b>FUND BALANCES, beginning of year</b>	1,522,549	1,522,549	1,522,549	-
<b>FUND BALANCES, end of year</b>	<u>\$ 60,592</u>	<u>84,194</u>	<u>1,071,102</u>	<u>986,908</u>

Prince William County Public Schools  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Facilities Use Fund  
 For the Year Ended June 30, 2005

Schedule 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
<b>REVENUES:</b>				
Use of money and property:				
Use of money - interest	\$ 15,000	15,000	27,207	12,207
Use of property	391,356	391,356	640,435	249,079
Charges for services	99,310	99,310	70,496	(28,814)
<i>Total revenues</i>	<u>505,666</u>	<u>505,666</u>	<u>738,138</u>	<u>232,472</u>
<b>EXPENDITURES:</b>				
Community service operations	510,827	510,827	499,611	11,216
<i>Total expenditures</i>	<u>510,827</u>	<u>510,827</u>	<u>499,611</u>	<u>11,216</u>
Excess of revenues over expenditures	(5,161)	(5,161)	238,527	243,688
<b>FUND BALANCES, beginning of year</b>	928,544	928,544	928,544	-
<b>FUND BALANCES, end of year</b>	<u>\$ 923,383</u>	<u>923,383</u>	<u>1,167,071</u>	<u>243,688</u>

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## Internal Service Funds

**Warehouse Fund** – The Warehouse Fund is used to account for the operations of the warehouse. Revenues and expenditures are predominantly a result of operations of the warehouse function.

**Self Insurance** – The self insurance fund accounts for the self insured workers compensation program. Other insurance costs are also accounted for in this fund. Revenues are derived from “premiums” charged to the other funds.

**Health Insurance** – PWCPs is self insured for health insurance. This fund accounts for all claims payments. Revenues are a result of employer contributions and employee payroll deductions.

Prince William County Public Schools  
 Combining Statement of Fund Net Assets  
 Proprietary Funds - Internal Service Funds  
 As of June 30, 2005

Schedule 5

	<u>Warehouse Fund</u>	<u>Self-Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ -	8,296,130	15,321,189	23,617,319
Accounts receivable and other current assets	887	38,277	61,592	100,756
Inventory	1,068,294			1,068,294
Prepays		111,544		111,544
Total current assets	<u>1,069,181</u>	<u>8,445,951</u>	<u>15,382,781</u>	<u>24,897,913</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	429,596	68,545	383,456	881,597
Salaries payable and withholdings	-	10,701	-	10,701
Deferred revenue	-		3,525,604	3,525,604
Due to other funds	115,807	-	-	115,807
Total current liabilities	<u>545,403</u>	<u>79,246</u>	<u>3,909,060</u>	<u>4,533,709</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	1,098,109	3,655,085	4,753,194
Total liabilities	<u>545,403</u>	<u>1,177,355</u>	<u>7,564,145</u>	<u>9,286,903</u>
<b>NET ASSETS</b>				
Unrestricted	<u>\$ 523,778</u>	<u>7,268,596</u>	<u>7,818,636</u>	<u>15,611,010</u>

Prince William County Public Schools  
 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Funds - Internal Service Funds  
 For the Year Ended June 30, 2005

Schedule 6

	Warehouse Fund	Self- Insurance Fund	Health Insurance Fund	Total Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 3,838,521	3,416,101	40,311,595	47,566,217
Total operating revenues	<u>3,838,521</u>	<u>3,416,101</u>	<u>40,311,595</u>	<u>47,566,217</u>
<b>Operating Expenses:</b>				
Personnel services	-	441,842	391,771	833,613
Materials/supplies	-	7,764	20,928	28,692
Administrative costs	-	-	2,626,468	2,626,468
Premiums	-	1,582,817	2,625,306	4,208,123
Claims and benefits paid	-	-	34,120,977	34,120,977
Losses and unallocated loss adjustment	-	973,259	-	973,259
Cost of goods sold	3,852,271	-	-	3,852,271
Total operating expenses	<u>3,852,271</u>	<u>3,005,682</u>	<u>39,785,450</u>	<u>46,643,403</u>
Operating income/(loss)	<u>(13,750)</u>	<u>410,419</u>	<u>526,145</u>	<u>922,814</u>
<b>Non-Operating Revenues:</b>				
Interest and miscellaneous	748	233,615	401,880	636,243
Change in net assets	(13,002)	644,034	928,025	1,559,057
<b>Total Net Assets, beginning of year</b>	<u>536,780</u>	<u>6,624,562</u>	<u>6,890,611</u>	<u>14,051,953</u>
<b>Total Net Assets, end of year</b>	<u>\$ 523,778</u>	<u>7,268,596</u>	<u>7,818,636</u>	<u>15,611,010</u>



Prince William County Public Schools  
 Combining Statement of Cash Flows  
 Proprietary Funds - Internal Service Funds  
 For the Year Ended June 30, 2005

Schedule 7

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers and users	\$ -	3,419,599	40,771,128	44,190,727
Receipts from interfund services provided	3,838,891	-	-	3,838,891
Payments to suppliers for goods and services	(3,880,584)	(1,072,556)	(38,945,800)	(43,898,940)
Payments to employees	-	(439,991)	(391,771)	(831,762)
Net cash provided (used) by operating activities	<u>(41,693)</u>	<u>1,907,052</u>	<u>1,433,557</u>	<u>3,298,916</u>
<b>Cash Flows from Non-capital Financing Activities:</b>				
Transfers from other funds	40,848	-	-	40,848
<b>Cash Flows from Investing Activities:</b>				
Interest received from investments	845	234,512	393,437	628,794
Net increase (decrease) in cash and cash equivalents	-	2,141,564	1,826,994	3,968,558
Cash and cash equivalents, beginning of year	-	6,154,566	13,494,195	19,648,761
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>8,296,130</u>	<u>15,321,189</u>	<u>23,617,319</u>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>				
Operating income/(loss)	\$ (13,750)	410,419	526,145	922,814
Adjustments to reconcile operating income to net cash provided by operating activities				
Change in assets and liabilities:				
Decrease in accounts receivable	370	3,498	384	4,252
(Increase) in inventories	(101,940)	-	-	(101,940)
Decrease in prepaids	-	1,266,017	-	1,266,017
Increase in deferred revenue	-	-	459,149	459,149
(Decrease) in accounts payable and accrued liabilities	73,627	(11,427)	(171,583)	(109,383)
Increase in salaries payable and withholdings	-	1,851	-	1,851
Increase in incurred but not reported claims	-	236,694	619,462	856,156
Net cash provided (used) by operating activities	<u>\$ (41,693)</u>	<u>1,907,052</u>	<u>1,433,557</u>	<u>3,298,916</u>

## Fiduciary Funds

**Regional School** – The Northern Virginia Special Education Regional Program was established in 1996 and participants include Prince William County, Manassas, and Manassas Park. PWCPS holds the funds for this Program and is responsible for the receipt and disbursement of said funds.

