

Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2012



Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

A Component Unit of Prince William County, Virginia



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, 2012

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Ms. Jarcelynn M. Hart - Associate Superintendent for Western Elementary Schools

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Mr. Keith A. Imon - Associate Superintendent for Communications and Technology Services

Mr. Keith J. Johnson - Associate Superintendent for Human Resources

Mr. Michael A. Mulgrew - Associate Superintendent for High Schools

Ms. Catherine P. Puttre – Associate Superintendent for Middle Schools

* as of June 30, 2012

The Prince William County School Division does not discriminate in employment or in its educational programs and activities against qualified individuals on the basis of race, color, national origin, religion, sex, pregnancy, age, veteran status, or disability.

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Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

November 15, 2012

**Mr. Chairman, Members of the County Board of Supervisors:
Mr. 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 (PWCS), a component unit of Prince William County (The County), Virginia, for the year ended June 30, 2012.

This report consists of management's representations concerning the finances of PWCS. 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 PWCS has established a comprehensive internal control framework that is designed both to protect the PWCS' assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the PWCS' financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the PWCS' 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.

PWCS' financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of PWCS for the fiscal year ended June 30, 2012 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 PWCS' financial statements for the fiscal year ended June 30, 2012, 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 PWCS 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 Compliance Section of the Comprehensive Annual Financial 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. PWCS' MD&A can be found immediately following the report of independent auditors.

DR. STEVEN L. WALTZ
Superintendent of Schools

Profile of the Government

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

PWCS 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. PWCS is organized to focus on meeting the needs of its 81,635 students while managing the 57 elementary schools, 15 middle schools, 11 high schools, 3 special education schools, 2 alternative schools, and 2 traditional schools.

Local Economy

The Prince William County economy is an important segment of the Washington, D.C. metropolitan area economy, arguably one of the most dynamic in the world. The area's economy has proved more resilient than many other parts of the country over the last year. Major aspects of the local economy, notably commercial real estate and unemployment rates, slowly improved over the course of 2012, but continued to underperform in terms of historic expectations. Job growth and new business establishments in Prince William County outpaced Northern Virginia and the Commonwealth over the last year. Foreclosure activity, as measured by monthly Courthouse recordings, continued to improve as the year progressed, with fewer than 700 for 2012 through August—an average of less than 100 per month. This is a great improvement over the worst period of the recent downturn, when a record 18,000 foreclosures were recorded in years 2006 to 2010. This trend continues downward from 2011, when just over 1,400 foreclosures were recorded.

Retail sales continued at a robust pace, with 31 straight months of year-over-year increases as of August 2012. Never before has the County experienced this many consecutive months of increase in sales volume. This upward trend reflects the increased consumer confidence here locally in Prince William County which mirrors trends seen nationally during 2012.

The local housing market, after a major downturn in 2007 and 2008, stabilized in 2010 and since then has experienced modest, but uneven, growth. In 2012 average residential home values continued to strengthen. The average sold price for a home in Prince William County was \$318,061 in August 2012, a year-over-year increase of 4.3 percent and an increase of \$113,683 (55.6 percent) since February 2009. If the number of foreclosures continues to drop, expectations are that the average home prices will continue to rise – though a return to the prosperous days of double digit annual appreciation are not anticipated in the near future. The residential real estate outlook is for continued modestly improving conditions over the next several years.

The apartment sector of the County's residential market has been particularly strong. Tightened mortgage credit standards required to purchase homes has resulted in increased demand for rental property and higher rents. Additionally, few new apartment units have been built in the County over the last several years further compounding the imbalance between supply and demand. Recently, however, activity in this market segment has accelerated with a number of new projects, either announced or begun. The expectation going forward, as new units are brought to market, is that rents will continue to increase and apartment values should continue to trend higher.

The commercial real estate market in Prince William County improved overall in 2012 from one year earlier, with declining vacancy rates in all categories with the exception of flex space. According to Costar Realty Group, a multiple listing service for commercial property, in the 2nd quarter 2012, a total of 44,537,845 square feet of commercial space (including retail) in 1,846 buildings was reported—an increase in commercial space of 0.7 percent year-over-year. The commercial inventory includes a total of 6.57 million square feet of office space, 4.90 million square feet of flex space, 12.18 million square feet of industrial space and 20.90 million square feet of retail space. A total of 3,371,715 square feet (7.6 percent) of vacant commercial space (including retail) was reported during the 2nd quarter—a decrease of 19.6 percent year-over-year. This includes 895,180 square feet of

vacant office space (13.6 percent, down from 15.3 percent one year ago), 766,016 square feet of vacant flex space (15.6 percent, compared to 19.3 percent one year ago), 583,288 square feet of vacant industrial space (4.8 percent, down from 6.9 percent one year ago) and 1,127,231 square feet of vacant retail space (5.4 percent, compare to 6.7 percent one year ago). Expectations are that the commercial real estate market will continue to improve over the course of the next few years, as the local economy grows.

Prince William County's population is currently estimated at 413,396 (as of June 30, 2012). Population growth has been at a much slower pace than in past years, in which annual increases approached 5 percent. Nevertheless, the County will continue to expand its population base, particularly as the real estate market continues to recover. The Metropolitan Washington Council of Governments predicts the County's population will grow by over 217,000 people or an increase of 61 percent between the years 2005 and 2040, while the region in total is expected to grow by only 36 percent. The County continues to be a young, family-oriented community, with approximately one-third of its households married with children. Despite progress in attracting jobs to the County, Prince William continues to export nearly two-thirds (62.5 percent) of its labor force to jobs outside the County, accounting for the twelfth longest commute in the United States. According to 2011 Census data, Metropolitan Washington ranked first in the United States for median household income, with 10 of the region's counties in the top 20 nationwide. Prince William County's median household income of \$95,156 is 88 percent above the national median of \$50,502 and 54 percent above the state-wide median of \$61,882. Prince William County had the 7th highest median household income in the United States – 10 percent higher than the metropolitan Washington D.C. median household income of \$86,680. This ranking further underscores Prince William County's continued status as a premier community.

Employment in the County grew rapidly in the first half of the previous decade, fueled by a robust economy and booming housing market. In the five-year period from 1st quarter 2002 to 1st quarter 2007, Prince William County businesses increased by 37 percent, with financial, professional/business services and construction the fastest growing sectors. In the same period, employment in the County grew from 84,569 to 101,947, an increase of 20.1 percent. The fastest growing sectors for employment growth were Education/Health Services, Professional/Business Services and Construction. During the recession, from 2007 to early 2010, businesses continued to grow (from 6,605 in the 1st Quarter 2001 to 7,194 in the 1st Quarter 2010) while jobs declined (from 101,947 in 2007 to 99,874 in 2010). Over the last year, however, job growth in the County has dramatically increased and has outpaced the region and the state. At-place employment in Prince William County (110,008 in the 1st Quarter 2012) increased by 7.8 percent year-over-year and 6.1 percent since 2007. By comparison, Northern Virginia employment grew by 4.9 percent in the last year and 7.9 percent since 2007. Employment in the Commonwealth increased by 1.3 percent in the last year but declined by 1.6 percent since 2007. Establishments located in Prince William County (7,824 in the 1st Quarter, 2012) grew by 5.5 percent in the last year and by 18.5 percent since 2007. Throughout the Commonwealth, establishments grew by 3.5 percent in the last year and by 6.8 percent since 2007. Average weekly wages for jobs located in Prince William County grew by 6.4 percent, year-over-year and by 11.7 percent since 2007. Prince William County's unemployment rate was 4.9 percent in July 2012, well below the statewide rate of 5.9 percent and the national rate of 8.3 percent in July 2012. By comparison, Prince William County's unemployment rate was 5.3 percent in July 2011.

Since the prosperous days of 2001-2006, when home values were increasing at double digit rates in some years, the residential market in the County experienced a major downturn, though indications are the market is stabilizing and even growing – albeit modestly. Residential building permit activity, a leading indicator for housing construction, experienced a six-year boom from 2000 to 2005 in which more than 4,300 total residential permits were issued per year. Since 2005, however, the number of permits has sharply declined. In 2007, a total of 2,451 total residential permits were issued, including 1,305 single family detached, 580 townhouse and 566 condominium permits. This represented a 15 percent decline in total permits from the previous year and a 48 percent decrease from 2005. This trend continued in years 2008 and 2009, with totals of 1,909 and 1,946 permits respectively. In 2010, a total of 2,244 permits were issued, including 1,057 single family, 484 townhouses and 703 condominiums. In 2011, a total of 1,508 permits were issued, including 842 single family, 350 townhouses, 116 multi-family condos and 200 apartment rental units. In 2012, a total of 806 permits were issued through August, including 542 single family, 150 townhouses and 114 multi-family condos.

Recent increases in home sales activity are indicative of a recovering housing market, though to date new home construction continues to lag. Home sale prices in 2012 continued a strengthening trend experienced during 2010

and 2011. Recent home sales numbers as reported by the Metropolitan Regional Information System (MRIS) support this sentiment. In December 2005, the peak of the market boom, the average sales price for homes in Prince William County was \$458,627. By February 2009, the average sales price for a home in the County was \$204,378 – a decrease of 55 percent. By August 2012, however, the average price of a sold home in Prince William County had climbed to \$318,061 – a 55.6 percent increase since February 2009. The total units sold in August 2012 was 599, compared to 498 homes sold one year earlier; the average days on the market in August 2012 was 45 days for all homes sold in Prince William County, compared to 53 days one year earlier.

About 78 percent of the County's real estate tax base consists of residential housing, approximately 21 percent is comprised of commercial, industrial and public service properties and less than 1 percent is undeveloped land. As values of homes and people's investment in the community increased, the Board of County Supervisors was responsive in adjusting the real estate tax rate dramatically, reducing the real estate tax rate from \$1.34 in fiscal year 2001 to \$0.758 per \$100 of assessed value in fiscal year 2007. In fiscal year 2008, in response to revenue shortfalls and expectations of continuation of vital County services, Prince William County adopted a real estate tax rate of \$0.97 effective for fiscal year 2009. For fiscal year 2010, the County adopted a real estate tax rate of \$1.212; for fiscal year 2011, the adopted real estate tax rate was \$1.236 per \$100 of assessed value. For fiscal year 2012, the adopted real estate tax rate was \$1.204 per \$100 of assessed value. For fiscal year 2013, the adopted real estate tax rate was \$1.209 per \$100 of assessed value. Despite recent fiscal challenges to the County's ability to provide services, strategic goal areas and critical service needs of the community continue to be the primary focus.

One of Prince William County's strategic goals is to maintain an economic development climate that will attract and foster the expansion of industries that create high-wage jobs, diversify the non-residential tax base, and encourage people to live in, work in and visit the County. In that regard, the County's Department of Economic Development works diligently with targeted industries to attract new businesses and foster expansion of existing businesses. Since January 1997, 382 new and expanding companies have announced their intention to invest more than \$3.9 billion and add more than 15,000 jobs to the Prince William County economy. Of these announcements, 288 (75 percent) were targeted industry businesses accounting for \$3.1 billion (81 percent) of the total investment and 11,278 (75 percent) of the total jobs.

Recognizing the particular strengths of Prince William County and seizing upon market demands, Prince William County has targeted the life sciences, federal government agencies and contractors, and data center markets. These efforts have proven successful in generating significant capital investments and job opportunities in Prince William County.

Prince William County remains the focal point of the life sciences industry within Northern Virginia, despite the dip in investments within life science companies and the subsequent reduced market demand for life science space. Anchored by George Mason University's Life Sciences Campus, Prince William County has a growing concentration of life science companies.

The ground-breaking research coming from George Mason University creates community awareness and significant economic development opportunities. To-date, 17 life sciences industry announcements have yielded a cumulative total intent to invest \$232 million and add 699 new jobs.

With Prince William County's proximity to Quantico Marine Corps Base, Fort Belvoir, the National Reconnaissance Office (NRO), and Washington DC, along with the addition of the FBI Northern Virginia Resident Agency in the County, the federal government and contractors who support the missions of federal agencies remain a key industry for economic development. Since 1997, 94 economic development projects involving government contractors or federal agencies have delivered a cumulative announced intent to invest over \$234 million and create 3,373 new jobs in the County.

Prince William County's competitive tax structure, electricity availability and rates, and fiber optic availability, make it an ideal location for data center clients seeking a location in the Mid-Atlantic region. Further strengthening Prince William County's position is the availability of large land parcels and minimal natural disaster threats, which allows clients to meet the high security standards that today's data market demands. Currently, there are eight data center facilities operating in Prince William County with a ninth under construction. To-date, there have been

13 projects involving the construction or expansion of data center facilities in the County. These projects have yielded announcements totally nearly \$2.3 billion in capital investment and 426 new jobs.

Areas of particular interest in Prince William County include: Innovation Technology Park, and the Potomac Communities. These two areas are home to 30 percent of the total investment announcements within the County since 1997.

Innovation Technology Park is anchored by George Mason Universities Life Sciences Campus. It is home to a growing life sciences cluster that, in addition to George Mason University, includes American Type Culture Collection (ATCC), Mediatech, Inc., and the Mason/NIH Biomedical Research Laboratory. Also present is an emerging forensic science/criminal justice cluster that includes: the FBI Northern Virginia Resident Agency, the Virginia Department of Forensic Science's Northern Laboratory, and the Prince William County Police Western District Station. Since 1997, 49 economic development projects have been announced within Innovation Technology Park. Cumulatively, these projects delivered \$705.15 million of announced investment and 2,438 new jobs.

The Potomac Communities includes a number of new office developments that cater to the growing demand to provide companies greater access to the Northern Virginia labor market while maintaining close proximity to Washington, DC and nearby federal facilities – such as Quantico Marine Corps Base, Fort Belvoir, and the Pentagon. With infrastructure improvements to local roadways and new commercial office space coming to market, the Potomac Communities provides several opportunities for those looking to locate or expand in the County. A key growth driver in Prince William County, the Potomac Communities area has seen 52 economic development projects announced since 1997 carrying a cumulative intent to create 2,033 jobs and invest \$478.66 million.

With the struggles facing the national economy, and businesses continuing to navigate through the challenges that lie ahead, economic development results have slowed throughout the country, and Prince William County is no exception. However, the County continues to see interest, particularly in targeted markets, and there is optimism that as the economy strengthens, Prince William County will see a number of new and expanding businesses grow within the community.

Prince William County's close proximity to the federal government and affiliated contractor industries has largely insulated 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. The County depends heavily on residential housing and consumer spending to maintain its prosperity and levels of local government services. These two sectors were severely impacted by the recent economic downturn; recent trends point to improving conditions in local consumer and real estate activity, even in the presence of continued consumer worries. The County has seen, for example, thirty consecutive months of sales tax revenue increases and the twelve-month moving average is at an all-time high.

As Prince William County enters fiscal year 2013, the local economy continues to outperform the national economy but, in light of the importance of the real estate market to the overall health of the local economy, a cautionary note is still in order. During the most recent real estate boom, the dramatic increase in housing values created wealth, which in turn led to dramatic increases in consumer spending. Nowhere was this more apparent than in Northern Virginia and Prince William County, both of which were major recipients of this good fortune.

Dramatic increases in real estate assessments allowed for reduced tax rates; and overall, the County practiced fiscal prudence that elevated it to the top tier of communities in the eyes of the nation's bond raters. The real estate downturn however, seriously impacted the local economy and full recovery at traditional expectations is still elusive. While local unemployment has increased during the recent economic downturn, Prince William County continues to enjoy lower unemployment rates than statewide or national averages. The County continues to be among the wealthiest in the nation, largely the result of the County's enviable position as part of the Northern Virginia economy and its proximity to Washington D.C. and the federal government.

The County's proximity to the nation's capital and its enviable participation in the Northern Virginia economy give it a resiliency to withstand challenges from other sectors. However, major wild-cards, such as the looming

budgetary sequestration within the federal government and uncertainties in the Eurozone, are still problematic to the global and national economies, which in turn may well impact Prince William County, by dint of its position in the regional economy. Expectations and/or hopes going forward are for moderate growth and longer-term prospects providing a more optimistic scenario.

Long-term Financial Planning

Each year PWCS, 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 objectives of this five-year plan are as follows:

- To maintain current instructional, support, and extracurricular programs and services.
- To provide services to new students.
- To construct and operate the new schools and facilities and complete all critical capital projects identified in the Capital Improvements Program.
- To provide no annual adjustments for inflation in supplies and materials.
- To maintain competitive salaries and benefits for all employees.

Each year PWCS 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 PWCS 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 PWCS.

Relevant Financial Policies

As a component unit, PWCS 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 PWCS. The policies are published in the County's Principles of Sound Financial Management.

PWCS budgets approximately one percent 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

PWCS is the second largest of 132 school divisions in Virginia and among the 45 largest school divisions 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 three percent. This will result in more than 11,956 additional students by the 2016-2017 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 \$298.2 million over the five year period.

Providing quality educational facilities is important in providing quality education. PWCS' Capital Program identifies twenty-four schools for new construction or additions over the next five years and replacement of one school. PWCS 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.

PWCS facilities were constructed between 1918 and 2009, with the oldest school being Dumfries Elementary School constructed 92 years ago.

Financial Reporting Certificate Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the tenth consecutive year the School Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2011. This was the tenth 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.

In addition to the awards for excellence in financial reporting, PWCS has earned the Meritorious Budget Award from the ASBO and the Distinguished Budget Presentation Award from the GFOA for the fiscal year ended June 30, 2012. These awards are valid for one year only and we believe that our budget report continues to conform to the program requirements of both. We will be submitting our budget to ASBO and GFOA for fiscal year 2013 to determine the School Board's eligibility for another certificate award.

Acknowledgments

Many professional staff members in the Department of Financial Services of PWCS 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 PWCS' departments and agencies throughout the year in the efficient administration of PWCS' financial operations. Additionally, we would like to thank the financial reporting and control division of Prince William County who has helped support the efforts of PWCS in the preparation of this report.

This comprehensive annual financial report reflects the PWCS' 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.

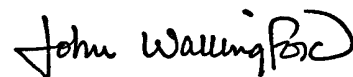
Respectfully,



Steven L. Walts
Superintendent of Schools



David S. Cline
Associate Superintendent
Finance & Support Services



John Wallingford
Director, 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, 2011

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.