**Student Activity** – This agency fund accounts for independent activity funds held by elementary and secondary schools for student groups by PWCPS.

**Prince William County Public Schools**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**As of June 30, 2005**

**Schedule 8**

	<b>Northern Virginia  Special  Education  Regional  Program</b>	<b>Student Activitiy  Fund</b>	<b>Total Agency  Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and pooled investments	\$ 2,114,148	4,670,262	6,784,410
Due from other governmental units	<u>1,707,741</u>	<u>-</u>	<u>1,707,741</u>
Total assets	<u><u>\$ 3,821,889</u></u>	<u><u>4,670,262</u></u>	<u><u>8,492,151</u></u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	<u>\$ 3,821,889</u>	<u>4,670,262</u>	<u>8,492,151</u>

Prince William County Public Schools  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 As of June 30, 2005

Schedule 9

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Northern Virginia Special Education Regional Program</b>				
<b>Assets</b>				
Cash and pooled investments	\$ 2,875,499	22,646,368	23,407,719	2,114,148
Due from other governmental units	1,587,741	1,707,741	1,587,741	1,707,741
Total assets	<u>\$ 4,463,240</u>	<u>24,354,109</u>	<u>24,995,460</u>	<u>3,821,889</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	<u>4,463,240</u>	<u>24,354,109</u>	<u>24,995,460</u>	<u>3,821,889</u>
<b>Student Activity Funds</b>				
<b>Assets</b>				
Cash and pooled investments	\$ 4,306,156	10,243,337	9,879,231	4,670,262
Total assets	<u>\$ 4,306,156</u>	<u>\$ 10,243,337</u>	<u>9,879,231</u>	<u>4,670,262</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	<u>\$ 4,306,156</u>	<u>10,243,337</u>	<u>9,879,231</u>	<u>4,670,262</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and pooled investments	\$ 7,181,655	32,889,705	33,286,950	6,784,410
Due from other governmental units	1,587,741	1,707,741	1,587,741	1,707,741
Total assets	<u>\$ 8,769,396</u>	<u>34,597,446</u>	<u>34,874,691</u>	<u>8,492,151</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	<u>\$ 8,769,396</u>	<u>34,597,446</u>	<u>34,874,691</u>	<u>8,492,151</u>

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# Statistical Section

(unaudited)

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 1 - General Governmental Expenditures by Function**  
**Last Ten Fiscal Years**  
*(amounts expressed in thousands)*

Function	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Regular instruction	**	**	**	**	**	\$ 206,685	\$ 215,203	\$ 239,060	\$ 256,882	\$ 302,094
Special instruction	**	**	**	**	**	46,938	51,935	58,647	65,205	73,042
Other instruction	**	**	**	**	**	5,247	5,981	6,102	6,633	8,103
Instructional leadership	**	**	**	**	**	28,371	30,270	33,397	36,557	40,212
General administration	**	**	**	**	**	3,162	3,243	3,871	5,018	5,394
Student services	**	**	**	**	**	3,709	4,884	5,633	7,162	7,891
Curricular/staff development	**	**	**	**	**	8,330	8,761	8,976	9,960	10,691
Pupil transportation	**	**	**	**	**	23,428	31,650	33,699	37,724	41,874
Operations	**	**	**	**	**	13,200	14,750	16,845	17,790	20,310
Utilities	**	**	**	**	**	13,071	11,865	14,655	14,665	16,889
Maintenance	**	**	**	**	**	12,492	11,940	13,277	13,808	15,971
Central business services	**	**	**	**	**	19,188	25,250	28,625	33,298	38,900
Supply services	**	**	**	**	**	3,249	3,249	3,429	0	0
Community service operations	**	**	**	**	**	387	393	448	485	500
Food services	**	**	**	**	**	14,420	16,925	18,420	21,140	23,608
Reimbursement to the County for debt service	**	**	**	**	**	26,570	28,462	33,833	38,431	43,685
Capital outlay	**	**	**	**	**	73,867	69,544	69,244	84,974	76,889
Total	**	**	**	**	**	\$ 502,314	\$ 534,305	\$ 588,161	\$ 649,732	\$ 726,053

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(1) Includes expenditures of the General Fund, Construction Fund, Food Services Fund and Facilities Use Fund.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 1A - Capital Project Expenditures by Function**  
**Last Ten Fiscal Years**  
*(amounts expressed in thousands)*

Function	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Regular Instruction	**	**	**	**	**	\$ 70,399	\$ 66,617	\$ 68,353	\$ 83,329	\$ 76,943
Special Instruction	**	**	**	**	**	416	15	0	685	119
Administration	**	**	**	**	**	3,052	120	696	1,162	364
Transportation	**	**	**	**	**	0	2,792	841	15,863	12,460
Operations	**	**	**	**	**	0	0	0	0	26
Central Business	**	**	**	**	**	0	0	0	0	92
Total	**	**	**	**	**	\$ 73,867	\$ 69,544	\$ 69,890	\$ 101,039	\$ 90,004

\*\* Data not available in this format to provide ten years comparison data. First year producing CAFR is FY

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 2 - General Governmental Revenue by Source**  
**Last Ten Fiscal Years**  
*(amounts expressed in thousands)*

Fiscal Year	Prince William County	Other Governments	Charges for Services	Use of Money and Property	Miscellaneous	Total
1996	**	**	**	**	**	**
1997	**	**	**	**	**	**
1998	**	**	**	**	**	**
1999	**	**	**	**	**	**
2000	**	**	**	**	**	**
2001	\$ 278,183	\$ 212,054	\$ 17,114	\$ 5,871	\$ 844	\$ 514,066
2002	302,203	225,330	17,738	3,527	1,790	550,588
2003	357,115	244,442	18,175	2,668	10,290	632,690
2004	352,818	269,788	16,743	3,170	313	642,832
2005	402,105	316,067	20,308	3,862	43	742,385

\*\* Data not available in this format to provide ten years comparison data. First year producing CAFR is FY 2002.