Linda C. Danison

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, 2011

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

Prince William County Public Schools
List of Elected and Appointed Officials
June 30, 2012

Elected Officials - The Prince William County School Board*

Milton C. Johns, Chairman *At-Large*

Lisa E. Bell, Vice Chairman, *Neabsco District*

Lisa E. Bell, *Neabsco District*

Betty D. Covington, *Potomac District*

Michael I. Otaigbe, *Coles District*

Denita S. Ramirez, *Woodbridge District*

Alyson A. Satterwhite, *Gainesville District*

Gil Trenum, *Brentsville District*

Michael E. Wooten, *Occoquan District*

Appointed Officials - School Division Administration*

Steven L. Walts
Superintendent of Schools

Rae E. Darlington
Deputy Superintendent

Keith A. Imon
Associate Superintendent
Communications and Technology Services

Keith J. Johnson
Associate Superintendent
Human Resources

Timothy L. Healey
Associate Superintendent
Student Learning and Accountability

David S. Cline
Associate Superintendent
Finance and Support Services

Jarcelynn M. Hart
Associate Superintendent
Western Elementary Schools

Catherine P. Puttre
Associate Superintendent
Middle Schools

R. Todd Erickson
Associate Superintendent
Central Elementary Schools

Rita Everett Goss
Associate Superintendent
Eastern Elementary Schools

Michael A. Mulgrew
Associate Superintendent
High Schools

John M. Wallingford
Director of Financial Services

Lisa M. Thorne
Acting Supervisor of Accounting
Services

* as of June 30, 2012

Prince William County School Board

Milton C. Johns
Chairman
At-Large

Lisa E. Bell
Vice Chairman
Neabsco District

Betty D. Covington
Potomac District

Michael I. Otaigbe, Ph.D.
Coles District

Denita S. Ramirez
Woodbridge District

Alyson Satterwhite
Gainesville District

Gil Trenum
Brentsville District

Dr. Michael E. Wooten
Occoquan District

Clerk
Deborah Urban

Deputy Clerk
Natascha Haag

Superintendent
Steven L. Walts

Division Counsel
James E. Fagan III

Internal Auditor
Vivian McGettigan

Director of TIPA
Natalie Bonshire

Deputy Superintendent
Rae Darlington

Associate Superintendent for Finance and Support Services
David Cline

Director of Risk Management & Security Services
Patti Pitman

Director of Financial Services
John Wallingford

Supervisor of Budget
Kathleen Addison

Supervisor of Financial Services
Niki Howell

Supervisor of Accounting Services
Vacant

Supervisor of Purchasing
James Totty

Supervisor of Supply Services
Charles Wheeler

Director of Transportation Services
Edward Bishop

Supervisor of Bus Operations
Barry Sudduth

Supervisor of Transportation Planning
Scott Withee

Director of Facilities Services
John Windley

Supervisor of Facilities Management
Rodney Clayborn

Supervisor of Construction
Dee Thompson

Project Managers
Neil Bagnell
Shelly Clayborn
Earl Kimble
John Mills
Roger Wilder

Supervisor of Planning and Financial Services
Dave Beavers

Supervisor of Planning
Lionel White

Supervisor of Land Acquisition & CIP Planning
Maureen Hannan

Director of School Food and Nutrition Services
Serena Suthers

Associate Superintendent for Human Resources
Keith Johnson

Director of Human Resources
Amy White

Supervisor of Elementary Staffing Personnel
Michael Mondak

Supervisor of Middle School Staffing Personnel
Paulajane Hancock

Supervisor of High School Staffing Personnel
Tony Jones

Supervisor of Classified Personnel
Dina Mize

Supervisor of Recruiting & Specialty Pgms
Darlene Faltz

Director of Benefit Services
Deborah Sparks

Associate Superintendent for Communications and Technology Services
Keith Imon

Director of Information Technology Services
Jim Hite

Supervisor of Student Applications
Susan Dooley

Supervisor of Business Applications
Vincent Bess

Supervisor of Information Systems Support
Susan Moser

Supervisor of Network Services & Central Ops
Robert Sansone

Supervisor of Information Security Services
Jason Dasher

Supervisor of Technical Support
Octavis Jones

Imaging Center
Danny Armstrong

Director of Communications Services
Philip Kavits

Supervisor of Community Relations
Irene Cromer

Supervisor of Media Production Services
Ben Swecker

Supervisor of Community & Business Engagement
Sharon Henry

Supervisor of Instructional Technology
Amy Jo Phillips

Associate Superintendent for Student Learning and Accountability
Timothy Healey

Director of Professional Learning
Janet Greer

Director of Student Learning
Kenneth Bassett

Curriculum Supervisors
Roberta Apostolakis
Carol Bass
W. Jason Calhoun
Jeffrey Girvan
Sarah Hopwood
Carol Knight
Fred Milbert
Joyce Zsembery

Curriculum Supervisor Career & Technical Education
David Eshelman

Supervisor of Gifted Education & Special Programs
Jim Mudd

Office of Multicultural Education

Supervisor of Title I
Michelle Rowe

Director of Accountability
Jennifer Cassata

Supervisor of Testing
Paul Parker

Supervisor of Program Evaluation
Kenneth Hinson

Director of Special Education
Jane Lawson

Supervisors of Special Education
Sherley Channing
Morphoula Daoulas
Cary Dougher
Cathy Radford
Cyvia Toy
David Williams
Rebecca Yellets
Vacant

Director of ESOL
Janine Sadki

Director of OSMAP
Pam Brown

Supervisor of Alternative Education & Summer School
Renee Lacey

Director of Student Services
Carolyn Custard

Supervisor of Secondary Counseling and Support Services
Rebekah Schlatter

Supervisor of Elementary Counseling and Support Services
Deborah Ransom

Supervisor of Student Assistance and Prevention Programs
Doreen Dauer

Supervisor of School Health
Teresa Polk

Supervisor of School Social Workers
Elizabeth Young

Eastern Elementary Schools

Antietam ES	Potomac View ES
Belmont ES	River Oaks ES
Dumfries ES	Rockledge ES
Featherstone ES	Springwoods ES
Kilby ES	Swans Creek ES
Lake Ridge ES	Triangle ES
Leesylvania ES	Vaughan ES
Marumco Hills ES	Westridge ES
Occoquan ES	Williams ES
Old Bridge ES	

Western Elementary Schools

Alvey ES	Nokesville ES
Bristow Run ES	Piney Branch ES
Buckland Mills ES	Sinclair ES
Cedar Point ES	Sudley ES
Ellis ES	Tyler ES
Glenkirk ES	Victory ES
Gravelly ES	West Gate ES
Loch Lomond ES	Wood ES
Mountain View ES	Yorkshire ES
Mullen ES	

Central Elementary Schools

Ashland ES	Marshall ES
Bel Air ES	McAuliffe ES
Bennett ES	Minnieville ES
Coles ES	Montclair ES
Dale City ES	Neabsco ES
Enterprise ES	Parks ES
Fitzgerald ES	Pattie ES
Henderson ES	Penn ES
Kerrydale ES	Signal Hill ES
King ES	Woodbine SE

Middle Schools

Bull Run MS	Parkside MS
Benton MS	Pennington Traditional
Beville MS	Porter Traditional
Gainesville MS	Potomac MS
Godwin MS	Reagan MS
Graham Park MS	Rippon MS
Lake Ridge MS	Saunders MS
Lynn MS	Stonewall MS
Marsteller MS	Woodbridge MS
New Dominion Alt	

High Schools

Battlefield HS	New Directions Alt
Brentsville HS	PACE West SE
Forest Park HS	Patriot HS
Freedom HS	Potomac HS
Gar-Field HS	Stonewall Jackson HS
Hylton HS	Woodbridge HS
Osborn Park HS	
Governor's School at Innovation Park	
Independent Hill SE / PACE East SE	

GENERAL SCHOOL ADMINISTRATION

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Financial Section

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



Independent Auditors' Report

To the School Board and Management
Prince William County Public Schools
Manassas, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Prince William County Public Schools (PWCS), a component unit of Prince William County, Virginia, as of and for the year ended June 30, 2012, which collectively comprise PWCS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School'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 Agency Fund, which represents 8% of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Agency fund, is based on the report of other auditors

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 PWCS' internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of PWCS as of June 30, 2012, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of PWCS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PWCS' basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, BeRaet & Holland, LLP

Tysons Corner, Virginia
November 15, 2012

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

This section of the Prince William County Public Schools' (PWCS) annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year ended June 30, 2012 (FY 2012). 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 \$801,394 or 83.6% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$157,379 or 16.4% of total revenues of \$958,773.
- The School Division had \$945,026 in expenses of which \$157,379 was offset by program specific charges, grants, or contributions. General revenues, primarily County and Commonwealth (State) of Virginia, were adequate to fund the remaining expenses.
- Total net assets increased by \$13,747 to a total of \$1,206,838. 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 is fiscally dependent on Prince William County (the County). As such, all debt related to School Division assets are shown on the County's Statement of Net Assets.
- On September 30, 2011 (FY 2012) student membership was 81,635, an increase of 2,520 students, or 3.2% greater than FY 2011. The student membership was also 565 students more than projected for FY 2012.

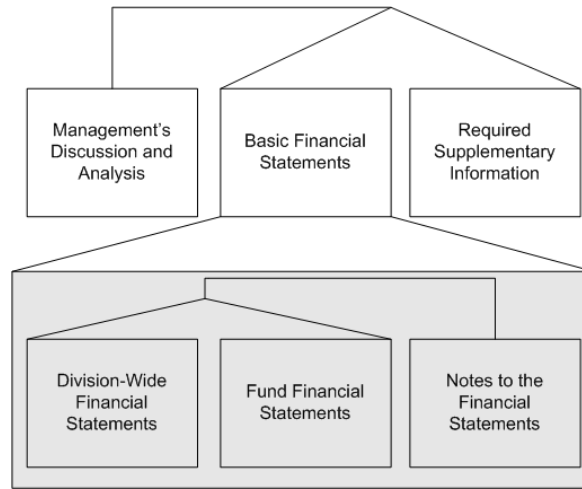
Using this Comprehensive Annual Financial Report

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 *government-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 government-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.
- The *proprietary funds statements* offer *short-term* and *long-term* financial information about the activities that the Division operates *like businesses*.
- The *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.

Organization of Prince William County Public Schools Annual Financial Report



Summary ←————→ Detail

Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School Division (excludes 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, the warehouse, and school age child care	Instances in which the School Division administers resources on behalf of someone else, such as regional schools, governor's school, and student activities monies
Required financial statements	<ul style="list-style-type: none"> •Statement of net assets •Statement of activities 	<ul style="list-style-type: none"> •Balance sheet •Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> •Statement of fund net assets • Statement of revenues, expenses and changes in fund net assets •Statement of cash flows 	<ul style="list-style-type: none"> •Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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

Government-wide Statements

The government-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 PWCS to provide programs and activities, the view of PWCS, as a whole, looks at all financial

transactions and asks the question, “How did we do financially during FY 2012?” 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 government-wide statements report PWCS’ *net assets* and how they have changed. Net assets – the difference between PWCS’ 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 declining, respectively.
- To assess the overall health of PWCS, 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, PWCS reports amounts related to governmental-type activities, and its three internal service funds, and business-type activities. PWCS’ 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, reimbursement to the County for debt service, food service, and community service operations. Business-type activities include an enterprise fund for School Age Child Care.

Fund Financial Statements

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

PWCS has three types of funds:

- **Governmental Funds:** Governmental funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The focus is 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 PWCS’ 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 government-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 government-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. PWCS maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services for PWCS’ other programs and activities. PWCS has one enterprise fund: School Age Child Care (SACC); and three internal service funds: the Self-Insurance fund, the Health Insurance fund, and the Warehouse fund.
- **Fiduciary Funds:** PWCS is a trustee or fiduciary for the Northern Virginia Regional Special Education Fund and the Governor’s School @ Innovation Park. In addition, PWCS is one of three

trustees, along with the County and the Prince William County Park Authority of the Prince William County Other Postemployment Benefits trust fund (OPEB), a single agent multiple employer defined benefit postemployment benefits trust that was established in FY 2009 to provide funding for other postemployment benefit payments on behalf of retiree and COBRA participants. The fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and a statement of changes in fiduciary assets and liabilities for all fiduciary funds, except for OPEB. OPEB statements are presented in the Notes to the Financial Statements. These activities are excluded from PWCS' government-wide statements because PWCS cannot use these assets to finance its operation. The student activity money is also accounted for in an agency fund.

Financial Analysis of PWCS as a Whole

Net Assets

The condensed statement of net assets describes the financial position of PWCS on June 30, 2012. The largest portion of PWCS net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 89.3% of the total net assets and have increased by \$36,931 since June 30, 2011. This increase is primarily the result of continued construction and major renovations 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, PWCS does not have the authority to issue debt. All debt is issued by the County and, therefore, shown as a liability on its 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".

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 a net of \$4,274 during the current fiscal year reflecting a decrease in PWCS' resources restricted for specific construction projects of \$11,211 and an increase in restricted for food services and other purposes of \$6,937. Unrestricted net assets are those resources that may be used to meet the obligations placed on PWCS 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 \$94,880, a decrease of \$18,810 from FY 2011. All three components of net assets show positive balances. A reclassification was made between restricted and unrestricted net assets to conform to GASB 54 requirements for FY 2011.

Condensed Statement of Net Assets						
(amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Entity	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 266,663	\$ 299,842	857	939	267,520	300,781
Capital assets	1,077,167	1,040,236	-	-	1,077,167	1,040,236
Total assets	1,343,830	1,340,078	857	939	1,344,687	1,341,017
Current liabilities	99,137	109,412	19	-	99,156	109,412
Long-term liabilities	38,693	38,514	-	-	38,693	38,514
Total liabilities	137,830	147,926	19	-	137,849	147,926
Net assets:						
Invested in capital assets	1,077,167	1,040,236	-	-	1,077,167	1,040,236
Restricted	34,791	39,065	-	-	34,791	39,065
Unrestricted	94,042	112,851	838	939	94,880	113,790
Total net assets	\$ 1,206,000	\$ 1,192,152	838	939	1,206,838	1,193,091

Changes in Net Assets

Changes in Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Reporting Entity	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 22,688	\$ 21,227	389	658	23,077	21,885
Operating grants and contributions	134,204	134,064	-	303	134,204	134,367
Capital grants and contributions	98	96	-	-	98	96
General revenues:						
Federal	1,379	10,818	-	-	1,379	10,818
State	319,514	289,862	-	-	319,514	289,862
County	474,783	432,746	-	-	474,783	432,746
Unrestricted investment earnings	3,045	3,555	18	10	3,063	3,565
Miscellaneous revenues	2,655	1,595	-	-	2,655	1,595
Total revenues	958,366	893,963	407	971	958,773	894,934
Expenses						
Instruction:						
Regular	461,883	438,872	-	-	461,883	438,872
Special	107,521	91,911	-	-	107,521	91,911
Other	9,047	9,130	-	-	9,047	9,130
Instructional leadership	54,417	51,393	-	-	54,417	51,393
Support Services:						
General administration	8,400	9,191	-	-	8,400	9,191
Student services	9,699	9,190	-	-	9,699	9,190
Curricular/staff development	13,625	13,469	-	-	13,625	13,469
Pupil transportation	49,379	49,830	-	-	49,379	49,830
Operations	21,856	21,554	-	-	21,856	21,554
Utilities	25,331	25,430	-	-	25,331	25,430
Maintenance	32,431	25,054	-	-	32,431	25,054
Central business services	44,687	43,445	-	-	44,687	43,445
Reimbursement to County for debt service	68,440	63,800	-	-	68,440	63,800
Food service	36,597	32,480	-	-	36,597	32,480
Community service operations	1,205	897	-	-	1,205	897
School Age Child Care	-	-	508	334	508	334
Total expenses	944,518	885,646	508	334	945,026	885,980
Change in net assets	13,848	8,317	(101)	637	13,747	8,954
Net assets, beginning of year	1,192,152	1,183,835	939	302	1,193,091	1,184,137
Net assets, end of year	\$ 1,206,000	\$ 1,192,152	838	939	1,206,838	1,193,091

Total revenues increased by \$63,839 for a 7.1% increase over FY 2011. This is primarily the result of increase in State aid and general revenue from the County.

49.5% of PWCS' revenue comes from the primary government (the County), 33.3% from the State, .2% from the Federal government, 16.4% in the form of program revenues (charges for services, operating and capital grants and contributions), and 0.6% from other categories. The funds PWCS receives from the County are comprised, primarily, of two components; 56.75% of all County general revenues, and amounts provided to PWCS that are the result of bonds sold by the County to fund schools capital projects.

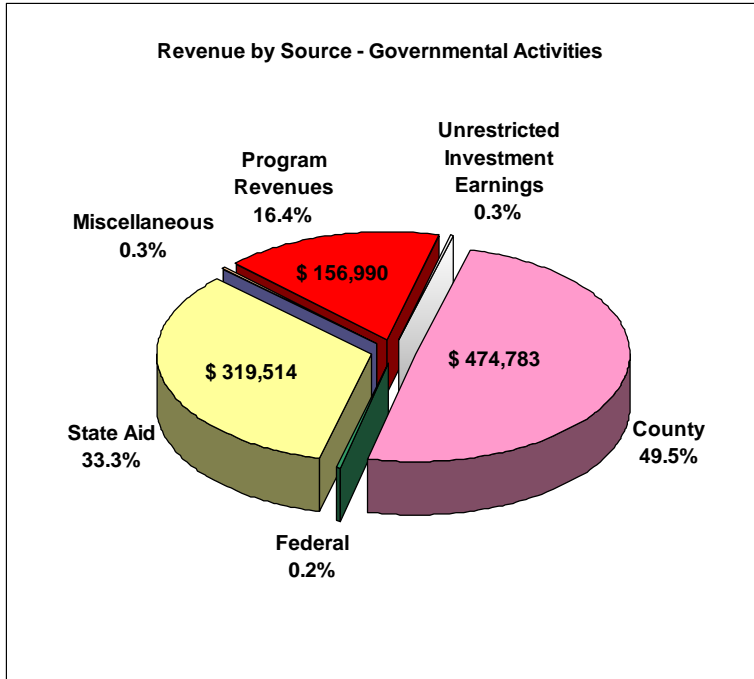
The component of PWCS' "County revenue" that is a function of bond sales increased from FY 2011 by \$38,996 or 402.6% while all other components of "county revenue" increased by \$3,041 or 0.7%. For FY 2012 there was a 9.7% increase of all components of "county revenue" or \$42,037. This increase is primarily a function of an increase in bond sales for FY 2012.

State revenue increased \$29,652 or 10.2% 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 6.7% to \$945,026 in FY 2012. This increase is a function of the

increase in the student population by 3.2% and related instructional needs, as well as in increase of 6.85% in health insurance costs absorbed by PWCS and a pay adjustment for employees of 1.75% plus a .6 percent bonus. 77.1% of the Division's expenses are related to the instruction of and caring for the needs of students (instruction, transportation, student services, and food service). The Division's business and administrative activities accounted for 7.2% of total costs while operations and maintenance amounted to 8.4% of total cost. Reimbursements to the County for debt service totaled 7.3% of FY 2012 costs. For the FY 2012, revenues exceeded expenses by \$13,747. A substantial portion of this excess is related to a concerted effort by the Division to manage costs and the recognition of revenues associated with capital outlay related to PWCS continued expansion of facilities.

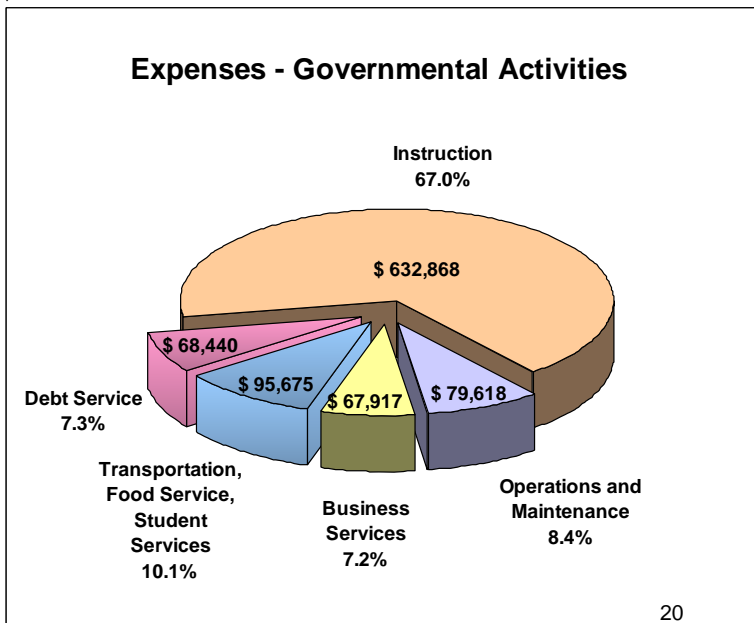
Governmental Activities



The two primary sources of revenue for the School Division are from Prince William County and the Commonwealth 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 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).

Prince William County has a fund balance policy which includes a provision to maintain an unassigned General Fund balance no less than 7.5% of the year's General Fund revenues in every fiscal year, with certain exceptions. The revenue sharing agreement between Prince William County and the School Division requires the School Division to contribute in maintaining the unassigned General fund balance and to receive a return of funds when fund balance is in excess of the

required 7.5%. There will be additional funding from Prince William County in FY 2013 related to additional recognized revenues from FY 2012 in the amount of \$1,270 and \$212 recognition of additional general county revenue in excess of projections and cable franchise tax grant, respectively. Also, \$1,155 was needed to maintain the 7.5% of unassigned General Fund balance. This netted to additional revenue from FY 2012 in the amount of \$327.



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 2012 increased as a result of the State funding its share of the SOQ cost of the additional 2,520 students in the School Division.

The FY 2012 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

governmental-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.

Net Cost of Governmental Activities (amounts expressed in thousands)							
	<u>Total Cost of Services</u>			Percent Change	<u>Net Cost of Services</u>		Percent Change
	2012	2011			2012	2011	
Instruction							
Regular	\$ 461,883	\$ 438,872	5.2%	\$ 417,372	\$ 379,215	10.1%	
Special	107,521	91,911	17.0%	43,186	41,535	4.0%	
Other	9,047	9,130	-0.9%	1,161	818	41.9%	
Instructional leadership	54,417	51,393	5.9%	54,417	51,393	5.9%	
Total instruction	<u>632,868</u>	<u>591,306</u>	<u>7.0%</u>	<u>516,136</u>	<u>472,961</u>	<u>9.1%</u>	
Support services							
General administration	8,400	9,191	-8.6%	8,400	9,191	-8.6%	
Student services	9,699	9,190	5.5%	9,674	9,141	5.8%	
Curricular/staff development	13,625	13,469	1.2%	13,513	13,356	1.2%	
Pupil transportation	49,379	49,830	-0.9%	49,280	49,718	-0.9%	
Operations	21,856	21,554	1.4%	21,686	21,272	1.9%	
Utilities	25,331	25,430	-0.4%	25,331	25,430	-0.4%	
Maintenance	32,431	25,054	29.4%	32,431	25,054	29.4%	
Central business services	44,687	43,445	2.9%	44,385	43,164	2.8%	
Reimbursement to County for debt service	68,440	63,800	7.3%	68,440	63,800	7.3%	
Food service	36,597	32,480	12.7%	(2,032)	(2,912)	-30.2%	
Community service operations	1,205	897	34.3%	284	84	238.1%	
Total support services	<u>311,650</u>	<u>294,340</u>	<u>5.9%</u>	<u>271,392</u>	<u>257,298</u>	<u>5.5%</u>	
Total expenses	<u>\$ 944,518</u>	<u>\$ 885,646</u>	<u>6.6%</u>	<u>\$ 787,528</u>	<u>\$ 730,259</u>	<u>7.8%</u>	

- The cost of all governmental activities was \$944,518.
- The net cost of governmental activities was \$787,528.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$426,102. Additional revenue from Prince William County consisted of bond sales in the amount of \$48,681.
- The Commonwealth of Virginia contributed general revenue of \$319,514.
- The Federal Government contributed general revenue of \$1,379.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$22,688;
 - Total Grants and Contributions: \$134,302;
 - Other payments: \$5,700.
- There are several significant activity changes in the net cost of services:
 - Regular instruction increased as operating grants and contributions revenue increased, as well as increased baseline adjustments for personnel costs of supporting the opening of three additional schools.
 - Other instruction increased as a result of a combination of baseline adjustments in the FY 2012 Approved budget and decreases in both charges for services and operating grants and contributions revenue.
 - Maintenance decreased as a result of enhanced program funding for the repair and maintenance of facilities.

- Food Service net costs decreased due to an increase in revenue from both charges for services and operating grants and contributions as well as increased costs to support the additional 2,520 students.
- 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. During FY 2012 one time expense for the purchase of equipment contributed to an increase in the net cost of services.

Business-type Activities

Revenues of the School Division's business-type activities decreased 58.1% to \$407, while expenses increased 52.1% to \$508. While the costs of the program increased, the revenue decreased as the program had completed its transition from Prince William County in FY 2011. The increases in costs are attributable to the enhanced services being provided to implement and facilitate continuous improvement designed to monitor, evaluate, and revise programs, practices, and services that are aligned with the PWCS Strategic Plan.

Financial Analysis of the District's Funds

Information about PWCS' major funds begins on page 33. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of \$968,416 and expenditures of \$983,009. The net change in fund balance was most significant in the Construction Fund amounting to a decrease of \$19,242. This decrease is primarily due to bond sales budgeted for late FY 2012 taking place in early FY 2013.

The General Fund net decrease in fund balance of \$1,497 resulted from a decrease in Federal revenue as the funding from the American Recovery and Reinvestment Act (ARRA) of 2009 ended and an increase in regular and special instruction and pupil transportation expenditures in comparison to FY 2011. These increase in expenditures are a result of increased student enrollment of 2,520 and the opening of three new schools. The increase in fund balance in Other Governmental Funds of \$2,110 is primarily attributable to increased charges for services and Federal revenues in the Food Services fund.

General Fund Budgetary Highlights

The PWCS' budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2012, PWCS amended its General Fund budget as follows:

- Amended appropriation of \$20,375 to reflect the carryover of encumbrances from FY 2011 to FY 2012.
- Supplemental appropriations totaled \$24,775; of which \$5,153 related to the carryover of unencumbered FY 2011 budget and appropriations, a \$19,408 increase in additional Federal, State and local grants and additional State aid due to a higher student population than originally projected in the budget, and \$214 for increases in Cable Franchise tax revenue from the County.
- After the final close of the fiscal year, the County determines the actual revenues and fund balance for the year. After the end of fiscal year 2011, an appropriation adjustment was made to the School Division budget to reflect the difference between the actual and projected revenues of \$9,510. In addition, the supplemental appropriation included a return of fund balance excess of \$866.

PWCS' final budget for the General Fund anticipated that expenses, including transfers, would exceed revenues by roughly \$36,462. The actual results for the year show expenses exceeded revenues by \$1,497.

Capital Assets

At the end of FY 2012, PWCS had \$1,077,167 invested in equipment, land, buildings, and construction in progress in governmental-type activities. The following table shows FY 2012 balances, net of accumulated depreciation. Readers interested in more detailed information on capital assets should refer to the Capital assets note in the Notes to the Financial Statements.

Capital Assets						
(net of accumulated depreciation)						
(amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 67,248	\$ 64,010	-	-	67,248	64,010
Construction in progress	41,416	69,323	-	-	41,416	69,323
Depreciable capital assets	968,503	906,903	-	-	968,503	906,903
Total	<u>\$ 1,077,167</u>	<u>\$ 1,040,236</u>	<u>-</u>	<u>-</u>	<u>1,077,167</u>	<u>1,040,236</u>

Major capital asset additions for FY 2012 included:

- Completion of construction of T. Clay Wood and Piney Branch Elementary Schools - both opened September 2011, and completed Ronald Reagan Middle School which will open September 2012.
- Additional land acquisition for planned 12th high school.
- Began construction of two new schools:
 - Nokesville K – 8;
 - 12th High School.
- Completed major renovations, additions, replacements at:
 - Pace West School;
 - Pennington Traditional School;
 - Westridge Elementary School;
 - Swans Creek Elementary School.
- Continued major renovations, additions, replacements or renewals at:
 - West Gate Elementary School;
 - Potomac High School;
 - Independent Hill Complex;
 - Sudley Elementary School;
 - Pattie Elementary School;
 - Loch Lomond Elementary School;
 - Sinclair Elementary School;
 - Mullen Elementary School;
 - Penn Elementary School;
 - Potomac Middle School;
 - Benton Middle School.

- Purchased 7 school buses, 9 trucks, and 4 cars.
- Replaced 69 school buses, 29 trucks, and 6 cars.

The following major capital projects are included in PWCS' FY 2013 capital budget:

- Pace West School replacement;
- Reagan Middle School;
- Additions to Potomac High School, Benton Middle School, Potomac Middle School, Loch Lomond Elementary School, Mullen Elementary School, Penn Elementary School, Sinclair Elementary School, Sudley Elementary School, and West Gate Elementary School;
- Ongoing implementation of infrastructure upgrades needed for technology improvements.

Funding for the FY 2013 capital projects includes a general fund transfer of \$13,720 and \$77,246 to be financed by the County through the sale of General Obligation bonds to the Virginia Public School Authority (VPSA).

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 retains the liability for the portion of general obligation bonds issued to fund capital projects for PWCS.

The County appropriates funds to PWCS for the education of its students. 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 PWCS' 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, 2012, the County is liable for \$559,497 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2012, outstanding long-term debt increased by a net \$6,722 consisting of:

- \$40,818 in debt principal retired during the fiscal year.
- \$46,445 in new debt issued during FY 2012 through the sale of general obligation bonds to the VPSA:
 - In addition, a bond premium of \$2,236 was realized on the sale of the VPSA bonds, bringing the total bonds available from the sale to \$48,681.
- \$1,095 in new debt issued was also issued as a result of the refunding of \$9,758 of the Division's portion of the 2003 and 2004 General Obligation bonds and achieved a debt savings of \$569.

The Approved School Board budget for FY 2013 provides funding for \$70,997 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$77,246 in new bonds during FY 2013 to support school capital projects, as detailed in the FY 2013 – 2022 Capital Improvements Program (CIP). Readers interested in more detailed information for long-term debt activity should refer to the Long-term debt note in the Notes to the Financial Statements.

Bond Ratings

Outstanding Long-Term Debt						
(Incurred by Prince William County on behalf of PWCS)						
(amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds *	\$ 556,747	\$ 549,775	-	-	556,747	549,775
Literary Loans	2,750	3,000	-	-	2,750	3,000
Total	\$ 559,497	\$ 552,775	-	-	559,497	552,775

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

The County's general obligation bonds continue to maintain a "AAA" rating by Fitch Ratings and an "Aaa" rating from Moody's Investors Service. In July 2011, Standard & Poor's awarded the County its "AAA" rating on the County's general obligation bonds. An "AAA" rating is the highest award by a credit rating agency and certifies the County's sound, consistent, and excellent financial management practices. The County has now received AAA status from all three of the major credit rating agencies – a measure that only 0.4% of local governments throughout the country have achieved.

Factors influencing future budgets:

The FY 2013 budget provides funding for the following significant costs:

- Funding for current programs to support an increase of 2,481 students.
- Funding to support the capital projects included in the FY 2013 – 2022 CIP.
- A salary step to School Division employees which for most employees is an increase of 2.85%.

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

- Student growth continues to place fiscal demands upon the School Division requiring additional staff, buses, and classroom space. The substantial rate of growth continues to create challenging fiscal demands in the current and future budgets. Over the past five years PWCS student enrollment has grown, on average, by just over 2.8% per year.
- Not only is the student population continuing to grow, but the demographics of the student population continue to change. Changes in student demographics increase the number of students requiring additional educational services, which in turn increases School Division expenditures to meet those needs.
- Student membership on September 30, 2012 was 83,551. This represents an increase of 2,481 students for a growth rate of 3.0%. Student membership was 286 students below the 83,837 projected in the FY 2013 Approved Budget which translates to an estimated net savings of \$1,691 in costs. Continued student growth is attributable, at least in part, to the housing market beginning to stabilize and the ability to purchase homes at lower prices relative to other northern Virginia localities.
- For fiscal years 2013 and 2014 fund balance will be supporting the General Fund budgets to the extent of \$32.1 million and \$17.5 million, respectively. This is approximately 2 to 4 percent of the General Fund budgets for the respective years and, for FY 2013, substantially more than has been

provided in prior years. These funds became available, partly, through the conservative management of Federal and other one-time funds. The Budget for FY 2014 will present some budgetary challenges as these one-time funds will have been exhausted and the Division will have to replace this funding source while enrollment is still growing approximately 3.0% annually.

- FY 2013 is the first year of the biennial budget process for the Commonwealth of Virginia. The budget for FY 2013 may be impacted by a number of significant changes including:
 - Updated student enrollment projections;
 - Continued updating of rates for the Virginia Retirement System.
- As part of the State's FY 2010-2012 biennial budget plan, the General Assembly and Governor deferred \$850 million in VRS payments to future years by lowering the required VRS contribution rates for both the teacher pool and the state employee pool. This action has had the impact of reducing the State's FY 2011 and FY 2012 obligations to the VRS trust for its own employees, reducing Virginia local school division payments for their employees to the trust, and reducing the revenue stream the State makes available to local school divisions related to VRS. While this action helped the State and local school divisions balance their FY 2011 budgets, it has created a substantial future liability. The budget bill for the 2010-2012 biennium states that the VRS deferral will be paid back starting in FY 2013 at the rate of earnings of the VRS trust (7%) over a ten year period. Future VRS rates are going to go up, the current question is "How Much?". The contribution rates set for FY 2012 increased by 2.4% of covered payroll which results in a 26.7% increase in costs. In FY 2013, VRS rates increased by just under 6% of covered payroll for a cost increase of just over 84%. Future VRS rate increases are certain and will continue to be budgetary challenge for PWCS and other school divisions across the state. In addition to rate increases there is now a state mandate that requires covered employees of school divisions to make the 5% employee contribution. Historically, many divisions have made the 5% contribution on behalf of the employee. Prince William County Schools will implement the employee contribution requirement one year/one percent at a time. For each percent the employee contributes there will be a commensurate one percent increase in salary.
- GASB 67 and GASB 68, accounting rules related to pension accounting, have been released and will require local school divisions in Virginia to book liabilities associated with their portion of the liabilities of the Virginia Retirement System teacher's pool. This may make many school divisions in Virginia show a net asset deficit on their statements of net assets and may also create net asset issues for cities and counties in Virginia as school divisions are a component unit of their associated county or city government. If Prince William County Public Schools were to book these liabilities in FY 2012 the Division would disclose net assets of \$246,000. This would be equivalent to a net asset reduction of approximately \$960,000.
- The potential for sequestration is a looming issue for the economy of Virginia and the economies of all of the localities in the state. The military presence in the Hampton Roads area and the federal presence in Northern Virginia make these areas particularly susceptible to the economic damage that would result from the across the board budget cuts that would result if agreements cannot be reached at the federal level to avoid sequestration.
- Revenue receipts for the first quarter at the State level are slightly higher than last year but are lagging the amounts forecasted for the current year.
- The change in the local composite index (LCI) for the 2012-2014 biennium had an impact on funding provided to PWCS by the state. PWCS' LCI went from .4036 for the 2010-2012 biennium to .3787 for the 2012-2014 biennium. This decrease in the LCI represents the state's expectation that the locality has a decrease in ability to bear a larger burden of the funding of education and, therefore, represents an increase in the share of State education dollars to be received by PWCS. It is expected that the LCI will be moving higher in the next biennium as the value of housing in the county improves relative to the value of real estate state wide. This LCI move will have a negative impact on funding

received from the state in the future.