(1) Includes revenue of the General Fund, Construction Fund, Food Services Fund, and Facilities Use Fund.



**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 3 - Cost Per Pupil**  
**Last Ten Years**

Fiscal Year	Cost Per Pupil (1)	Average Daily Attendance (1)	Average Daily Membership (1)
1996	\$ 5,566	44,051	46,925
1997	5,891	45,376	48,202
1998	6,073	46,786	49,611
1999	6,364	47,628	50,720
2000	6,653	49,211	52,543
2001	6,756	51,925	54,955
2002	6,954	53,585	56,540
2003	7,227	55,966	58,973
2004	7,654	58,624	61,731
2005	7,906	60,886	64,173

(1) Sources: For years through fiscal year 2004 - Virginia Department of Education's Superintendent's Annual Report for Virginia (Tables 8 and 13). Fiscal year 2005 is estimated by the PWCPD Department of Financial Services.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 4 - Student Enrollment**  
**Last Ten Fiscal Years**

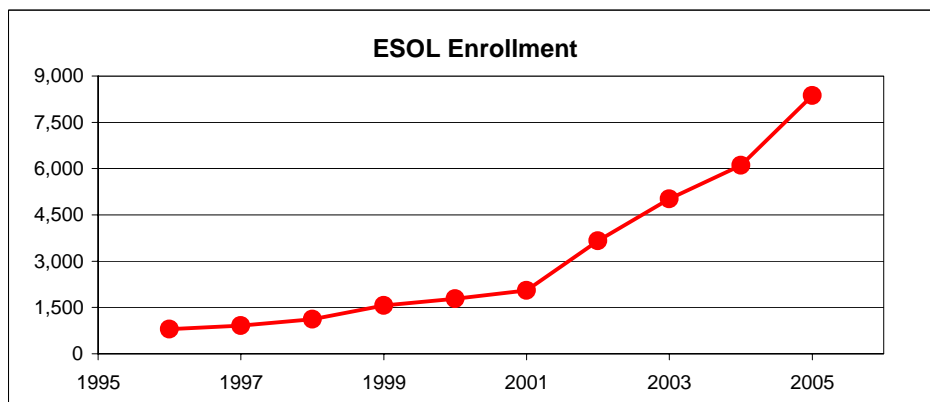
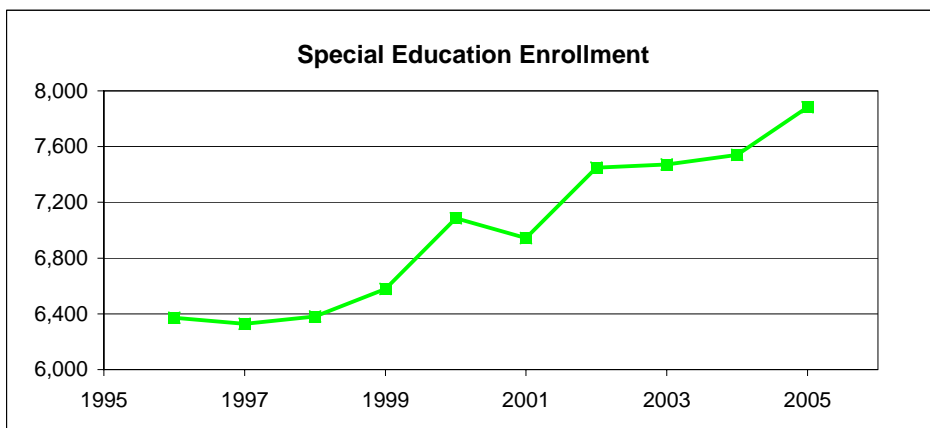
Fiscal Year	September 30th Membership (1)	Special Education Enrollment (2)	ESOL Enrollment (3)
1996	47,072	6,371	801
1997	48,333	6,328	912
1998	49,905	6,382	1,121
1999	51,028	6,579	1,561
2000	52,551	7,086	1,781
2001	54,646	6,943	2,050
2002	57,397	7,450	3,657
2003	60,541	7,471	5,014
2004	62,691	7,540	6,104
2005	66,093	7,883	8,368

Note: Student Enrollment at September 30, 2005.

(1) Source: For years through fiscal 2004- Virginia Department of Education's Superintendent's Annual Report for Virginia (Table 1) . Fiscal year 2005 is estimated by the PWCPSS Department of Financial Services.

(2) Source: Special Education Office Prince William County Public Schools.

(3) Source: ESOL and Foreign Language Office of Prince William County Public Schools.



**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 5 - Food and Nutrition Services Program**  
**Last Nine Fiscal Years**

Fiscal Year	Number of Lunches Served Daily	Student Lunch Price			Lunch Sites	Number of Breakfasts Served Daily	Student Breakfast Price	Breakfast Sites	Free and Reduced Eligibility	Adult Breakfast (1)	Adult Lunch (1)
		Elementary	Middle School	High School							
1997	22,860	\$ 1.40	\$ 1.45	\$ 1.45	**	3,250	\$ 0.90	**	10,343	\$ 0.90	\$ 1.80
1998	23,537	1.40	1.45	1.45	**	3,503	0.90	**	11,015	1.00	2.00
1999	25,470	1.45	1.50	1.50	**	4,252	0.90	**	**	1.00	2.00
2000	26,841	1.45	1.50	1.50	69	3,960	0.90	63	11,057	1.00	2.00
2001	28,553	1.50	1.55	1.55	71	5,180	1.00	67	11,701	1.10	2.05
2002	30,243	1.55	1.60	1.60	73	4,948	1.00	68	13,007	1.10	2.10
2003	32,479	1.60	1.65	1.65	75	5,578	1.00	70	15,756	1.10	2.15
2004	35,241	1.70	1.75	1.75	75	6,459	1.10	69	16,512	1.20	2.25
2005	39,062	1.70	1.85	1.85	82	7,211	1.10	79	18,640	1.20	2.25

\*\* Data not available at time of compilation.