- The County has indicated that FY 2013 revenues are currently tracking slightly ahead of budgeted amounts. The continued impact of changes in the local economy, the value of residential real estate, and the value of commercial real estate, make the revenue picture for FY 2013 somewhat uncertain for yet another year, but there are indications that the economy may be in the beginnings of recovery.
- During the seven year period prior to FY 2008, the growth in real estate assessed values had enabled a \$0.60 reduction in the real property tax rate to a value of \$0.76 while still providing additional revenues to the County and School Board. In FY 2008, the tax rate was increased to \$0.787 per \$100 of assessed value because of the softening values in the housing markets. In FY 2009 the rate was again raised, this time to \$0.97 per \$100 of assessed value. Real estate rates continued increasing to \$1.212 for FY 2010, \$1.236 in FY 2011, and decreased to \$1.204 in FY2012. All these changes in rates have taken place while keeping the average tax bill very close to FY 2007 levels. In FY 2013 the rate was increased again to \$1.209. As the value of residential real estate increases the Board of County Supervisors works diligently to maintain an average tax bill that is close to the levels in FY 2007. As the real estate markets continue to stabilize and improve there is potential that Prince William County Public Schools may begin to experience positive impact on operating and capital budgets in future fiscal years.
- PWCS continues to experience enrollment growth and as a result continues to build new schools. In the Division's five financial year plan (FY 2013 to FY 2017) there are plans for seven new schools. This continued construction will increase cost pressures related to debt service by approximately \$29.6 million over the period. PWCS will begin to approach the self imposed debt service limits set in the Prince William County *Principles of Sound Financial Management*. These financial polices require the county to maintain debt service at a level below 10% of total revenues; "Annual tax supported debt service expenditures for all debt of the County shall not exceed 10% of annual revenues". The School Division and the County Government must be careful not to exceed these limits both from a policy standpoint and because the increased expenditure of School Division funds on debt will crowd out the Division's ability to spend funds where it is most important, education related expenditure.

Contacting the Prince William County Public Schools' Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of PWCS' finances and to show PWCS' 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 <http://www.pwcs.edu/departments/finance/>.

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Basic Financial Statements

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Prince William County Public Schools
Statement of Net Assets
As of June 30, 2012

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Reporting Entity</u>
ASSETS			
Equity in cash and pooled investments	\$ 223,932,667	855,219	224,787,886
Accounts receivable and other current assets	1,999,683	2,093	2,001,776
Due from other governmental units	23,594,916	-	23,594,916
Inventory	3,207,911	-	3,207,911
Net OPEB asset	1,511,034	-	1,511,034
Deposits	500,000	-	500,000
Restricted assets:			
Restricted cash	11,917,047	-	11,917,047
Capital assets:			
Land	67,248,139	-	67,248,139
Construction in progress	41,416,056	-	41,416,056
Depreciable/amortizable capital assets	1,316,735,898	-	1,316,735,898
Less: accumulated depreciation/amortization	(348,233,022)	-	(348,233,022)
Total assets	<u>1,343,830,329</u>	<u>857,312</u>	<u>1,344,687,641</u>
LIABILITIES			
Accounts payable and accrued liabilities	10,561,202	19,073	10,580,275
Salaries payable and withholdings	78,714,188	-	78,714,188
Due to other governmental units	188,247	-	188,247
Retainage	2,288,356	-	2,288,356
Unearned revenue	7,385,150	-	7,385,150
Long-term liabilities:			
Due within one year	18,055,011	-	18,055,011
Due in more than one year	20,638,177	-	20,638,177
Total liabilities	<u>137,830,331</u>	<u>19,073</u>	<u>137,849,404</u>
NET ASSETS			
Invested in capital assets	1,077,167,071	-	1,077,167,071
Restricted for:			
Capital projects	11,917,047	-	11,917,047
Food services	17,349,376	-	17,349,376
Other purposes	5,524,385	-	5,524,385
Unrestricted	94,042,119	838,239	94,880,358
Total net assets	<u>\$ 1,205,999,998</u>	<u>838,239</u>	<u>1,206,838,237</u>

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

Prince William County Public Schools
Statement of Activities
For the Year Ended June 30, 2012

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total Reporting Entity
Governmental activities:							
Instruction:							
Regular	\$ 461,883,372	1,516,980	42,897,212	97,503	(417,371,677)	-	(417,371,677)
Special	107,521,173	144,284	64,190,340	-	(43,186,549)	-	(43,186,549)
Other	9,047,372	1,218,012	6,668,221	-	(1,161,139)	-	(1,161,139)
Instructional leadership	54,416,909	-	-	-	(54,416,909)	-	(54,416,909)
Total instruction	632,868,826	2,879,276	113,755,773	97,503	(516,136,274)	-	(516,136,274)
Support services:							
General administration	8,400,020	-	-	-	(8,400,020)	-	(8,400,020)
Student services	9,699,017	-	25,070	-	(9,673,947)	-	(9,673,947)
Curricular/staff development	13,625,125	-	112,075	-	(13,513,050)	-	(13,513,050)
Pupil transportation	49,379,235	98,782	-	-	(49,280,453)	-	(49,280,453)
Operations	21,856,356	169,977	-	-	(21,686,379)	-	(21,686,379)
Utilities	25,330,718	-	-	-	(25,330,718)	-	(25,330,718)
Maintenance	32,430,788	-	-	-	(32,430,788)	-	(32,430,788)
Central business services	44,686,411	301,284	-	-	(44,385,127)	-	(44,385,127)
Reimbursement to County for debt service	68,439,620	-	-	-	(68,439,620)	-	(68,439,620)
Food service	36,596,547	18,317,854	20,311,161	-	2,032,468	-	2,032,468
Community service operations	1,205,036	920,886	-	-	(284,150)	-	(284,150)
Total support services	311,648,873	19,808,783	20,448,306	-	(271,391,784)	-	(271,391,784)
Total governmental activities	944,517,699	22,688,059	134,204,079	97,503	(787,528,058)	-	(787,528,058)
Business-type activities:							
School Age Child Care	508,425	389,715	-	-	-	(118,710)	(118,710)
Total Reporting Entity	\$ 945,026,124	23,077,774	134,204,079	97,503	(787,528,058)	(118,710)	(787,646,768)
General revenues:							
Grants and contributions not restricted to specific programs:							
Federal					1,378,700	-	1,378,700
State					319,514,003	-	319,514,003
County					474,783,033	-	474,783,033
Unrestricted investment earnings					3,045,594	17,708	3,063,302
Miscellaneous revenues					2,655,367	-	2,655,367
Total general revenues					801,376,697	17,708	801,394,405
Change in net assets					13,848,639	(101,002)	13,747,637
Net assets, beginning of year					1,192,151,359	939,241	1,193,090,600
Net assets, end of year					\$ 1,205,999,998	838,239	1,206,838,237

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

Prince William County Public Schools
 Balance Sheet
 Governmental Funds
 As of June 30, 2012

Exhibit 3

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in cash and pooled investments	\$ 143,461,086	22,644,799	18,749,613	184,855,498
Restricted cash	-	11,917,047	-	11,917,047
Accounts receivable	285,604	50,706	353,128	689,438
Due from other funds	424,144	-	-	424,144
Due from other governmental units	20,457,297	-	3,137,619	23,594,916
Inventory	996,632	-	1,148,707	2,145,339
Total assets	<u>165,624,763</u>	<u>34,612,552</u>	<u>23,389,067</u>	<u>223,626,382</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	5,909,885	3,534,099	527,199	9,971,183
Salaries payable and withholdings	78,140,139	28,487	545,562	78,714,188
Retainage payable	-	2,288,356	-	2,288,356
Deferred revenue	326,726	-	-	326,726
Unearned revenue	369,557	-	1,031,142	1,400,699
Total liabilities	<u>84,746,307</u>	<u>5,850,942</u>	<u>2,103,903</u>	<u>92,701,152</u>
Fund Balances:				
Nonspendable:				
Inventory	996,632	-	1,148,707	2,145,339
Restricted:				
Regular instruction	751,393	-	-	751,393
Special instruction	4,565,021	-	-	4,565,021
Other instruction	7,924	-	-	7,924
General administration	150,000	-	-	150,000
Curricular/staff development	50,047	-	-	50,047
Food services	-	-	17,349,376	17,349,376
Capital outlay	-	7,416,008	-	7,416,008
For payments to PWC for arbitrage rebate	-	188,247	-	188,247
Committed:				
Community service operations	-	-	2,787,081	2,787,081
Assigned:				
Regular instruction	29,512,512	-	-	29,512,512
Special instruction	9,717,345	-	-	9,717,345
Other instruction	1,262,367	-	-	1,262,367
Instructional leadership	3,566,102	-	-	3,566,102
General administration	946,819	-	-	946,819
Student services	698,126	-	-	698,126
Curricular/staff development	1,329,428	-	-	1,329,428
Pupil transportation	4,790,463	-	-	4,790,463
Operations	1,155,152	-	-	1,155,152
Utilities	2,375,177	-	-	2,375,177
Maintenance	2,123,222	-	-	2,123,222
Central business services	13,838,462	-	-	13,838,462
Capital outlay	-	21,157,355	-	21,157,355
Unassigned	3,042,264	-	-	3,042,264
Total fund balances	<u>80,878,456</u>	<u>28,761,610</u>	<u>21,285,164</u>	<u>130,925,230</u>
Total liabilities and fund balances	<u>\$ 165,624,763</u>	<u>34,612,552</u>	<u>23,389,067</u>	<u>223,626,382</u>

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

Prince William County Public Schools
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Assets
 As of June 30, 2012

Exhibit 4

Total fund balances - governmental funds \$ 130,925,230

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	\$ 67,248,139	
Construction in progress	41,416,056	
Library books	3,723,138	
Buildings and improvements	1,197,566,561	
Equipment	34,847,632	
Vehicles	78,409,253	
Software	<u>2,189,314</u>	
Total capital assets	1,425,400,093	
Accumulated depreciation/amortization	<u>(348,233,022)</u>	1,077,167,071

Prepaid other post employment benefits represent irrevocable payments made to the Prince William County, Virginia Other Post Employment Benefits Master Trust for retiree healthcare benefits in advance of total actuarial requirements to date. The advance payments are reported in the Statement of Net Assets, but as expenditures in the funds when made. 1,511,034

Certain amounts due to other governmental units are not due and payable in the current period and, therefore, are not reported in the funds. (188,247)

Certain revenues are measurable but not available to pay for current period expenditures and, therefore, are reported in the funds as deferred revenue. 326,726

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

Compensated absences	(27,984,212)	
Pollution remediation	<u>(631,796)</u>	(28,616,008)

Net Assets of internal service funds. 24,874,192

Net assets - governmental activities \$ 1,205,999,998

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Exhibit 5

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 2,199,843	571,707	346,225	3,117,775
Use of property	-	-	920,886	920,886
Charges for services	3,776,153	-	18,292,494	22,068,647
Intergovernmental:				
Federal	44,145,163	-	19,313,989	63,459,152
State	390,080,889	-	632,492	390,713,381
County	436,079,457	48,680,743	-	484,760,200
Miscellaneous	2,979,717	5,016	390,912	3,375,645
Total revenues	<u>879,261,222</u>	<u>49,257,466</u>	<u>39,896,998</u>	<u>968,415,686</u>
EXPENDITURES:				
Current:				
Regular instruction	430,852,312	8,832,984	-	439,685,296
Special instruction	107,462,565	-	-	107,462,565
Other instruction	8,986,278	-	-	8,986,278
Instructional leadership	54,416,909	-	-	54,416,909
General administration	7,678,148	-	-	7,678,148
Student services	9,704,449	-	-	9,704,449
Curricular/staff development	13,628,450	-	-	13,628,450
Pupil transportation	52,399,830	-	-	52,399,830
Operations	21,841,892	-	-	21,841,892
Utilities	25,330,718	-	-	25,330,718
Maintenance	23,214,684	9,657,384	-	32,872,068
Central business services	45,623,514	-	-	45,623,514
Community service operations	-	-	1,205,036	1,205,036
Food services	-	-	36,582,201	36,582,201
Reimbursement to the County for debt service	68,438,876	76,916	-	68,515,792
Capital outlay	-	57,075,481	-	57,075,481
Total expenditures	<u>869,578,625</u>	<u>75,642,765</u>	<u>37,787,237</u>	<u>983,008,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,682,597</u>	<u>(26,385,299)</u>	<u>2,109,761</u>	<u>(14,592,941)</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
General fund	-	8,143,312	-	8,143,312
Construction fund	1,000,000	-	-	1,000,000
TRANSFERS OUT:				
General fund	-	(1,000,000)	-	(1,000,000)
Construction fund	(8,143,312)	-	-	(8,143,312)
Health Insurance fund	(4,036,365)	-	-	(4,036,365)
Total other financing sources (uses), net	<u>(11,179,677)</u>	<u>7,143,312</u>	<u>-</u>	<u>(4,036,365)</u>
Net change in fund balances	(1,497,080)	(19,241,987)	2,109,761	(18,629,306)
FUND BALANCES, beginning of year	<u>82,375,536</u>	<u>48,003,597</u>	<u>19,175,403</u>	<u>149,554,536</u>
FUND BALANCES, end of year	<u>\$ 80,878,456</u>	<u>28,761,610</u>	<u>21,285,164</u>	<u>130,925,230</u>

The accompanying notes to the 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, 2012

Exhibit 6

Total net change in fund balances - total governmental funds	\$	(18,629,306)
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.		(10,049,348)
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/ amortization expense. This is the amount by which capital outlay exceeds depreciation/ amortization in the period:		
Capital outlays	\$ 70,724,149	
Depreciation/amortization expense	<u>(32,770,199)</u>	37,953,950
The net effect of various transactions including disposal of capital assets.		(1,022,374)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds:		
Arbitrage		76,172
Compensated absences		(43,131)
Other postemployment benefits		(1,165,695)
Pollution remediation		437,411
Activities of Internal Service Funds that serve governmental activities.		<u>6,290,960</u>
Change in net assets of governmental activities	\$	<u>13,848,639</u>

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

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	2,199,843	2,199,843	-
Charges for services	1,788,425	3,546,978	3,776,153	229,175
Intergovernmental:				
Federal	32,985,301	49,461,374	44,145,163	(5,316,211)
State	388,362,245	387,715,108	390,080,889	2,365,781
County	426,180,174	436,095,976	436,079,457	(16,519)
Miscellaneous	50,393	1,848,554	2,979,717	1,131,163
Total revenues	<u>849,366,538</u>	<u>880,867,833</u>	<u>879,261,222</u>	<u>(1,606,611)</u>
EXPENDITURES:				
Current:				
Regular instruction	438,708,459	441,444,344	430,852,312	10,592,032
Special instruction	95,030,902	111,361,061	107,462,565	3,898,496
Other instruction	9,064,075	10,001,257	8,986,278	1,014,979
Instructional leadership	57,102,381	55,976,137	54,416,909	1,559,228
General administration	8,256,874	8,421,729	7,678,148	743,581
Student services	9,822,506	10,120,539	9,704,449	416,090
Curricular/staff development	13,404,637	14,253,882	13,628,450	625,432
Pupil transportation	54,876,850	51,530,149	52,399,830	(869,681)
Operations	20,397,038	20,484,067	21,841,892	(1,357,825)
Utilities	38,602,285	35,028,778	25,330,718	9,698,060
Maintenance	27,167,096	23,632,690	23,214,684	418,006
Central business services	58,060,240	55,001,403	45,623,514	9,377,889
Reimbursement to the County for debt service	67,512,184	69,007,841	68,438,876	568,965
Total expenditures	<u>898,005,527</u>	<u>906,263,877</u>	<u>869,578,625</u>	<u>36,685,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,638,989)</u>	<u>(25,396,044)</u>	<u>9,682,597</u>	<u>35,078,641</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Construction fund	1,000,000	1,000,000	1,000,000	-
TRANSFERS OUT:				
Construction fund	(4,585,511)	(8,066,396)	(8,143,312)	(76,916)
Health Insurance fund	(2,000,000)	(4,000,000)	(4,036,365)	(36,365)
Total other financing uses, net	<u>(7,585,511)</u>	<u>(11,066,396)</u>	<u>(11,179,677)</u>	<u>(113,281)</u>
Net change in fund balance	(56,224,500)	(36,462,440)	(1,497,080)	34,965,360
FUND BALANCE, beginning of year	<u>82,375,536</u>	<u>82,375,536</u>	<u>82,375,536</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 26,151,036</u>	<u>45,913,096</u>	<u>80,878,456</u>	<u>34,965,360</u>

The accompanying notes to the 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, 2012

Exhibit 8

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
ASSETS		
Current assets:		
Equity in cash and pooled investments	\$ 855,219	39,077,169
Accounts receivable and other current assets	2,093	1,310,245
Inventory	-	1,062,572
Deposits	-	500,000
Total current assets	857,312	41,949,986
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	19,073	590,019
Unearned revenue	-	5,984,451
Due to other funds	-	424,144
Incurred but not reported claims	-	7,841,223
Total current liabilities	19,073	14,839,837
Noncurrent liabilities:		
Incurred but not reported claims	-	2,235,957
Total liabilities	19,073	17,075,794
NET ASSETS		
Unrestricted	\$ 838,239	24,874,192

The accompanying notes to the 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, 2012

Exhibit 9

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 389,715	80,679,152
Total operating revenues	<u>389,715</u>	<u>80,679,152</u>
OPERATING EXPENSES:		
Personnel services	387,159	887,782
Materials/supplies	121,266	146,154
Administrative costs	-	3,745,837
Premiums	-	5,843,881
Claims and benefits paid	-	63,709,183
Losses and unallocated loss adjustment	-	1,291,386
Cost of goods sold	-	4,555,997
Total operating expenses	<u>508,425</u>	<u>80,180,220</u>
Operating gain (loss)	<u>(118,710)</u>	<u>498,932</u>
NON-OPERATING REVENUE:		
Intergovernmental:		
Federal	-	839,523
Interest and miscellaneous	17,708	916,140
Total non-operating revenues	<u>17,708</u>	<u>1,755,663</u>
Gain (loss) before contributions and transfers	(101,002)	2,254,595
Transfers In	<u>-</u>	<u>4,036,365</u>
Change in net assets	(101,002)	6,290,960
NET ASSETS, beginning of year	<u>939,241</u>	<u>18,583,232</u>
NET ASSETS, end of year	<u>\$ 838,239</u>	<u>24,874,192</u>

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

Prince William County Public Schools
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit 10

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 547,720	80,204,576
Payments to suppliers for goods and services	(102,200)	(78,330,814)
Payments to employees	(387,197)	(890,016)
Net cash provided by operating activities	<u>58,323</u>	<u>983,746</u>
Cash Flows from Non-capital Financing Activities:		
Advances from other funds	-	(88,580)
Transfers from other funds	-	4,036,365
Subsidy from federal government	-	839,523
Net cash provided by non-capital financing activities	<u>-</u>	<u>4,787,308</u>
Cash Flows from Investing Activities:		
Interest received from investments	<u>17,482</u>	<u>930,316</u>
Net increase in equity in cash and pooled investments	75,805	6,701,370
Equity in cash and pooled investments, beginning of year	<u>779,414</u>	<u>32,375,799</u>
Equity in cash and pooled investments, end of year	<u>\$ 855,219</u>	<u>39,077,169</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities:		
Operating gain (loss)	<u>\$ (118,710)</u>	<u>498,932</u>
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	158,005	(729,135)
Decrease in inventory	-	78,162
Increase in unearned revenue	-	254,559
Increase in accounts payable and accrued liabilities	19,066	309,754
(Decrease) in salaries payable and withholdings	(38)	(2,234)
Increase in incurred but not reported claims	-	573,708
Net cash provided by operating activities	<u>\$ 58,323</u>	<u>983,746</u>

The accompanying notes to the 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, 2012**

Exhibit 11

	<u>Agency Funds</u>
ASSETS	
Cash and pooled investments	\$ 9,911,813
Due from other governmental units	2,651,552
Total assets	<u>12,563,365</u>
LIABILITIES	
Accounts payable and accrued liabilities	12,531,335
Due to other governmental units	32,030
Total liabilities	<u>\$ 12,563,365</u>

The accompanying notes to the 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, 2012

Note 1 – Summary of significant accounting policies

A. Financial reporting entity

Prince William County Public Schools (PWCS) 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 (the County) to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCS is organized to focus on meeting the needs of its 81,635 students while managing 90 schools. The mission of PWCS is to provide a world-class education. PWCS 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. Other sources of PWCS school construction funding are Virginia Public School Authority (VPSA) bonds, Literary Fund loans, Build America (BAB) bonds, Qualified School Construction (QSCB) bonds, and cash funding. Accounting principles generally accepted in the United States of America establish PWCS as a discretely presented component unit of the County.

B. Government-wide and fund financial statements

The basic financial statements include both government-wide statements, based on the entity as a whole, and fund financial statements that focus only on the individual funds defined by PWCS. 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 division'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 requires that all of the revenues and costs of providing services each year are reported, not just those received or paid in the current year or soon thereafter. The governmental activities, which are normally supported by intergovernmental revenues, are reported separately from the business-type activities, which are generally supported by charges for services. Fiduciary funds are not included in the government-wide financial statements.

The basic financial statements include both government-wide statements where the focus is on the division as a whole and fund financial statements where the focus is on the major individual funds. In the government-wide statement of net assets, assets and liabilities are (a) presented on a consolidated basis and (b) 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 and present the governmental and business-type activities on a consolidated basis by column. PWCS reports all capital assets in the government-wide statement of net assets and reports depreciation/amortization expense - the cost of "using up" capital assets - in the statement of activities. The net assets of PWCS are broken down into three categories - 1) invested in capital assets 2) restricted, and 3) unrestricted.

Statement of activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each PWCS functional category or business-type activity. The expense of individual functions or activities is compared to the revenues generated directly by the function (instruction, general administration, etc.) or activity. 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 or business-type activity that are otherwise being supported by general government revenues.

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 or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. 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 or activity. PWCS does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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, while business-type activities and internal service funds are reported in separate columns as well.

In the fund financial statements, financial transactions and accounts of PWCS 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 governmental fund financial 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.

The proprietary funds, which are presented in the fund financial statements, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services. Revenues and expenses not meeting this criteria are reported as nonoperating revenue and expenses.

PWCS' 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 PWCS, 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, PWCS has chosen to make its budgetary comparison statement of the General Fund part of the basic financial statements. PWCS 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 PWCS 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 PWCS 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 the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PWCS considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. PWCS' primary revenues susceptible to accrual include grants, intergovernmental revenues, charges for services, and interest on investments.

For governmental funds, it is PWCS policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted resources are available. Similarly, within unrestricted resources, the policy is to expend committed amounts first, followed by assigned amounts, and then unassigned amounts for which amounts in any of those unrestricted fund balance classifications could be used. Because different measurement focuses and bases of accounting are used in the government-wide statement of net assets than in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net assets* in the statement of net assets.

PWCS reports the following major funds:

Governmental Funds:

General Fund: The *General Fund* is the operating fund of PWCS and is used to account for the revenues and expenditures necessary for the day-to-day operation of PWCS. 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 restricted or assigned financial resources to be used for the acquisition, construction, or repair of PWCS major capital facilities.

In addition to the major funds discussed above, PWCS also reports the following fund types:

Proprietary Funds:

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.

PWCS' business-type activity fund accounts for *school age child care (SACC)* services. This program provides adult supervised, high quality, affordable, before and after school care for school age children. While this service is provided by private child-care providers for the operation of the program, the school board administers the program. Revenues are derived from a flat-fee charged to the providers.

Internal service funds account for warehouse services, self-insurance, and health insurance provided to departments of PWCS on a cost reimbursement 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 expenses are predominantly a result of operations of the warehouse function.

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 PWCS. 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.

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 governor's school @ innovation park fund, the regional school fund, and the student activity fund.

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 PWCS. All PWCS funds are maintained in this account except for the School Board Student Activity Fund. Pooled cash and investments represent the majority of PWCS' 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 PWCS monthly based on PWCS' 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.

Restricted cash of \$11,917,047 consists of bond proceeds held by trustees for the funding of specific construction projects. The funds are maintained to comply with the provision of the Tax Reform Act of 1966 or as required by various bond covenants.

Cash in the student activity fund 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.

All funds deposited in accordance with the requirements of the Act are considered fully secured and are not subject to custodial credit risk.

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., bankers' acceptances, repurchase agreements, money market mutual funds, Certificates of deposit issued by qualified Virginia state depositories or under the CDARS program, the State Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP). PWCS' pro rata share of the County's pooled cash and investments was approximately 31.79% at June 30, 2012. The investments contained in the County's pool of investments are subject to investment rate and custodial credit risk.

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 or by download from their website at <http://www.pwcgov.org>.

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 PWCS' 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. PWCS 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, General Fund and Food Service inventories are offset with a nonspendable fund balance, 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 Services inventory is determined by the first-in first-out method.

Capital assets

Capital assets, which include land, buildings and improvements, equipment, vehicles, computer software and library books, are reported in the government-wide financial statements. Capital assets, with the exception of computer software are defined by PWCS as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Computer software are defined by PWCS as purchased software and software licenses with an initial, individual cost of more than \$250,000 and internally generated software with development costs of more than \$750,000 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. Utility, storm drainage, right-of-way and sight distance easements are often purchased during the construction of new schools. The easements are generally transferred to the applicable utility company or the Virginia Department of Transportation within one year of purchase.

PWCS evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) in the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by PWCS are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by PWCS are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

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 or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	2-50
Equipment	2-20
Vehicles	3-15
Intangible assets, including Computer Software	3-10
Library books	5

Compensated absences

It is PWCS' policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. In general 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.

Pollution remediation

Obligations related to pollution remediation are recognized by PWCS as a liability once the school system knows or reasonably believes that a site is polluted and commences cleanup activities, or legally obligates itself by entering into a contract to assess and commence work for asbestos abatement. A liability for pollution remediation is recorded in the government-wide statement of net assets.

Fund equity

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Restricted fund balance components include: nonspendable fund balance which represents amounts that are either not in spendable form, inventories for example, or are legally or contractually required to be maintained intact, and restricted fund balance which represents amounts that have been restricted by outside parties for use for a specific purpose. Unrestricted fund balance components include: committed fund balance which represents amounts set aside for a specific purpose through resolution by the Board; assigned fund balance which represents management's plans for amounts to be used for specific purposes, but are subject to change; and, unassigned fund balance which represents a residual classification for the general fund for amounts that have not been restricted, committed, or assigned to specific purposes. The Board approved a resolution to delegate the authority to assign fund balance to the Director of Financial Services.

Policy 304 was adopted by the Board in September of 2012 to establish and maintain a minimum unassigned fund balance of 1.5% of the current fiscal year's General Fund revenue. Management determined this minimum fund balance will be established incrementally over a four year period by setting aside 25% of 1.5% of the current fiscal year's General Fund revenue effective fiscal year 2012.

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 restricted, committed, or

assigned fund balance, depending on the governmental fund, since they do not constitute expenditures or liabilities. Encumbrances are normally re-appropriated each year by County Board resolution.

Commitments

At June 30, 2012 PWCS had contractual commitments of \$17,523,643 in the General Fund, \$81,910,360 in the Construction fund for construction of various projects, and \$168,013 in the Other Governmental Funds. The Construction fund commitments exceed the total fund balance. This is a result of timing of bond issuances.

E. Reclassifications

Certain reclassifications have been made to the FY 2011 financial statements in order to conform to the FY 2012 presentation.

F. Governmental Accounting Standards Board (GASB) pronouncements

PWCS has implemented the following GASB pronouncements during the fiscal year June 30, 2012:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations;
2. Accounting Principles Board Opinions;
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB has issued several statements with effective implementation dates later than June 30, 2012. The statements deemed to have a future impact on PWCS are as follows:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement is effective for periods beginning after December 15, 2011. PWCS is prepared to implement this statement during the next fiscal year.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. PWCS is in the process of completing their assessment of GASB Statement No. 65, and does not believe the implementation will have a material impact on the financial statements of the Schools.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62*. This statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. PWCS is in the process of completing their assessment of GASB Statement No. 66, and does not believe the implementation will have a material impact on the financial statements of the Schools.

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent

arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This statement is effective for periods beginning after June 15, 2013. PWCS is in the process of completing their assessment of GASB Statement No. 67.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for periods beginning after June 15, 2014. PWCS is in the process of completing their assessment of GASB Statement No. 68.

G. Subsequent Events

The Schools has evaluated subsequent events (events occurring after June 30, 2012 through date of the Report of Independent Auditors) in accordance with the preparation of these financial statements. Such events have been disclosed in Note 11.

Note 2 – Stewardship, compliance, and accountability

A. Budgetary information

The *Code of Virginia* requires the appointed superintendent of PWCS 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 PWCS. 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 PWCS staff and then adopted by the School Board. The approved budget is the basis for operating PWCS 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. PWCS uses the modified accrual basis of accounting in budgeting for governmental funds. The budgets are on a basis consistent with generally accepted accounting principles (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. Legal control is placed at the government-wide level of PWCS and administrative control is placed at the department level. Amendments that change the total level of expenditures require the approval of the School Board and County Board of Supervisors.

B. Excess of expenditures over appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the General Fund for Pupil transportation and Operations. Excess budget in other functions covered the shortfall in the aforementioned functional areas. In addition, expenditures exceeded appropriations in the Food Services Fund by \$2,705,493. These excess expenditures were funded by greater than anticipated revenues.

Note 3 – Receivables, due to and due from other governmental units, and unearned revenue

Receivables and due from other governments at June 30, 2012 for PWCS' individual major funds, non major, internal service, enterprise, and fiduciary funds, in the aggregate, are as follows (all receivables are considered fully collectable and, therefore, an allowance for uncollectible accounts is not recorded).

	General Fund	Construction Fund	Non Major Funds	Internal Service	Enterprise	Fiduciary	Total
Other receivables	\$ 285,604	50,706	353,128	1,310,245	2,093	-	2,001,776
Federal	7,255,618	-	3,137,619	-	-	-	10,393,237
State	12,874,953	-	-	-	-	-	12,874,953
County	326,726	-	-	-	-	-	326,726
Other localities	-	-	-	-	-	2,651,552	2,651,552
Total	\$ 20,742,901	50,706	3,490,747	1,310,245	2,093	2,651,552	28,248,244

Amounts due from the Federal government in the General Fund are attributed primarily to Titles VI B, I, II, and III grants, as well as the Carl Perkins grant. Title I, II, and III programs enhance instruction and train and recruit teachers while Title VI B helps provide special education and related services. The Carl Perkins grant focuses on academic achievement of career and technical education students.

A significant portion of the receivable from the Commonwealth of Virginia in the General Fund is attributed to state sales taxes due to the PWCS. The Virginia Retail Sales and Use Tax Act requires one and one eighth out of every five cents collected in state sales tax to be distributed to school divisions.

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, 2012, deferred revenue is recorded in the General Fund for the additional County revenue for PWCS' share of the FY 2012 revenues that exceeded the original FY 2012 revenue projections, a return of excess fund balance from the County, and/or excess revenue received for the cable franchise fees agreement. The net amount for FY 2012 was \$326,726.

Governmental activities report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue were as follows:

<u>Governmental Activities</u>	Unearned
Food Service Fund – USDA commodities and other unearned revenue	\$ 1,031,142
General Fund – prepaid tuition or fees and other unearned revenue	369,557
Governmental Funds	1,400,699
Health Insurance Fund (internal service fund) – prepaid health insurance premium	5,984,451
Total	\$ 7,385,150

Due to other governments at June 30, 2012 for PWCS' individual major fund and fiduciary fund are as follows:

	General Fund	Fiduciary
Other localities	\$	32,030
County	188,247	
Total	\$ 188,247	32,030

Note 4 – Interfund receivables, payables, and transfers

During the current year, PWCS had interfund receivables, payables between the following funds:

Due to other funds:	
Warehouse Fund	
Due from other funds:	_____
General Fund	\$ 424,144
Total	<u>\$ 424,144</u>

Interfund balances are generally made for the purpose of providing operational support for the receiving fund. At the end of each fiscal year, the Warehouse Fund must make purchases in advance of the sale in order to have all items in place prior to the start of the following school year. Therefore, a timing difference between the purchase and the sale of inventory exists between the General Fund and the Warehouse Fund.

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

Transfers In:			
	General Fund	Construction Fund	Health Insurance Fund
Transfers Out:	_____	_____	_____
General Fund	\$ -	8,143,312	4,036,365
Construction Fund	<u>1,000,000</u>	-	-
Total	<u>\$1,000,000</u>	<u>8,143,312</u>	<u>4,036,365</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$8,143,312 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications. The General Fund transfer of \$4,000,000 to the Health Insurance Fund represents funds contributed to the Prince William County Other Post Employment Benefits trust fund.

Note 5 – Long-term liabilities

A. Long-term debt

PWCS is a component unit of Prince William County. As such, PWCS 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 PWCS. PWCS initiates payments each year to defer the County’s cost of this debt. Detail of general obligation, VPSA, literary debt, Build America (BAB) bonds, and Qualified School Construction (QSCB) bonds issued for PWCS can be found in the County’s Comprehensive Annual Financial Report.

B. Compensated absences

Employees of PWCS 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, as well as a portion of unused sick 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, 2012 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 Services Fund.

Changes in liability for compensated absences for the year ended June 30, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 27,941,081	9,102,814	(9,059,683)	27,984,212	9,581,992

C. Pollution remediation

PWCS incurs pollution remediation obligations in the form of asbestos abatement upon renovation of various buildings. PWCS legally obligates itself to commence work related to asbestos abatement upon issuance of purchase orders to various asbestos abatement contractors. PWCS calculates and recognizes a liability based on outstanding commitments related to asbestos abatement at fiscal year end. The cost of asbestos abatement is not recoverable.

The current portion of pollution remediation is included in long-term liabilities in the government-wide statement of net assets. Liabilities for pollution remediation are liquidated by the General Fund and the Construction Fund.

Changes in liability for pollution remediation for the year ended June 30, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Pollution Remediation	\$ 1,069,207	-	(437,411)	631,796	631,796

Note 6 – Self-insurance funds

PWCS 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 PWCS carries commercial insurance. PWCS 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.

PWCS 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 PWCS insurance program. An employee may choose either the HMO plan called "Healthkeepers", or one of the two PPO plans offered, "KeyCare Enhanced" or the "KeyCare Core". 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, 2012 PWCS incurred \$61,709,183 in self-insured health insurance claims.

Liabilities of the funds 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. PWCS Self-Insurance, covering the risks of loss, has \$400,000 per occurrence retention and purchases excess insurance coverage which covers individual claims with a \$75,000,000 limit. There have been no significant reductions in insurance coverage in the prior year, and settlements have not exceeded coverage for each of the past three fiscal years.

The following illustration presents a reconciliation of the changes in the aggregate liabilities for claims for the current and prior years. These claims liabilities are included in Long-term liabilities in the government-wide statement of net assets.

Changes in aggregate liabilities for claims are as follows:

	Health Insurance	Self-Insurance
Unpaid Claims June 30, 2010	\$ 5,995,102	2,914,244
Incurring Claims	54,705,188	1,839,982
Claims Paid	54,537,051	1,413,993
Unpaid Claims June 30, 2011	6,163,239	3,340,233
Incurring Claims	61,709,183	1,234,303
Claims Paid	60,996,653	1,373,125
Unpaid Claims June 30, 2012	\$ 6,875,769	3,201,411

Unpaid claims, compensated absences and pollution remediation reconcile to the statement of net assets as follows:

	Health Insurance Fund	Self-Insurance Fund	Compensated Absences	Pollution Remediation	Total
Due within one year	\$6,875,769	965,454	9,581,992	631,796	18,055,011
Due in more than one year	-	2,235,957	18,402,220	-	20,638,177
Total	\$6,875,769	3,201,411	27,984,212	631,796	38,693,188

Note 7 – Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 64,009,639	3,238,500	-	67,248,139
Construction in Progress	69,323,089	53,594,079	(81,501,112)	41,416,056
Total capital assets, not being depreciated	133,332,728	56,832,579	(81,501,112)	108,664,195
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,118,831,021	79,483,626	(748,086)	1,197,566,561
Library books	3,583,561	973,047	(833,470)	3,723,138
Equipment	31,260,843	3,923,606	(336,817)	34,847,632
Intangibles	-	2,189,314	-	2,189,314
Vehicles	73,807,088	8,823,089	(4,220,924)	78,409,253
Total capital assets being depreciated/amortized	1,227,482,513	95,392,682	(6,139,297)	1,316,735,898
Less accumulated depreciation/amortization for:				
Buildings and improvements	262,063,522	23,525,141	(7,419)	285,581,244
Library books	2,199,817	744,628	(833,470)	2,110,975
Equipment	14,016,531	2,702,542	(236,863)	16,482,210
Intangibles	-	286,696	-	286,696
Vehicles	42,299,876	5,511,192	(4,039,171)	43,771,897
Total accumulated depreciation/amortization	320,579,746	32,770,199	(5,116,923)	348,233,022
Total capital assets, being depreciated/amortized, net	906,902,767			968,502,876
Capital assets, net	\$1,040,235,495			1,077,167,071

Depreciation/amortization expense was charged to functions/programs as follows:

Instruction	
Regular	\$ 23,705,894
Special	245,586
Other	49,262
Support Services	
General administration	998,071
Student services	8,789
Curricular/staff development	11,438
Pupil transportation	5,672,611
Operations	45,207
Maintenance	117,704
Central business services	1,882,086
Food service	<u>33,551</u>
Total depreciation/amortization expense	<u>\$ 32,770,199</u>

Note 8 – Contingent liabilities

PWCS 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 PWCS' 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:

PWCS contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. VRS 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 of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding policy:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. PWCS has assumed this member contribution for both the professional and non-professional groups. Additionally, PWCS is required to contribute the remaining amounts necessary to fund its participation in VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. PWCS' non-professional contribution rate for the fiscal year ended 2012 was 11.65% of annual covered payroll. The professional employer and employee contributions to the VRS for the three years ended June 30, 2012, 2011, and 2010 were \$56,300,212, \$37,815,837, and \$49,261,400, respectively, and were equal to the required contributions for each year. The contribution rates for the professional group were; 5.00% employee, 6.33% employer, 5.00% employee, 3.93% employer, and 5.00% employee, 8.81% employer for the first nine months and 0% for the last three months of the fiscal year, respectively for the years 2012, 2011, and 2010.