Note: Table Source: Food Service Department of Prince William County Public Schools. Exception is noted.

(1) Source: Budget Office of Prince William County Public Schools.

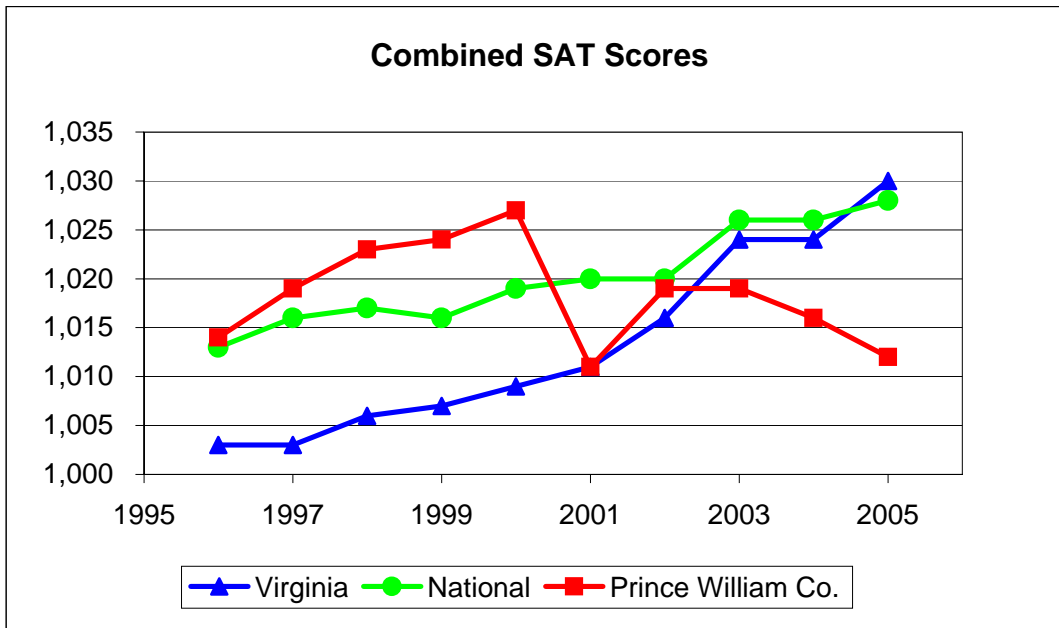
(2) Data for 1996 not available

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 6 - Scholastic Aptitude Test (SAT) Scores (1)**  
**Last Ten Fiscal Years**

Fiscal Year	Prince William Co.	Virginia	National
1996	1,014	1,003	1,013
1997	1,019	1,003	1,016
1998	1,023	1,006	1,017
1999	1,024	1,007	1,016
2000	1,027	1,009	1,019
2001	1,011	1,011	1,020
2002	1,019	1,016	1,020
2003	1,019	1,024	1,026
2004	1,016	1,024	1,026
2005	1,012	1,030	1,028

Source: Department of Assessment of Prince William County Public Schools.

(1) Combined SAT Scores - Verbal and Math.



**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 7 - Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

*(amounts expressed in thousands)*

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Total Tax Levy Collected	Prior Years (Delinquent) Tax Collected	Penalties on Taxes Collected	Total Tax Collections	Total Tax Collections as a Percent of Total Tax Levy	Unpaid Delinquent Taxes (3)	Unpaid Delinquent Taxes as a Percent of Total Tax Levy
1996	229,580	221,415	96.4%	5,235	1,733	228,383	99.5%	25,334	11.0%
1997	240,193	231,047	96.2%	6,160	1,948	239,155	99.6%	25,365	10.6%
1998	249,353	240,756	96.6%	6,126	2,149	249,031	99.9%	24,989	10.0%
1999	262,964	249,885	95.0%	6,787	1,394	258,066	98.1%	28,670	10.9%
2000	281,542	270,486	96.1%	10,726	2,092	283,304	100.6%	26,274	9.3%
2001	306,300	297,000	97.0%	9,468	2,220	308,688	100.8%	23,517	7.7%
2002	340,289	333,639	98.0%	8,633	2,492	344,764	101.3%	20,830	6.1%
2003	389,745	382,887	98.2%	8,711	2,676	394,274	101.2%	17,103	4.4%
2004	441,740	434,901	98.5%	7,320	2,791	445,012	100.7%	16,586	3.8%
2005	491,858	485,905	98.8%	7,161	2,904	495,970	100.8%	15,067	3.1%

Source: County of Prince William, Virginia.

(1) Total tax levy includes gross real estate, public service, and personal property taxes less adjustments to tax due made prior to payment.

2) Current tax collections include collection of current tax less refunds for adjustments to tax due made after payment. For fiscal years 2000 to 2005, the current tax collections also include reimbursement from the Commonwealth under the Personal Property Tax Relief Act. The Personal Property Tax Relief Act amounts received for fiscal years 2000 to 2004 are as follows:

Fiscal year 2000 = \$12,976

Fiscal year 2001 = \$26,814

Fiscal year 2002 = \$41,144

Fiscal year 2003 = \$45,426

Fiscal year 2004 = \$50,625

Fiscal year 2005 = \$52,350

(3) Includes penalties due on unpaid delinquent taxes. Fiscal years 1996 and forward exclude unpaid taxes which are not yet due under the County's tax deferral program for the elderly and disabled.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 8 - Assessed and Estimated Market Value of Taxable Property (1)**  
**Last Ten Fiscal Years**  
*(amounts expressed in thousands)*