Annual pension cost:

The following illustration summarizes the required three-year trend information for the PWCS non-professional agent multiple-employer retirement plan. For the fiscal year ended June 30, 2012, PWCS' annual pension cost of \$5,791,578 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for PWCS

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation (NPO)
	Employer Portion	Employee Portion paid by employer		
June 30, 2010	\$ 4,104,500	\$ 2,472,590	100%	\$ -
June 30, 2011	3,206,394	2,410,822	100	-
June 30, 2012	3,305,923	2,485,656	100	-

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement

offices, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both (a) and (b) also include an inflation component of 2.50%. The actuarial value of PWCS' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. PWCS' 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, 2009 for the unfunded actuarial accrued liability (AAL) was 20 years.

Funding status and funding progress:

As of June 30, 2011, the most recent actuarial valuation date, the non-professional agent multiple-employer retirement plan was 82.36% funded. The actuarial accrued liability for benefits was \$151,882,495 and the actuarial value of assets was \$125,094,738, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,787,757. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal year ended June 30, 2011 was \$49,045,583 and the ratio of the UAAL to covered payroll was 54.62%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

B. VRS Health Insurance Credit

Plan description:

The VRS Health Insurance Credit Program is a single-employer, defined benefit postemployment health insurance credit plan. Retirees who have 15 or more years of creditable VRS service are granted the option to participate in the VRS Health Insurance Credit Program by paying 100 percent of their monthly health insurance premium less a \$1.50 per month per year of service for a maximum health insurance credit of \$45.00 from the VRS. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend the benefit provisions to the General Assembly of Virginia. As of the end of the current fiscal year, there were 3,347 retirees receiving health insurance credits from the VRS. The health insurance credit program is financed by payments from Prince William County Public Schools for all active employees to the VRS. For fiscal year ended June 30, 2012, the contribution made by PWCS was \$2,760,779. The surplus funds are not considered advance funded because PWCS, 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.

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 P.O. Box 2500, Richmond, Virginia 23218-2500 or by download from their website at <http://www.varetire.org>.

Funding policy and annual benefit contribution:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute an actuarial percentage of their annual reported compensation to the VRS for the retiree health insurance credit. PWCS has assumed this contribution. In addition, PWCS 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 VRS Board of Trustees. PWCS' required contribution rate for the fiscal year ended June 30, 2012 was .26% of annual covered payroll (annual payroll of non-professional active employees covered by the plan).

Actuarial methods and assumptions:

The required contributions for PWCS were determined as part of an actuarial valuation performed as of June 30, 2010 using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2010 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PWCS' assets is equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the 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, 2010 was 26 years.

Trend information:

The School Board's annual benefit cost (ABC), the percentage of annual benefit cost contributed to the plan, and the net benefit obligation for the year ended June 30, 2012 for the non-professional employee group were as follows:

Fiscal Year Ending	Annual Benefit Cost (ABC) – Employer Portion	Percentage of ABC Contributed	Net Benefit Obligation
June 30, 2010	\$ 3,421,811	100%	\$ -
June 30, 2011	2,665,633	100	-
June 30, 2012	2,760,779	100	-

Funding status and funding progress:

As of June 30, 2011, the most recent actuarial valuation date, the VRS health insurance credit program was 47.10% funded. The actuarial accrued liability for benefits was \$1,753,339 and the actuarial value of assets was \$825,798, resulting in an unfunded actuarial accrued liability (UAAL) of \$927,541. The covered payroll for the fiscal year ended June 30, 2011 was \$49,045,583 and the ratio of the UAAL to covered payroll was 1.89%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Supplemental Retirement Plan

PWCS offers a tax deferred compensation supplemental pension plan (TDC) to all employees in the form of a single-employer defined contribution plan administered by Lincoln Financial Group. The plan provisions were established under the authority of the School Board. Any amendments to the plan must be approved by the School Board. Employees are eligible to participate in the plan immediately upon employment or anytime thereafter.

PWCS contributes money on the eligible employee's behalf to purchase annuities after the employee has completed one (1) year of service with PWCS. The School Board's contribution increases each time an employee has completed three (3), five (5), ten (10), and fifteen (15) years of service. At the end of the current year, the cap on the employer contribution was \$3,614 per employee. The total employer contribution for fiscal year 2012 was \$4,080,553.96. Substitute and temporary employees who participate in the TDC plan are not eligible to receive the employer matching contribution.

Note 10 – Other postemployment benefits (OPEB)

A. OPEB Master Trust Fund

Plan description:

PWCS contributes to the Prince William County Other Post Employment Benefits trust fund (OPEB Master Trust), an agent multiple-employer defined benefit postemployment benefits trust fund, administered by Prince William County. OPEB Master Trust was established by the Prince William County Board of County Supervisors (BOCS) on June 23, 2009 by BOCS Res. 09-544 to provide funding for benefit payments on behalf of retiree and Consolidated Omnibus Budget Reconciliation Act (COBRA) participants. On June 30, 2009, funds were transferred into three separate trust fund sub-accounts for the County, the Prince William County Park Authority, and PWCS. Although the assets of the Trust fund are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance to the terms of the Trust Agreement.

Employer contributions to the OPEB Master Trust are irrevocable. Plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Trust agreement. Plan assets are legally protected from creditors of the Employers or Plan Administrators.

Prince William County issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the OPEB Master Trust. A copy of that report may be obtained by writing Prince William County at 1 County Complex Court, Prince William, Virginia 22192 or by download from their website at <http://www.pwcgov.org>.

The following is a summary of fiduciary net assets of the OPEB Master Trust as of June 30, 2012:

Summary of Fiduciary Net Assets				
As of June 30, 2012				
(in thousands)				
	County	Park Authority	PWCS	Total OPEB Master Trust Fund
ASSETS				
Restricted cash	\$ 1	-	1	2
Restricted investments, at fair value	16,911	803	13,672	31,386
Total assets	16,912	803	13,673	31,388
LIABILITIES				
Accounts payable	2,588	(6)	6	2,588
Total liabilities	2,588	(6)	6	2,588
NET ASSETS				
Held in trust for other post employment benefits	\$ 14,324	809	13,667	28,800

The following is a summary of changes in fiduciary net assets of the OPEB Master Trust for the year ended June 30, 2012:

Summary of Changes in Fiduciary Net Assets				
For the Year Ended June 30, 2012				
(in thousands)				
	County	Park Authority	PWCS	Total OPEB Master Trust Fund
ADDITIONS				
Interest and dividends	\$ 368	17	316	701
Increase/(decrease) in fair value of investments	362	17	301	680
Employer contributions	5,387	195	1,985	7,567
Total Additions	6,117	229	2,602	8,948
DEDUCTIONS				
Other post employment benefit payments	2,608	(4)	23	2,627
Total Deductions	2,608	(4)	23	2,627
Change in net assets	3,509	233	2,579	6,321
NET ASSETS, beginning of year	10,815	576	11,088	22,479
NET ASSETS, end of year	\$ 14,324	809	13,667	28,800

Summary of significant accounting policies:

Basis of Accounting. OPEB Master Trust's financial statements are prepared by the County using the accrual basis of accounting. Plan members do not contribute directly to OPEB Master Trust Fund but pay their respective employers 100% of published blended rates for premium plans. Each Employer may contribute to the Trust such amounts as it deems appropriate to pre-fund and/or pay benefits provided under a Plan it sponsors. An Employer is not obligated by the Trust Agreement to make any contributions. Therefore, contributions are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Trust Agreement.

Method Used to Value Investments. Investments are reported at fair value, which for OPEB Master Trust is determined by the mean and most recent bid and asked prices as obtained from dealers that make market in such securities. Securities for which market quotations are not readily available are valued at fair value as determined by the custodian under the direction of the OPEB Master Trust Finance Board (Trustees) with assistance of a valuation service.

Contribution information:

As of July 1, 2010, the latest actuarial valuation date, membership in the OPEB Master Trust for PWCS' Retiree Health Insurance Premium Plan is as follows:

Active Plan Members	10,017
Retirees and beneficiaries receiving benefits	455
Terminated plan members entitled to but not yet receiving benefits	-

Concentrations:

Permissible asset classes, shown with target investment percentages, include: domestic equity (32%); international equity (20%); REIT (5%); inflation hedged (5%); fixed income (38%). For equities not more than 4% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 5% of those outstanding. Not more than 20% of stock, valued at market, may be held in any one industry category. The emerging markets allocation, if any, should be limited to 10% of the total portfolio. Fixed income securities of any one issuer shall not exceed 10% of the total bond portfolio. This does not apply to issues of the U.S. Treasury, Federal Agencies or to debt issued by any issuer containing a full U.S. government guarantee. Not counting specific direct hedging transactions, gross investments in commodities, options, futures, and foreign exchange cannot exceed 8% of the total portfolio. There are no investments in any of these categories as of June 30, 2012. Additionally, the OPEB Finance Board has directed the County's Treasury Management division to move funds to the investment manager (PFM) over time to essentially dollar-cost-average into the equity market. Until those funds are deployed, they are invested in relatively short-term investments consistent with the type of investments the County includes in its own portfolio. At June 30, 2012, the OPEB Master Trust Fund's investments were in money market, bond, and equity mutual funds and therefore, not subject to concentration of credit risk.

B. Prince William County Public Schools retiree health insurance premium plan

Plan description:

Other postemployment benefits provided by PWCS include a single-employer defined benefit self-insurance medical plan and a retiree health insurance premium contribution plan that cover retirees until they reach 65 years of age. There is no coverage for retirees or their spouses once they attain age 65. Both plans were established under the authority of the School Board. Any amendments to the plans must be approved by the School Board.

The PWCS single-employer self-insurance medical plan allows retirees under age 65 to remain in the same medical and dental plan as active employees. Membership as of June 30, 2012 is 405.

The PWCS retiree health insurance premium contribution plan allows eligible retirees to have the option to exchange their accrued, unused sick leave for a School Board contribution to offset the cost of the PWCS health insurance premiums in retirement. The retiring employee must be between the ages of 55 and 65, have a minimum of 125 days of accrued sick leave, be currently enrolled in the PWCS group health insurance plan, and meet the service requirements to participate in the PWCS Retirement Opportunity Program.

The School Board will pay between 25 to 100 percent of the amount contributed by retirees who enrolled in the school division's post-retirement medical plan depending on the number of sick leave days exchanged. The plan became effective on July 1, 2000. Membership as of June 30, 2012 is 180.

Summary of significant accounting policies:

Postemployment healthcare expenses, depending on the number of sick leave days exchanged, are made from the Health Insurance Fund, which is maintained on the full accrual basis of accounting. These expenses are paid as they come due

Funding policy:

The School Board establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The School Board currently pays benefits on a pay-as-you-go basis. The School Board contributed \$2,000,000 to the OPEB Master Trust Fund to fund the current year liability. Plan members received \$3,666,847 in benefits and

contributed \$4,490,325 in premiums, resulting in net benefits paid by the School Board of \$1,176,521 for the year ended June 30, 2012.

Annual OPEB cost and net OPEB obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 7,645,393
Interest on net OPEB obligation	(187,371)
Adjustment to annual required contribution	(2,321,097)
Annual OPEB cost (expense)	<u>5,136,925</u>
Employer contributions:	
To OPEB Master Trust	(2,000,000)
Subsidies paid under Plan on behalf of retirees	(1,971,230)
Total Employer contributions	<u>(3,971,230)</u>
Decrease in net OPEB asset obligation	1,165,695
Net OPEB asset, beginning of year	(2,676,729)
Net OPEB asset, end of year	<u>\$ (1,511,034)</u>

Trend information:

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	\$ 5,043,930	100.7%	\$ (2,676,729)
June 30, 2011	6,785,771	100.0	(2,676,729)
June 30, 2012	5,136,925	77.3	(1,511,034)

Funded status and funding progress:

As of July 1, 2010, the most recent actuarial valuation date, the plan was 12 percent funded. For the year ended June 30, 2012, the estimated actuarial accrued liability for benefits was \$70,230,942, and the actuarial value of assets was \$13,672,786, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,558,156. For the fiscal year ended June 30, 2012, the covered payroll (annual payroll of active employees covered by the plan) was \$546,625,854, and the ratio of the UAAL to the covered payroll was 10.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the

historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after six years. Both rates include a 2.5 percent inflation assumption. The actuarial value of assets is based on the current market value of the investments held in the OPEB Trust as of the valuation date. The UAAL is being amortized as a percentage of projected payroll of 2.5 percent based on a zero population growth assumption. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2010, was 29 years.

Note 11 – Subsequent events

An election was held by the School Board on November 7, 2012 to select a member for the Occoquan District seat. Mrs. Lillie Jessie, former principal of Vaughan Elementary School was elected and subsequently sworn in following the official certification by election officials to serve a four-year term effective immediately. Also, on November 7, 2012, School Board member Mrs. Denita S. Ramirez of the Woodbridge District announced her resignation effective November 30, 2012. The Board will solicit applications for an interim member from the Woodbridge District, who will be appointed by the Board to serve until a special election is held next year.

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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 PWCS Non-Professional Employee Group**

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
2007	\$ 93,336,253	\$ 109,664,238	\$ 16,327,985	85.11%	\$ 48,077,577	33.96%
2008	111,104,708	120,094,902	8,990,194	92.51	49,524,997	18.15
2009	116,465,974	126,869,954	10,403,979	91.80	49,331,503	21.09
2010	120,585,801	143,319,543	22,733,742	84.14	49,748,192	45.70
2011	125,094,738	151,882,495	26,787,757	82.36	49,045,583	54.62

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

**Virginia Retirement System Health Insurance Credit Program
Schedule of Funding Progress for PWCS Non-Professional Employee Group**

Actuarial Valuation Date June 30,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	\$ 452,820	\$ 1,401,970	\$ 949,150	32.30%	\$ 49,331,503	1.92%
2010	655,202	1,604,168	948,966	40.84	49,748,192	1.91
2011	825,798	1,753,339	927,541	47.10	49,045,583	1.89

A schedule of funding progress for the Retiree Health Insurance Premium plan is provided in the illustration below:

**Prince William County Schools Retiree Health
Insurance Premium Plan
Schedule of Funding Progress**

Actuarial Valuation Date July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2006	\$ -	\$32,965,000	\$32,965,000	0.00%	\$444,898,029	6.6%
2008	-	38,645,301	38,645,301	0.00	461,618,497	8.4
2010	7,072,002	60,171,990	53,099,988	12.00	484,987,933	11.0

A schedule of employer contributions for the Virginia Retirement System Health Insurance Credit Program is provided in the illustration below:

Virginia Retirement System Health Insurance Credit Program
Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 3,421,811	100.0%
2011	2,665,633	100.0
2012	2,760,779	100.0

A schedule of employer contributions for the Post-retirement Medical and the Retiree Health Insurance Premium Contribution plan is provided in the illustration below:

Prince William County Schools Post-retirement Medical and Retiree Health
Insurance Premium Contribution Plan
Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 5,064,760	100.7%
2011	7,267,732	93.4
2012	7,645,393	51.9

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Supplementary Information

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Other Governmental Funds

Special Revenue Funds

Food Services Fund – The Food Services 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 PWCS 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, 2012

Schedule 1

	Food Services Fund	Facilities Use Fund	Total Other Governmental Funds
ASSETS			
Equity in cash and pooled investments	\$ 16,057,026	2,692,587	18,749,613
Accounts receivable	216,721	136,407	353,128
Due from other governmental units	3,137,619	-	3,137,619
Inventory	1,148,707	-	1,148,707
Total assets	<u>20,560,073</u>	<u>2,828,994</u>	<u>23,389,067</u>
LIABILITIES and FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	517,385	9,814	527,199
Salaries payable and withholdings	513,463	32,099	545,562
Unearned revenue	1,031,142	-	1,031,142
Total liabilities	<u>2,061,990</u>	<u>41,913</u>	<u>2,103,903</u>
Fund Balances:			
Nonspendable:			
Inventory	1,148,707	-	1,148,707
Restricted:			
Food services	17,349,376	-	17,349,376
Committed:			
Community service operations	-	2,787,081	2,787,081
Total fund balances	<u>18,498,083</u>	<u>2,787,081</u>	<u>21,285,164</u>
Total liabilities and fund balances	<u>\$ 20,560,073</u>	<u>2,828,994</u>	<u>23,389,067</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, 2012

Schedule 2

	<u>Food Services Fund</u>	<u>Facilities Use Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES:			
Use of money and property:			
Use of money - interest	\$ 290,864	55,361	346,225
Use of property	-	920,886	920,886
Charges for services	18,026,753	265,741	18,292,494
Intergovernmental:			
Federal	19,313,989	-	19,313,989
State	632,492	-	632,492
Miscellaneous	390,912	-	390,912
Total revenues	<u>38,655,010</u>	<u>1,241,988</u>	<u>39,896,998</u>
EXPENDITURES:			
Current:			
Community service operations	-	1,205,036	1,205,036
Food services	36,582,201	-	36,582,201
Total expenditures	<u>36,582,201</u>	<u>1,205,036</u>	<u>37,787,237</u>
Excess of revenues over expenditures	2,072,809	36,952	2,109,761
FUND BALANCES, beginning of year	16,425,274	2,750,129	19,175,403
FUND BALANCES, end of year	<u>\$ 18,498,083</u>	<u>2,787,081</u>	<u>21,285,164</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, 2012

Schedule 3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 250,000	250,000	290,864	40,864
Charges for services	16,250,366	16,250,366	18,026,753	1,776,387
Intergovernmental:				
Federal	16,157,042	16,157,042	19,313,989	3,156,947
State	497,879	497,879	632,492	134,613
Miscellaneous	474,200	474,200	390,912	(83,288)
Total revenues	<u>33,629,487</u>	<u>33,629,487</u>	<u>38,655,010</u>	<u>5,025,523</u>
EXPENDITURES:				
Current:				
Food services	34,044,720	33,876,708	36,582,201	(2,705,493)
Total expenditures	<u>34,044,720</u>	<u>33,876,708</u>	<u>36,582,201</u>	<u>(2,705,493)</u>
Excess (deficiency) of revenues over (under) expenditures	(415,233)	(247,221)	2,072,809	2,320,030
FUND BALANCES, beginning of year	16,425,274	16,425,274	16,425,274	-
FUND BALANCES, end of year	<u>\$ 16,010,041</u>	<u>16,178,053</u>	<u>18,498,083</u>	<u>2,320,030</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, 2012

Schedule 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 35,000	35,000	55,361	20,361
Use of property	1,138,726	1,138,726	920,886	(217,840)
Charges for services	234,974	234,974	265,741	30,767
Total revenues	<u>1,408,700</u>	<u>1,408,700</u>	<u>1,241,988</u>	<u>(166,712)</u>
EXPENDITURES:				
Current:				
Community service operations	1,727,886	1,440,314	1,205,036	235,278
Total expenditures	<u>1,727,886</u>	<u>1,440,314</u>	<u>1,205,036</u>	<u>235,278</u>
Excess (deficiency) of revenues over (under) expenditures	(319,186)	(31,614)	36,952	68,566
FUND BALANCES, beginning of year	2,750,129	2,750,129	2,750,129	-
FUND BALANCES, end of year	<u>\$ 2,430,943</u>	<u>2,718,515</u>	<u>2,787,081</u>	<u>68,566</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 expenses are predominantly a result of operations of the warehouse function.

Self-Insurance Fund – 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 Fund – PWCS 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, 2012

Schedule 5

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ -	7,920,606	31,156,563	39,077,169
Accounts receivable and other current assets	-	21,546	1,288,699	1,310,245
Inventory	1,062,572	-	-	1,062,572
Deposits	-	500,000	-	500,000
Total current assets	<u>1,062,572</u>	<u>8,442,152</u>	<u>32,445,262</u>	<u>41,949,986</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	121,328	22,235	446,456	590,019
Unearned revenue	-	-	5,984,451	5,984,451
Due to other funds	424,144	-	-	424,144
Incurred but not reported claims	-	965,454	6,875,769	7,841,223
Total current liabilities	<u>545,472</u>	<u>987,689</u>	<u>13,306,676</u>	<u>14,839,837</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	2,235,957	-	2,235,957
Total liabilities	<u>545,472</u>	<u>3,223,646</u>	<u>13,306,676</u>	<u>17,075,794</u>
NET ASSETS				
Unrestricted	<u>\$ 517,100</u>	<u>5,218,506</u>	<u>19,138,586</u>	<u>24,874,192</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, 2012

Schedule 6

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 4,552,947	3,290,152	72,836,053	80,679,152
Total operating revenues	<u>4,552,947</u>	<u>3,290,152</u>	<u>72,836,053</u>	<u>80,679,152</u>
OPERATING EXPENSES:				
Personnel services	-	386,489	501,293	887,782
Materials/supplies	-	4,468	141,686	146,154
Administrative costs	-	77,181	3,668,656	3,745,837
Premiums	-	1,800,940	4,042,941	5,843,881
Claims and benefits paid	-	-	63,709,183	63,709,183
Losses and unallocated loss adjustment	-	1,291,386	-	1,291,386
Cost of goods sold	4,555,997	-	-	4,555,997
Total operating expenses	<u>4,555,997</u>	<u>3,560,464</u>	<u>72,063,759</u>	<u>80,180,220</u>
Operating gain (loss)	<u>(3,050)</u>	<u>(270,312)</u>	<u>772,294</u>	<u>498,932</u>
NON-OPERATING REVENUE:				
Intergovernmental:				
Federal	-	-	839,523	839,523
Interest and miscellaneous	-	181,558	734,582	916,140
Total non-operating revenues	<u>-</u>	<u>181,558</u>	<u>1,574,105</u>	<u>1,755,663</u>
Gain (loss) before transfers	(3,050)	(88,754)	2,346,399	2,254,595
Transfers In	<u>-</u>	<u>-</u>	<u>4,036,365</u>	<u>4,036,365</u>
Change in net assets	(3,050)	(88,754)	6,382,764	6,290,960
NET ASSETS, beginning of year	<u>520,150</u>	<u>5,307,260</u>	<u>12,755,822</u>	<u>18,583,232</u>
NET ASSETS, end of year	<u>\$ 517,100</u>	<u>5,218,506</u>	<u>19,138,586</u>	<u>24,874,192</u>

Prince William County Public Schools
 Combining Statement of Cash Flows
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2012

Schedule 7

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,552,947	3,290,569	72,361,060	80,204,576
Payments to suppliers for goods and services	(4,464,367)	(3,462,782)	(70,403,665)	(78,330,814)
Payments to employees	-	(386,939)	(503,077)	(890,016)
Net cash provided (used) by operating activities	<u>88,580</u>	<u>(559,152)</u>	<u>1,454,318</u>	<u>983,746</u>
Cash Flows from Non-capital Financing Activities:				
Advances from other funds	(88,580)	-	-	(88,580)
Transfers from other funds	-	-	4,036,365	4,036,365
Subsidy from federal government	-	-	839,523	839,523
Net cash provided (used) by non-capital financing activities	<u>(88,580)</u>	<u>-</u>	<u>4,875,888</u>	<u>4,787,308</u>
Cash Flows from Investing Activities:				
Interest received from investments	-	192,502	737,814	930,316
Net increase (decrease) in equity in cash and pooled investments	-	(366,650)	7,068,020	6,701,370
Equity in cash and pooled investments, beginning of year	-	8,287,256	24,088,543	32,375,799
Equity in cash and pooled investments, end of year	<u>\$ -</u>	<u>7,920,606</u>	<u>31,156,563</u>	<u>39,077,169</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating gain (loss)	\$ (3,050)	(270,312)	772,294	498,932
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	417	(729,552)	(729,135)
Decrease in inventory	78,162	-	-	78,162
Increase in unearned revenue	-	-	254,559	254,559
Increase (decrease) in accounts payable and accrued liabilities	13,468	(149,985)	446,271	309,754
(Decrease) in salaries payable and withholdings	-	(450)	(1,784)	(2,234)
Increase (decrease) in incurred but not reported claims	-	(138,822)	712,530	573,708
Net cash provided (used) by operating activities	<u>\$ 88,580</u>	<u>(559,152)</u>	<u>1,454,318</u>	<u>983,746</u>

Agency Funds

The Governor's School @ Innovation Fund – The Governor's School Fund was established in 2009 and participants include Prince William County, Manassas, and Manassas Park. PWCS holds the funds for this Program and is responsible for the receipt and disbursement of said funds.

Regional School Fund – The Regional School Fund was established in 1996 and participants include Prince William County, Manassas, and Manassas Park. PWCS holds the funds for this Program and is responsible for the receipt and disbursement of said funds.

Student Activity Fund – The Student Activity Fund accounts for independent activity funds held by elementary and secondary schools for student groups by PWCS.

Prince William County Public Schools
 Combining Statement of Assets and Liabilities
 Agency Funds
 As of June 30, 2012

Schedule 8

	<u>Governor's School @ Innovation Park</u>	<u>Regional School Fund</u>	<u>Student Activity Fund</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and pooled investments	\$ 227,127	3,131,172	6,553,514	9,911,813
Due from other governmental units	-	2,651,552	-	2,651,552
Total assets	<u>227,127</u>	<u>5,782,724</u>	<u>6,553,514</u>	<u>12,563,365</u>
LIABILITIES				
Accounts payable and accrued liabilities	195,097	5,782,724	6,553,514	12,531,335
Due to other governmental units	32,030	-	-	32,030
Total liabilities	<u>\$ 227,127</u>	<u>5,782,724</u>	<u>6,553,514</u>	<u>12,563,365</u>

Prince William County Public Schools
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

Schedule 9

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Governor's School @ Innovation Park				
ASSETS				
Cash and pooled investments	\$ 342,368	1,078,901	1,194,142	227,127
Due from other governmental units	-	-	-	-
Total assets	<u>342,368</u>	<u>1,078,901</u>	<u>1,194,142</u>	<u>227,127</u>
LIABILITIES				
Accounts payable and accrued liabilities	114,803	1,046,871	966,577	195,097
Due to other governmental units	227,565	32,030	227,565	32,030
Total liabilities	<u>\$ 342,368</u>	<u>1,078,901</u>	<u>1,194,142</u>	<u>227,127</u>
Regional School Fund				
ASSETS				
Cash and pooled investments	\$ 2,900,169	35,854,761	35,623,758	3,131,172
Due from other governmental units	2,351,260	2,651,552	2,351,260	2,651,552
Total assets	<u>5,251,429</u>	<u>38,506,313</u>	<u>37,975,018</u>	<u>5,782,724</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 5,251,429</u>	<u>38,506,313</u>	<u>37,975,018</u>	<u>5,782,724</u>
Student Activity Fund				
ASSETS				
Cash and pooled investments	<u>\$ 6,619,406</u>	<u>13,427,575</u>	<u>13,493,467</u>	<u>6,553,514</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 6,619,406</u>	<u>13,427,575</u>	<u>13,493,467</u>	<u>6,553,514</u>
Total Agency Funds				
ASSETS				
Cash and pooled investments	\$ 9,861,943	50,361,237	50,311,367	9,911,813
Due from other governmental units	2,351,260	2,651,552	2,351,260	2,651,552
Total assets	<u>12,213,203</u>	<u>53,012,789</u>	<u>52,662,627</u>	<u>12,563,365</u>
LIABILITIES				
Accounts payable and accrued liabilities	11,985,638	52,980,759	52,435,062	12,531,335
Due to other governmental units	227,565	32,030	227,565	32,030
Total liabilities	<u>\$ 12,213,203</u>	<u>53,012,789</u>	<u>52,662,627</u>	<u>12,563,365</u>

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Statistical Section

(unaudited)

Statistical Section

This section of the Prince William County Public Schools' (PWCS) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the school divisions' overall financial health.

This information is inserted from the Prince William County CAFR because Prince William County Public Schools does not issue debt and has no own source revenue.

Financial Trends - These tables contain trend information to help the reader understand how the School Divisions' financial performance and well-being have changed over time.

Revenue Capacity - The revenue capacity section of the statistical tables contains information to help the reader assess the factors affecting the School Divisions' ability to generate its own source revenue. Because over 95% of PWCS' revenue is from federal, state, and county sources, PWCS discloses no own source revenue. PWCS does, however, include the revenue capacity information from the primary government's (PWC) statistical tables to help the financial statement user assess the primary government's ability to generate its own source revenue.

Debt Capacity - The debt capacity tables present information to help the reader assess the affordability of the current levels of outstanding debt associated with the School Division and the ability to issue additional debt in the future for construction of school related projects. School divisions in the Commonwealth of Virginia are fiscally dependent, and as a requirement of law, all debt required for capital projects for the school division must be issued by the County. The debt capacity tables contained in this section represent all debt issued by PWC and **do not** represent debt issued or held by PWCS.

Demographic and Economic Information - These tables offer demographic and economic indicators to help the reader understand the environment within which the school division's financial activities take place and to aid the reader in making comparisons over time with other governments.

Operating Information - These tables provide contextual information about PWCS' operations and resources to assist readers in using financial statement information to understand and assess the divisions' economic condition.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The School Division produced its first CAFR and implemented GASB Statement 34 in fiscal year 2002.

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Financial Trends

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 1 - Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets	\$ 475,548	560,972	633,276	718,755	777,983	860,721	917,228	973,667	1,040,236	1,077,167
Restricted	108,257	97,055	89,379	91,598	106,607	86,387	81,904	88,347	39,065	34,791
Unrestricted	42,757	36,817	69,701	77,145	95,163	77,490	100,241	121,821	112,851	94,042
Total governmental activities net assets	<u>\$ 626,562</u>	<u>694,844</u>	<u>792,356</u>	<u>887,498</u>	<u>979,753</u>	<u>1,024,598</u>	<u>1,099,373</u>	<u>1,183,835</u>	<u>1,192,152</u>	<u>1,206,000</u>
Business-type activities: ⁽¹⁾										
Invested in capital assets	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	302	939	838
Total business-type activities net assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>939</u>	<u>838</u>
Total reporting entity:										
Invested in capital assets	\$ 475,548	560,972	633,276	718,755	777,983	860,721	917,228	973,667	1,040,236	1,077,167
Restricted	108,257	97,055	89,379	91,598	106,607	86,387	81,904	88,347	39,065	34,791
Unrestricted	42,757	36,817	69,701	77,145	95,163	77,490	100,241	122,123	113,790	94,880
Total reporting entity net assets	<u>\$ 626,562</u>	<u>694,844</u>	<u>792,356</u>	<u>887,498</u>	<u>979,753</u>	<u>1,024,598</u>	<u>1,099,373</u>	<u>1,184,137</u>	<u>1,193,091</u>	<u>1,206,838</u>

⁽¹⁾ PWCS established a business-type activity in fiscal year 2010.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 2 - Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Instruction:										
Regular	\$ 248,579	268,483	309,172	331,903	392,821	416,988	432,322	434,441	438,872	461,883
Special	58,980	65,759	72,039	83,794	90,322	95,345	99,166	94,105	91,911	107,521
Other	6,122	6,694	7,995	8,657	9,151	9,521	8,807	8,241	9,130	9,047
Instructional leadership	33,494	36,898	40,212	43,389	48,346	51,412	52,235	52,762	51,393	54,417
Support services:										
General administration	3,950	5,028	4,960	6,045	6,856	7,622	8,841	8,771	9,191	8,400
Student services	5,659	7,238	7,808	8,820	9,892	10,604	10,985	11,139	9,190	9,699
Curricular/staff development	8,979	10,046	10,606	12,036	12,735	13,353	12,736	12,072	13,469	13,625
Pupil transportation	27,121	29,348	35,292	40,152	45,570	49,304	46,684	48,536	49,830	49,379
Operations	16,908	17,605	20,024	21,618	20,120	21,172	22,033	22,577	21,554	21,856
Utilities	14,590	14,665	16,889	19,586	21,448	23,682	25,175	24,290	25,430	25,331
Maintenance	13,334	13,308	15,892	19,547	23,284	23,707	24,432	24,404	25,054	32,431
Central business services	28,298	30,047	35,235	42,117	37,801	45,996	45,021	45,069	43,445	44,687
Supply services ⁽¹⁾	3,414	-	-	-	-	-	-	-	-	-
Reimbursement to County for debt service	33,682	41,823	47,582	48,220	52,929	57,493	59,566	60,790	63,800	68,440
Food service	18,427	21,232	23,629	23,163	25,492	27,191	30,459	30,950	32,480	36,597
Community service operations	449	489	499	649	698	785	1,132	866	897	1,205
Total governmental activities expenses	<u>521,986</u>	<u>568,663</u>	<u>647,834</u>	<u>709,696</u>	<u>797,465</u>	<u>854,175</u>	<u>879,594</u>	<u>879,013</u>	<u>885,646</u>	<u>944,518</u>
Business-type activities: ⁽²⁾										
School Age Child Care	-	-	-	-	-	-	-	11	334	508
Total reporting entity expenses	<u>\$ 521,986</u>	<u>568,663</u>	<u>647,834</u>	<u>709,696</u>	<u>797,465</u>	<u>854,175</u>	<u>879,594</u>	<u>879,024</u>	<u>885,980</u>	<u>945,026</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 1,842	1,823	2,118	2,189	2,354	2,998	3,499	3,128	2,748	2,879
Curricular/staff development	-	-	-	-	-	-	-	-	40	-
Pupil transportation	97	88	85	146	129	118	171	110	111	99
Operations	-	-	-	-	-	-	-	-	282	170
Central business services ⁽³⁾	1,956	9	7	6	13	110	133	229	281	301
Food services	11,515	12,691	14,243	15,326	16,676	17,741	18,071	17,079	16,951	18,318
Community service operations	473	577	640	804	886	1,039	933	1,027	814	921
Supply services ⁽¹⁾	3,264	-	-	-	-	-	-	-	-	-
Other activities	67	68	48	58	38	92	183	118	-	-
Operating grants and contributions	58,089	66,695	77,713	84,723	93,536	98,392	106,649	112,243	134,064	134,204
Capital grants and contributions	881	902	904	961	990	1,029	1,008	99	96	98
Total governmental activities program revenues	<u>78,184</u>	<u>82,853</u>	<u>95,758</u>	<u>104,213</u>	<u>114,622</u>	<u>121,519</u>	<u>130,647</u>	<u>134,033</u>	<u>155,387</u>	<u>156,990</u>
Business-type activities:										
School Age Child Care	-	-	-	-	-	-	-	-	658	389
Charges for services	-	-	-	-	-	-	-	-	312	303
Operating grants and contributions	-	-	-	-	-	-	-	-	961	389
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312</u>	<u>389</u>
Total reporting entity program revenues	<u>\$ 78,184</u>	<u>82,853</u>	<u>95,758</u>	<u>104,213</u>	<u>114,622</u>	<u>121,519</u>	<u>130,647</u>	<u>134,345</u>	<u>156,348</u>	<u>157,379</u>
Net (Expense) Revenues										
Governmental activities	\$ (443,802)	(485,810)	(552,076)	(605,483)	(682,843)	(732,656)	(748,947)	(744,980)	(730,259)	(787,528)
Business-type activities	-	-	-	-	-	-	-	301	627	(119)
Total reporting entity net (expense) revenues	<u>\$ (443,802)</u>	<u>(485,810)</u>	<u>(552,076)</u>	<u>(605,483)</u>	<u>(682,843)</u>	<u>(732,656)</u>	<u>(748,947)</u>	<u>(744,679)</u>	<u>(729,632)</u>	<u>(787,647)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Unrestricted grants and contributions	\$ 548,078	552,169	643,416	691,987	764,084	769,061	815,818	822,930	733,426	795,676
Unrestricted investment earnings	2,013	1,518	2,499	5,409	6,712	6,665	5,874	4,792	3,555	3,045
Miscellaneous revenues	3,373	3,067	3,673	3,229	4,302	1,775	2,030	1,720	1,595	2,655
Gain on sale of capital assets ⁽⁴⁾	8,407	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues	<u>561,871</u>	<u>556,754</u>	<u>649,588</u>	<u>700,625</u>	<u>775,098</u>	<u>777,501</u>	<u>823,722</u>	<u>829,442</u>	<u>738,576</u>	<u>801,376</u>
Business-type activities:										
Unrestricted investment earnings	-	-	-	-	-	-	-	1	10	18
Total reporting entity general revenues and other changes in net assets	<u>\$ 561,871</u>	<u>556,754</u>	<u>649,588</u>	<u>700,625</u>	<u>775,098</u>	<u>777,501</u>	<u>823,722</u>	<u>829,443</u>	<u>738,586</u>	<u>801,394</u>
Change in Net Assets										
Governmental activities	\$ 118,069	70,944	97,512	95,142	92,255	44,845	74,775	84,462	8,317	13,848
Business-type activities	-	-	-	-	-	-	-	302	637	(101)
Total reporting entity	<u>\$ 118,069</u>	<u>70,944</u>	<u>97,512</u>	<u>95,142</u>	<u>92,255</u>	<u>44,845</u>	<u>74,775</u>	<u>84,764</u>	<u>8,954</u>	<u>13,747</u>

⁽¹⁾ The decrease in supply services expenses and revenues resulted from the reclassification of the Warehouse Fund from a special revenue fund to an internal service fund.