Fiscal Year	-----Real Property-----				Ratio of Assessed to Estimated Market Value	--Personal Property--(4)		-----Grand Total-----	
	Locally Assessed	Public Service (2)	Total Assessed Value	Estimated Market Value (3)		Locally Assessed	Public Service (2)	Assessed Value	Market Value
1996	12,113,013	835,163	12,948,176	14,318,943	90.4%	1,345,221	2,770	14,296,167	15,666,934
1997	12,484,177	825,729	13,309,906	14,600,367	91.2%	1,470,444	2,407	14,782,757	16,060,346
1998	12,963,930	830,431	13,794,361	14,926,746	92.4%	1,535,033	2,414	15,331,808	16,462,986
1999	13,616,951	866,814	14,483,765	15,735,569	92.0%	1,753,134	2,912	16,239,712	17,493,778
2000	14,420,406	871,897	15,292,303	16,774,388	91.2%	1,820,491	2,453	17,115,248	18,597,331
2001	15,744,880	877,768	16,622,648	18,945,065	87.7%	2,044,228	1,980	18,668,856	20,991,273
2002	17,901,735	887,526	18,789,261	23,421,267	80.2%	2,410,777	2,113	21,202,151	25,834,157
2003	21,889,375	901,202	22,790,577	28,546,061	79.8%	2,758,620	2,599	25,551,796	31,307,280
2004	26,610,055	945,931	27,555,986	31,293,057	88.1%	2,939,510	3,329	30,498,825	34,235,896
2005	32,890,272	1,249,775	34,140,047	35,975,195	94.9%	2,997,032	1,358	37,138,437	38,973,585

Source: County of Prince William, Virginia.

(1) Fiscal year values represent the assessed value for the prior January 1 (e.g. fiscal year 2005 values are based on the January 1, 2004 assessment).

(2) Public Service property is valued by the State Corporation Commission and the Department of Taxation at prevailing assessment ratios.

(3) The estimated market value of real property (including public service) is calculated by dividing the assessed value by the County's assessment-to-sales price ratio as determined annually by the Virginia Department of Taxation. Since the ratios for the two most current years are not available, estimates from the Real Estate Assessments Office are reported. Where no ratio is calculated because of insufficient sales, the county average is used.

(4) The estimated market value of personal property is assumed to equal 100% of the assessed value.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 9 - Property Tax Rates for Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
*(Tax Rate per \$100 of Assessed Value)*

Type of Tax	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>PRINCE WILLIAM COUNTY</b>										
<i>Countywide Tax Levies:</i>										
Real Estate	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.34	\$ 1.30	\$ 1.23	\$ 1.16	\$ 1.07
Personal Property -										
General Class	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Heavy Equipment and Machinery	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70
Computer Equipment	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 1.50	\$ 1.50	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
Farmers Machinery and Tools	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Aircraft (small scheduled)	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Aircraft (all other aircraft)	\$ 1.30	\$ 1.30	\$ 1.30	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Mining & Manufacturing Tools	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Mobile Homes	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.34	\$ 1.30	\$ 1.23	\$ 1.16	\$ 1.07
Research & Development	\$ 2.00	\$ 2.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Van Pool Vans	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Emergency Volunteer Vehicles	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Auxiliary Volunteer Fire Vehicles	\$ 3.70	\$ 3.70	\$ 3.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Vehicles Modified for Disabled	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Watercraft-Recreation Use Only	\$ 3.70	\$ 3.70	\$ 3.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Watercraft-Weighing 5 tons or more	\$ 3.70	\$ 3.70	\$ 3.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Camping Trailers and Motor Homes	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Owned by Certain Elderly and Handicapped Persons	\$ 3.70	\$ 3.70	\$ 3.70	\$ 3.70	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<i>Special District Levies: (1)</i>										
Fire and Rescue Levies -										
Countywide	--	--	--	--	--	--	\$ .0728	\$ .0728	\$ .0728	\$ .0660
Dumfries (Fire)	\$ .038	\$ .038	\$ .040	\$ .040	\$ .040	\$ .040	--	--	--	--
Dumfries (Rescue)	\$ .027	\$ .026	\$ .029	\$ .030	\$ .030	\$ .030	--	--	--	--
Occoquan	\$ .045	\$ .045	\$ .054	\$ .058	\$ .058	\$ .058	--	--	--	--
Neabsco	\$ .057	\$ .057	\$ .062	\$ .074	\$ .074	\$ .074	--	--	--	--
Stonewall Jackson	\$ .032	\$ .032	\$ .036	\$ .039	\$ .039	\$ .039	--	--	--	--
Coles	\$ .080	\$ .080	\$ .086	\$ .093	\$ .093	\$ .093	--	--	--	--
Yorkshire	\$ .080	\$ .080	\$ .087	\$ .100	\$ .100	\$ .100	--	--	--	--
Lake Jackson	\$ .080	\$ .080	\$ .085	\$ .092	\$ .092	\$ .092	--	--	\$ .0728	--
Gainesville	\$ .053	\$ .053	\$ .056	\$ .061	\$ .061	\$ .061	--	--	--	--
Evergreen	\$ .065	\$ .065	\$ .070	\$ .079	\$ .079	\$ .079	--	--	--	--
Nokesville	\$ .080	\$ .080	\$ .085	\$ .098	\$ .098	\$ .098	--	--	--	--
Buckhall	\$ .080	\$ .080	\$ .089	\$ .096	\$ .096	\$ .096	--	--	--	--
Wellington	\$ .070	\$ .070	\$ .098	\$ .098	\$ .098	\$ .098	--	--	--	--
Recreation Levies -										
Dale City	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Sanitary District Levy										
Bull Run	\$ .180	\$ .180	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Occoquan Forest	\$ .160	\$ .160	\$ .160	\$ .160	\$ .160	\$ .160	\$ .160	\$ 0.00	\$ 0.00	\$ 0.00
Service District Levies -										
Bull Run	\$ .100	\$ .100	\$ .100	\$ .100	\$ .100	\$ .100	\$ .100	\$ .100	\$ .100	\$ .100
Lake Jackson	\$ .110	\$ .110	\$ .110	\$ .110	\$ .110	\$ .110	\$ .110	\$ .110	\$ .110	\$ .110
Circuit Court	--	--	--	--	--	--	--	--	\$ .280	\$ .280
Transportation District Levies -										
Prince William Parkway	\$ .200	\$ .200	\$ .200	\$ .200	\$ .200	\$ .200	\$ .200	\$ .200	\$ .200	\$ .200
234-Bypass	\$ .020	\$ .020	\$ .020	\$ .020	\$ .020	\$ .020	\$ .020	\$ .020	\$ .020	\$ .020
Foremost Court Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ .230	\$ .230	\$ .230	\$ .230	\$ .230	\$ .230	\$ .220
Woodbine Forest Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ .140	\$ .140	\$ .140	\$ .140	\$ .070	--	--
Gypsy Moth Levy (Countywide)	\$ .003	\$ .003	\$ .003	\$ .003	\$ .003	\$ .003	\$ .004	\$ .004	\$ .004	\$ .004
<b>OVERLAPPING GOVERNMENTS</b>										
<i>Real Estate Tax Levy:</i>										
Town of Dumfries	\$ 0.11	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.1242	\$ 0.1242	\$ 0.1242	\$ 0.1242	\$ 0.1242
Town of Haymarket	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Town of Occoquan	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Town of Quantico	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.25

Source: County of Prince William, Virginia.

(1) All special levies are assessed on real estate only.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 10 - Principal Real Property Owners**  
**Fiscal Year 2005**  
*(amounts expressed in thousands)*

Taxpayer	Type of Property	1/1/2004 Assessed Value	Percent of Total Assessed Value
Virginia Electric & Power Company	Electric Utility	\$ 682,820	2.0%
Potomac Mills Phase III Ltd. Ptnshp.	Shopping Center	313,887	0.9%
Northern Virginia Electric Co-op	Electric Utility	197,518	0.6%
Verizon South Inc	Telephone Utility	142,922	0.4%
Dominion Country Club LP	Residential/Commercial	142,161	0.4%
America Online Inc.	Office and Technology	91,294	0.3%
Manassas Mall LLC	Shopping Center	85,902	0.3%
Brookfield Morris LLC	Home Builder	82,139	0.2%
Washington Gas Light Company	Natural Gas Utility	79,102	0.2%
WNH Limited Partnership	Apartments	74,410	0.2%
SRH Chatsworth Limited Partnership	Apartments	71,346	0.2%
LBK LP	Apartments	67,331	0.2%
Dale Forest Investments LLC	Many Parcels	61,310	0.2%
KIR Smoketown Station LP	Shopping Center	59,271	0.2%
K Hovnanian Four Seasons at Historic VA LLC	Retirement Community	56,466	0.2%
Prince William Square Associates	Shopping Center	53,582	0.2%
NVR INC	Residential/Commercial	50,713	0.2%
Richmond American Homes of VA	Home Builder	48,955	0.1%
US Home Corporation	Home Builder	48,566	0.1%
Miller & Smith at Pembroke LLC	Residential/Commercial	45,676	0.1%
T-Rex Godwin LLC	Commercial	45,312	0.1%
Westminster Presbyterian Retirement	Retirement Community	44,877	0.1%
D R Horton Inc.	Home Builder	44,603	0.1%
IBV-Immobilienfonds Int'l 2 USA LP	Shopping Center	44,043	0.1%
Lee Carolina II LLC	Residential/Commercial	42,353	0.1%
		\$ 2,676,559	7.7%

Source: County of Prince William, Virginia.



**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 11 - Computation of Net Tax-Supported Debt**  
**June 30, 2005**  
*(amounts expressed in thousands)*

The issuance of bonds by Virginia counties is not subject to statutory limitation. However, Counties generally are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum. This referendum requirement does not apply to bonds for capital projects for school purposes sold to the Literary Fund or the Virginia Public School Authority. The County has \$47,149 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2005. These authorized bonds are for construction of roads and road improvements.

The Board of County Supervisors also has established a self-imposed limit which provides that tax supported debt should not exceed 3% of the net assessed valuation of taxable property in the County, and annual debt service should not exceed 10% of annual governmental revenues. The County's standing with respect to its self-imposed limit is shown in Tables 12 and 13.

Outstanding Debt of Reporting Entity	Outstanding on 6/30/2004	Retired During Fiscal Year 2005	Issued During Fiscal Year 2005	Outstanding on 6/30/2005
<b>Primary Government</b>				
General Obligation Bonds	\$ 117,823	19,275	48,491	147,039
Solid Waste System Revenue Bonds**	17,179	15,499	12,240	13,920
IDA Lease Revenue Bonds	12,315	11,035	10,690	11,970
Commuter Rail Capital Lease**	2,977	348	--	2,629
Real Property Capital Leases	80,645	4,920	3,300	79,025
Equipment Capital Leases	527	145	--	382
Installment Notes Payable	924	129	--	795
Taxable Revenue Notes	250	--	--	250
Internal Service Funds Capital Lease Obligations	-	--	--	-
<i>Subtotal</i>	232,640	51,351	74,721	256,010
<b>School Board Component Unit</b>				
General Obligation Bonds	395,333	61,775	99,004	432,562
Literary Fund Loans	5,713	397	--	5,316
<i>Subtotal</i>	401,046	62,172	99,004	437,878
<b>Park Authority Component Unit (1)</b>				
Series 1999 Revenue Bonds**	19,112	317	--	18,795
Installment Notes Payable** (restated in FY 2003)**	1,833	480	--	1,353
Installment Loans Payable** (restated in FY 2003)**	1,023	119	--	904
<i>Subtotal</i>	21,968	916	--	21,052
<b>All Outstanding Debt</b>	655,654	114,439	173,725	714,940
<b>Less Self-Supporting Revenue and Other Bonds</b>	42,124	16,763	12,240	37,601
<b>Net Tax-Supported Debt</b>	\$ 613,530	97,676	161,485	677,339

Source: County of Prince William, Virginia.

\*\* Self-supporting from non-general tax revenue source.

(1) The Park Authority Component Unit outstanding debt on 06/30/2004 has been restated to reflect the change in fiscal year to June 30, 2004.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 12 - Ratio of Net Tax-Supported Debt to Taxable Property Value and**  
**Net Tax-Supported Debt per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	Net Tax-Supported Debt (1)**	Assessed Value of Taxable Property (2)**	Net Tax-Supported Debt as a Percent of Assessed Value	Population (3)	Net Tax-Supported Debt per Capita
1996	274,197	14,296,167	1.9%	253,487	1,082
1997	298,026	14,782,757	2.0%	260,313	1,145
1998	308,609	15,331,807	2.0%	268,894	1,148
1999	327,864	16,239,811	2.0%	277,359	1,182
2000	364,448	17,115,247	2.1%	280,813	1,298
2001	414,119	18,668,856	2.2%	294,798	1,405
2002	477,281	21,202,151	2.3%	309,351	1,543
2003	573,251	25,551,796	2.2%	321,570	1,783
2004	613,530	30,498,825	2.0%	336,820	1,822
2005	677,339	37,138,437	1.8%	354,383	1,911

Source: County of Prince William, Virginia.

*\*\*Amounts expressed in thousands.*

(1) From Table 11.

(2) From Table 8.

(3) 2000 population from U.S. Bureau of the Census, Census 2000 as of April 1, 2000; 2001 population estimated as of September 15th by Prince William County Office of Information Technology; All other years are estimated as of June 30th by Prince William County Office of Information Technology.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 13 - Ratio of Annual Debt Service Expenditures on Net Tax-Supported Debt to**  
**General Governmental Expenditures and Revenues**  
**Last Ten Fiscal Years**  
*(amounts expressed in thousands)*

Fiscal Year	General Government (1)		Park Authority Debt Service (3)	Internal Service Fund Debt Service (4)	Debt Service on Net Tax Supported Debt	Total General Government Expenditures (5)	Ratio of Debt Service to Expenditures	Total Revenues (6)	Ratio of Debt Service to Revenues
	Principal	Interest (2)							
1996	18,759	14,384	--	260	33,403	481,924	6.9%	480,122	7.0%
1997	20,154	14,094	--	244	34,492	497,039	6.9%	515,869	6.7%
1998	20,357	15,469	--	76	35,902	536,617	6.7%	549,340	6.5%
1999	22,407	15,924	--	24	38,355	572,800	6.7%	587,032	6.5%
2000	23,836	16,699	--	6	40,541	619,665	6.5%	646,920	6.3%
2001	25,370	18,195	--	24	43,589	672,002	6.5%	716,538	6.1%
2002	26,892	20,035	--	11	46,938	744,959	6.3%	775,222	6.1%
2003	30,929	23,959	--	12	54,900	845,231	6.5%	820,368	6.7%
2004	35,165	25,247	--	12	60,424	925,778	6.5%	956,529	6.3%
2005	39,721	29,612	--	--	69,333	1,032,830	6.7%	1,089,605	6.4%

Source: County of Prince William, Virginia.

(1) Includes debt service expenditures of the General Fund, Special Revenue Funds (excluding the PRTC lease), Capital Projects Funds and the School Board and Adult Detention Center Component Units.

(2) Excludes bond issuance and other costs.

(3) Debt service for the Park Authority's Series 1990 Revenue Bonds is included since the County has agreed, subject to annual appropriation, to make payments to the Park Authority sufficient to pay the debt service on the bonds.

(4) Debt Service expenditures in the Internal Service Funds are included since operating revenues available to pay debt service in these funds comes primarily from charges to the General Fund.

(5) Total expenditures excluding capital projects from Table 1 in Prince William County, Virginia CAFR.

(6) Includes revenues of the General Fund, Special Revenue Funds (excluding the Fire & Rescue Levy Fund) and the School Board and Adult Detention Center Component Units for all years through fiscal year 2002. Beginning in fiscal year 2003 the Fire & Rescue Levy Fund is included.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 14 - Computation of Net Tax-Supported and Overlapping Debt**  
**June 30, 2005**  
*(amounts expressed in thousands)*

	Outstanding on 6/30/2005	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value (2)
<b>Direct:</b>				
Net Tax Supported Debt (1)	\$ 677,339	100.00%	\$ 677,339	1.8451%
<b>Overlapping:</b>				
Town of Dumfries	2,675	100.0%	2,675	0.7300%
Town of Quantico	296	100.0%	296	0.0800%
Town of Haymarket	1,220	100.0%	1,220	0.3300%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	5,374	100.00%	5,374	1.4600%
Virginia Gateway Community Development Authority Special Assessment Bonds Series 1999 and 2003B	13,515	100.00%	13,515	3.6800%
Northern Virginia Transportation District Commission - Virginia Railway Express (3)	96,293	39.32%	37,862	
Upper Occoquan Sewage Authority (UOSA) (3)	159,101	4.29%	6,832	
			<b>\$ 745,113</b>	<b>2.2101%</b>

Source: County of Prince William, Virginia

(1) From Table 11.

(2) Assessed value of taxable property is from Table 12.

(3) Amount applicable determined on basis other than assessed value of taxable property.

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 15 - Demographic Statistics**  
**Last Ten Years**

Year	Population (1)	Per Capita Income (2)	September 30th Membership (3)	Average Civilian Labor Force (4)	Average Unemployment Rate (4)
1996	253,487	24,976	47,072	128,161	2.8%
1997	260,313	26,107	48,333	130,234	2.7%
1998	268,894	27,053	49,905	134,985	2.0%
1999	277,359	28,226	51,028	137,586	2.0%
2000	280,813	29,967	52,551	148,618	1.5%
2001	298,797	31,244	54,646	152,086	2.4%
2002	309,351	31,436	57,397	154,545	3.3%
2003	321,570	**	60,541	167,865	3.6%
2004	336,820	**	62,691	174,247	2.6%
2005	354,383	**	66,093	185,423	2.7%

\*\* Data Not available

Source: County of Prince William, Virginia.

(1) 2000 population from U.S. Bureau of the Census, Census 2000 as of April 1, 2000. Figures for 1994-1999 are estimated based on occupancy permits issued from 04/02/90 to 6/15/99. Figures for 2001-2002 are estimates based on occupancy permits issued from 04/02/00 to 06/15/03. Estimated by Prince William County Office of Information Technology.

(2) Bureau of Economic Analysis, U.S. Department of Commerce. Includes cities of Manassas and Manassas Park. (data as of May 2005)

(3) Superintendent's Annual Report, (table 1) Virginia Department of Education; Prince William County Public Schools.

(4) Virginia Employment Commission., LAUS data (data are annual averages with the exception of the most recent monthly data)

**TABLE 15A - Comparative Demographic Statistics**  
1990 & 2000 U.S. Census

	1990 Census		2000 Census		
	Prince William County	Prince William County	Washington MSA	Virginia	United States
<b>Population:</b>					
Median Age	29.0	31.9	34.9	35.7	35.3
Percent School Age	21.2%	24.4%	20.8%	20.8%	21.8%
Percent Working Age	65.1%	62.3%	63.7%	61.5%	58.9%
Percent 65 and over	3.0%	4.8%	9.1%	11.2%	12.4%
<b>Education:</b>					
High School or Higher	87.8%	88.8%	*	81.5%	80.4%
Bachelor's Degree or Higher	27.6%	31.5%	*	29.5%	24.4%
<b>Income:</b>					
Median Family Income	\$52,078	\$71,622	*	*	*
Percent Below Poverty Level	3.2%	4.4%	*	9.6%	12.4%
<b>Housing:</b>					
Number Persons / Household	3.0	2.9	2.6	2.5	2.6
Percent Owner Occupied	71.0%	71.0%	64.0%	68.1%	66.2%
Owner Occupied Median Value	\$138,500	\$149,600	*	\$125,400	\$119,600
* Not available					

Source: County of Prince William, Virginia

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 16 - Real Property Assessed Value**  
**Last Ten Fiscal Years**  
*(amounts expressed in thousands)*

Fiscal Year	Residential	Apartments	Commercial & Industrial	Public Service	Vacant Land & Other	Total Taxable	Tax Exempt	Grand Total
1996	9,188,858	508,438	1,895,894	835,163	519,823	12,948,176	1,370,067	14,318,243
1997	9,485,587	529,799	1,953,576	825,729	515,215	13,309,906	1,388,769	14,698,675
1998	9,860,168	549,715	2,012,227	830,431	541,820	13,794,361	1,410,548	15,204,909
1999	10,369,910	617,459	2,160,784	866,714	468,799	14,483,666	1,438,236	15,921,902
2000	11,098,694	643,009	2,257,216	871,897	421,488	15,292,304	1,443,971	16,736,275
2001	12,227,393	665,112	2,473,855	877,768	378,120	16,622,248	1,466,410	18,088,658
2002	13,995,425	770,902	2,797,878	887,526	337,530	18,789,261	1,529,681	20,318,942
2003	17,609,310	895,236	3,135,552	901,202	249,277	22,790,577	1,646,501	24,437,078
2004	22,066,665	1,036,502	3,279,611	945,931	227,277	27,555,986	1,695,543	29,251,529
2005	27,573,301	1,190,201	3,868,984	1,249,775	257,786	34,140,047	2,223,993	36,364,040

Source: County of Prince William, Virginia.

**TABLE 16A - Commercial to Total Assessment Ratio, Construction and Bank Deposits**  
**Last Ten Fiscal Years**  
*(dollars expressed in millions)*

Fiscal Year	Commercial as a Percent of Total Taxable	Commercial & Public Service to Total	New Construction (1)				Bank Deposits (2)
			Residential		Non-Residential		
			Permits	Value	Permits	Value	
1996	14.6%	21.1%	2,369	\$216	40	\$31	\$961
1997	14.7%	20.9%	2,464	\$250	56	\$68	\$939
1998	14.6%	20.6%	2,412	\$245	37	\$50	\$1,009
1999	14.9%	20.9%	3,207	\$323	75	\$171	\$1,126
2000	14.8%	20.5%	3,404	\$381	66	\$88	\$1,240
2001	14.9%	20.2%	4,049	\$469	65	\$160	\$1,285
2002	14.9%	19.6%	4,528	\$502	83	\$132	\$1,433
2003	13.8%	17.7%	5,141	\$723	200	\$495	\$1,694
2004	11.9%	15.3%	4,938	\$654	217	\$320	\$2,007
2005	11.3%	15.0%	5,249	\$718	219	\$477	***

\*\*\* Data Not available.

Source: County of Prince William, Virginia.

(1) Building Development Division, Department of Public Works.

(2) Includes deposits in commercial banks, savings banks and credit unions at June 30 for year shown. 1992-1994, Financial Institute Data Exchange, Charlottesville, Virginia; 1995-2004, Federal Deposit Insurance Corporation (commercial and savings bank deposits) and National Credit Union Administration (credit union deposits).

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 17 - Miscellaneous Statistical Data**  
**June 30, 2005**

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<b>Date of County Organization:</b>	March 25, 1731
<b>Form of Government:</b>	County Executive (as provided for by the Code of Virginia)
<b>Area:</b>	348 Square Miles
<b>Number of general County personnel (full-time equivalent)</b>	3,242
<b>Facilities and Services of Primary Government:</b>	
Fire protection:	
Number of stations	19
Number of career employees	359
Number of volunteers	1,020
Police protection:	
Number of stations	2
Number of police officers	483
Public Safety Communications:	
Number of employees	92
Libraries:	
Number of regional and community libraries	4
Number of neighborhood libraries	6
<b>Facilities and Services not included in the Primary Government:</b>	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	70
Number of public high schools	10
Membership as of September 30, 2004 (FY 05)	66,093
Number of personnel (full-time equivalent)	8,632
Recreation (Park Authority Component Unit):	
Acres developed or reserved for County parks	3,238
Number of personnel (full-time equivalent)	380
Facilities in County parks:	
Athletic fields (1)	304
Aquatics & fitness center	2
Baseball stadium	1
Community centers	3
Hiking and fitness trails	10
Indoor gymnasiums (1)	59
Indoor ice rinks	2
Marinas	2
Miniature golf courses	2
Nature areas	3
Outdoor basketball courts	25
Outdoor swimming pools	6
Outdoor volleyball courts	11
Picnic shelters	63
Playgrounds	30
Regulation Golf courses	4
Skateboard/BMX courses	2
Tennis and racquetball courts	53

**PRINCE WILLIAM COUNTY PUBLIC SCHOOLS**  
**TABLE 17 - Miscellaneous Statistical Data (continued)**  
**June 30, 2005**

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Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	402
Capacity of work-release center	65
Number of personnel (full-time equivalent)	232

**Other statistical data:**

Elections:	
Registered voters at last general election	190,358
Number of votes cast in last general election	132,877
Percent voting in last general election	70%
Water and Wastewater Treatment (provided by Prince William County Service Authority):	
Miles of water mains	848
Miles of sanitary sewer mains	885

Gas, electricity and telephone are furnished by private corporations. Water and sewage treatment for serviceable areas not covered by the Service Authority is provided by other private corporations.

Source: County of Prince William, Virginia.

(1) *Includes facilities at school sites which host community activities managed by the Park Authority.*