⁽²⁾ PWCS established a business-type activity in fiscal year 2010.

⁽³⁾ The decrease in central business services program revenues from fiscal year 2003 to fiscal year 2004 is a result of a change in the method of recognizing certain revenues.

⁽⁴⁾ The gain on sale of capital assets includes the sale of the "old" Marstell Middle School, located in the City of Manassas.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 3 - Fund Balances, Governmental Funds (Presented Pre-GASB 54)
Last Eight Fiscal Years ⁽¹⁾
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved for:								
Inventory	\$ 499	567	681	814	824	808	803	837
Prepays	-	-	-	-	-	56	-	-
Encumbrances ⁽²⁾	18,557	15,951	14,890	-	-	-	-	-
Unreserved:								
Designated for encumbrances ⁽²⁾	-	-	-	20,048	25,431	19,777	21,569	14,165
Designated for future years' expenditures	7,648	9,925	11,179	12,736	13,242	8,516	24,540	36,890
Designated for grants and special projects	-	-	-	-	58	74	444	388
Undesignated	2,067	7,988	11,363	6,904	6,120	13,382	7,632	15,810
Total General Fund	<u>28,771</u>	<u>34,431</u>	<u>38,113</u>	<u>40,502</u>	<u>45,675</u>	<u>42,613</u>	<u>54,988</u>	<u>68,090</u>
All Other Governmental Funds:								
Capital Projects								
Reserved for:								
Encumbrances ⁽²⁾	96,799	80,945	91,739	-	-	-	-	-
Unreserved:								
Designated for encumbrances ⁽²⁾	-	-	-	48,134	76,784	77,099	95,026	84,816
Designated for future years' expenditures	-	16,985	28,609	76,858	75,045	40,337	25,376	46,101
Designated for payments to PWC for arbitrage rebate ⁽³⁾	-	-	-	402	811	1,255	952	890
Undesignated reported in capital projects fund	22,585	9,556	-	-	-	-	-	-
Nonmajor Special Revenue Funds								
Reserved for:								
Inventory	1,530	686	935	1,113	1,103	1,706	1,245	996
Encumbrances ⁽²⁾	705	27	24	-	-	-	-	-
Unreserved:								
Designated for encumbrances ⁽²⁾	-	-	-	59	42	523	45	56
Designated for future years' expenditures	1,028	812	120	118	712	340	944	703
Undesignated reported in special revenue funds	519	926	1,160	3,152	5,326	8,061	10,980	14,342
Total all other governmental funds	<u>\$ 123,166</u>	<u>109,937</u>	<u>122,587</u>	<u>129,836</u>	<u>159,823</u>	<u>129,321</u>	<u>134,568</u>	<u>147,904</u>

⁽¹⁾ This table reports financial information based on the modified accrual basis of accounting. PWCS implemented GASB 54, the new reporting standard, in fiscal year 2011. The changes to the fund balance presentation will not be made retroactively; therefore, the required ten years of data is separated into two tables.

⁽²⁾ In fiscal year 2006, PWCS reclassified encumbrances from reserved for encumbrances to unreserved designated for encumbrances.

⁽³⁾ In prior years, PWCS recognized an expense and liability for amounts representing arbitrage for bonds sold by PWC on behalf of PWCS. In fiscal year 2006 this treatment has been changed to meet the requirements of accounting principles generally accepted in the United States of America. PWCS now designates amounts necessary to cover potential arbitrage rebate penalties.

TABLE 3A - Fund Balances, Governmental Funds (Presented in Accordance with GASB 54)

Last Two Fiscal Years ⁽¹⁾

(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year	
	2012	2011
General Fund		
Nonspendable	\$ 997	930
Restricted	5,524	482
Assigned	71,315	79,933
Unassigned	<u>3,042</u>	<u>1,030</u>
Total General Fund	<u>80,878</u>	<u>82,375</u>
All Other Governmental Funds:		
Capital Projects		
Restricted	7,604	12,544
Committed	-	3,078
Assigned	21,158	32,382
Nonmajor Special Revenue Funds		
Nonspendable	1,149	971
Restricted	17,349	15,454
Committed	<u>2,787</u>	<u>2,750</u>
Total all other governmental funds	<u>\$ 50,047</u>	<u>67,179</u>

⁽¹⁾ This table reports fund balance for governmental funds in classifications that primarily comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in that fund can be spent. Generally, what was 'reserved' is now nonspendable, restricted, or committed and 'unreserved' is now assigned or unassigned.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 4 - Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Federal sources:										
Food services	\$ 5,927	7,288	8,631	9,431	10,578	11,570	14,015	15,281	17,418	19,314
Other federal sources	16,970	21,095	23,085	24,660	26,335	26,960	28,102	71,812	58,566	44,145
Total federal sources	22,897	28,383	31,716	34,091	36,913	38,530	42,117	87,093	75,984	63,459
State sources:										
Basic aid	128,214	136,549	161,357	165,957	189,043	194,121	225,563	194,124	206,773	221,759
Food services	298	298	322	349	393	410	451	490	535	632
Lottery proceeds ⁽⁴⁾	8,740	8,363	9,014	9,502	9,150	8,988	7,952	4,818	-	-
Regional school program	8,868	10,063	11,486	11,646	11,297	12,005	13,261	14,081	15,016	16,532
Sales tax	36,699	42,068	49,470	58,257	65,004	62,998	59,695	60,182	62,525	66,475
Special education SOQ ⁽³⁾	8,753	9,086	13,314	16,485	15,079	15,410	16,574	17,279	17,221	17,721
Other state sources	29,973	34,973	39,388	43,539	58,402	71,217	61,831	55,379	56,079	67,594
Total state sources	221,545	241,404	284,351	305,735	348,368	365,149	385,327	346,353	358,149	390,713
County sources:										
County bond sale transfer	93,324	52,321	66,161	63,958	68,141	49,233	55,773	82,585	9,685	48,681
County general transfer ⁽¹⁾	261,541	296,998	326,284	362,035	390,017	404,322	430,650	405,968	412,881	436,079
County proffer transfer	2,250	3,500	9,660	10,906	10,687	7,104	8,018	9,263	3,224	-
Total county sources	357,115	352,819	402,105	436,899	468,845	460,659	494,441	497,816	425,790	484,760
Local sources:										
Charges for services	6,718	4,125	6,171	5,468	5,422	3,317	3,834	3,548	3,762	4,042
Food service sales	11,457	12,618	14,137	15,196	16,641	17,701	18,014	17,045	16,699	18,027
Interest and other income	2,195	2,593	3,222	6,922	10,939	10,375	6,899	4,968	3,722	3,118
Use of property	473	577	640	804	886	1,039	933	1,027	814	921
Other local sources	10,290	313	43	48	1,705	2,250	2,603	2,239	2,253	3,376
Total local sources	31,133	20,226	24,213	28,438	35,593	34,682	32,283	28,827	27,250	29,484
Total revenues	632,690	642,832	742,385	805,163	889,719	899,020	954,168	960,089	887,173	968,416
Expenditures										
Instruction:										
Regular	239,060	256,882	302,094	322,684	378,732	400,959	412,562	412,490	416,900	439,685
Special	58,647	65,205	73,042	83,897	90,532	94,645	98,453	93,426	91,384	107,463
Other	6,102	6,632	8,103	8,673	9,175	9,462	8,802	8,201	9,062	8,986
Instructional leadership	33,397	36,557	40,212	43,389	48,346	51,412	52,235	52,762	51,393	54,417
Support services:										
General administration	3,871	5,018	5,394	6,077	6,856	7,235	7,969	7,507	8,090	7,678
Student services	5,633	7,162	7,891	8,826	9,909	10,533	10,914	11,060	9,143	9,704
Curricular/staff development	8,976	9,960	10,891	12,060	12,770	13,281	12,664	12,027	13,441	13,628
Pupil transportation	33,699	37,724	41,874	37,656	43,359	50,403	43,851	43,390	49,191	52,400
Operations	16,845	17,790	20,310	21,641	20,091	21,000	21,859	22,389	21,419	21,842
Utilities	14,655	14,665	16,889	19,586	21,448	23,682	25,175	24,290	25,430	25,331
Maintenance	13,277	13,808	15,971	19,520	23,358	23,592	23,352	24,772	24,601	32,872
Central business services	28,625	33,298	38,900	43,192	43,327	46,159	43,994	44,254	43,626	45,624
Community service operations	448	485	500	649	698	785	1,132	866	897	1,205
Supply services ⁽²⁾	3,429	-	-	-	-	-	-	-	-	-
Food service	18,420	21,140	23,608	23,162	25,488	27,198	30,436	30,927	32,451	36,582
Reimbursement to County for debt service	33,833	38,431	43,685	47,977	52,520	57,049	59,869	60,853	64,425	68,516
Capital Outlay	69,244	84,974	76,889	90,689	68,050	95,188	78,279	82,438	88,159	57,076
Total expenditures	588,161	649,731	726,053	789,678	854,659	932,583	931,546	931,652	949,612	983,009
Excess (deficiency) of revenues over (under) expenditures	44,529	(6,899)	16,332	15,485	35,060	(33,563)	22,622	28,437	(62,439)	(14,593)
Other Financing Sources (Uses):										
Transfers in:										
General fund	1,000	1,000	1,000	1,000	1,200	2,000	1,000	1,000	1,000	1,000
Construction fund	13,638	15,859	18,204	23,606	16,864	11,094	35,026	5,916	7,842	8,143
Transfers out:										
General fund	(13,638)	(15,859)	(18,204)	(23,606)	(16,864)	(11,094)	(40,026)	(7,916)	(11,842)	(12,179)
Construction fund	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(1,000)	(1,000)
Other Governmental funds	-	-	-	-	(100)	-	-	-	-	-
Total other financing sources, net	-	-	-	-	100	-	(5,000)	(2,000)	(4,000)	(4,036)
Net change in fund balances	\$ 44,529	(6,899)	16,332	15,485	35,160	(33,563)	17,622	26,437	(66,439)	(18,629)

⁽¹⁾ The County general transfer is reduced at year end by the amount of interest income earned in the General Fund during the fiscal year

⁽²⁾ The decrease in supply services expenditures and revenues resulted from the reclassification of the Warehouse Fund from a special revenue fund to an internal service fund.

⁽³⁾ Standards of Quality

⁽⁴⁾ Effective FY 2011 lottery proceeds no longer provided to support school facilities.

Revenue Capacity

This information is inserted from the Prince William County CAFR because Prince William County Public Schools does not have any own source revenue.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 5 - General Governmental Revenues by Source⁽¹⁾
Last Ten Fiscal Years

(modified accrual basis of accounting; amounts expressed in thousands)

Fiscal Year	Taxes ⁽²⁾	Licenses, Fees & Permits	Fines & Forfeitures	Use of Money & Property	Charges for Services	Inter-Governmental ⁽²⁾			Total
						PPTRA	All Others	Miscellaneous	
2003	\$ 438,410	\$ 21,552	\$ 1,880	\$ 9,774	\$ 29,581	\$ 45,426	\$ 372,912	\$ 16,563	\$ 936,098
2004	495,667	23,480	2,329	7,470	34,373	50,625	403,194	8,198	1,025,336
2005	566,885	20,418	2,392	16,486	35,983	52,350	461,853	19,184	1,175,551
2006	619,011	18,793	2,469	26,200	38,476	59,994	495,108	26,463	1,286,514
2007	664,724	14,596	2,767	42,906	37,528	54,274	618,695	26,591	1,462,081
2008	686,107	13,607	2,664	43,952	39,947	54,288	574,967	28,013	1,443,545
2009	744,490	11,374	2,759	31,019	36,836	54,288	614,146	28,953	1,523,865
2010	677,954	10,617	2,866	33,903	34,877	54,288	641,187	24,324	1,480,016
2011	688,372	11,495	3,241	12,406	34,953	54,288	656,758	18,029	1,479,542
2012	714,658	13,836	3,435	18,406	43,295	54,288	627,418	13,724	1,488,563
Change									
2003 - 2012	63.01%	-35.80%	82.71%	88.32%	46.36%	19.51%	68.25%	-17.14%	59.02%

Source: County of Prince William, Virginia.

⁽¹⁾ Includes revenues of the General Fund, Special Revenue Funds, Capital Project Funds and the School Board and Adult Detention Center Component Units.

⁽²⁾ Beginning with fiscal year 2000, the State reimbursed the County for personal property tax for non-business use vehicles under the Personal Property Tax Relief Act (PPTRA). The State reimbursement is classified as inter-governmental revenue. The PPTRA reimbursement rates were 70.0% for fiscal years 2002 through 2006, and 61.5% for FY 2007 through 2008. The reimbursement for fiscal year 2012 was set at the fiscal year 2008 amount, irrespective of any reimbursement rate.

TABLE 5A - General Governmental Tax Revenues by Source
Last Ten Fiscal Years

(modified accrual basis of accounting; amounts expressed in thousands)

Fiscal Year	Real Estate	Personal Property ⁽¹⁾	Public Service	Total General ⁽²⁾ Property Taxes	Sales Tax	Utility Taxes	BPOL Tax	All Other	Total
2004	329,073	48,368	11,679	389,120	40,721	22,870	17,564	25,392	495,667
2005	375,345	49,645	14,227	439,217	43,857	25,452	19,534	38,825	566,885
2006	410,127	59,075	12,131	481,333	46,649	26,295	23,071	42,663	620,011
2007	452,553	71,290	9,627	533,470	47,921	18,522	22,810	42,002	664,725
2008	474,398	73,311	10,682	558,391	46,155	12,354	21,173	48,034	686,107
2009	531,882	75,986	13,394	621,262	45,055	12,596	19,931	45,646	744,490
2010	496,297	63,666	15,520	575,483	46,155	12,840	20,269	23,207	677,954
2011	494,894	68,792	17,051	580,737	49,554	13,190	20,965	23,926	688,372
2012	512,197	74,567	16,632	603,396	52,003	13,075	21,725	24,459	714,658
Change									
2003 - 2012	78.15%	63.03%	41.46%	74.89%	47.64%	-35.45%	46.43%	5.98%	63.01%

Source: County of Prince William, Virginia.

⁽¹⁾ Personal property tax revenues exclude reimbursements from the Commonwealth under the Personal Property Tax Relief Act.

⁽²⁾ Excludes administration fees and interest related to property taxes. These revenues are included in "All Other" column.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 6 - Assessed Value and Actual Value of Taxable Real Property
Last Ten Fiscal Years
 (tax rates per \$100 of assessed value; amounts expressed in thousands)

Fiscal Year	Residential ⁽¹⁾	Apartments ⁽¹⁾	Commercial & Industrial ⁽¹⁾	Public Service ⁽¹⁾	Vacant Land & Other ⁽¹⁾	Total Taxable Assessed Value	Total Direct Tax Rate ⁽²⁾	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2003	\$17,609,310	\$895,236	\$3,135,552	\$901,202	\$249,277	\$22,790,577	\$1.31	\$28,546,061	79.84%
2004	22,066,665	1,036,502	3,279,611	945,931	227,277	27,555,986	1.24	33,941,300	81.19%
2005	27,573,301	1,190,201	3,868,984	1,249,775	257,786	34,140,047	1.14	45,520,808	75.00%
2006	36,143,674	1,338,215	4,721,938	1,253,506	282,495	43,739,828	0.97	60,203,453	72.65%
2007	48,617,154	1,588,255	5,667,015	1,355,894	428,530	57,656,848	0.81	64,002,474	90.09%
2008	48,185,629	1,759,043	6,592,385	1,448,737	305,617	58,291,411	0.84	61,439,875	94.88%
2009	41,980,642	1,904,868	7,595,528	1,471,669	273,037	53,225,744	1.03	51,665,113	103.02%
2010	29,888,134	1,801,532	6,726,623	1,360,944	214,673	39,991,906	1.29	47,228,010	84.68%
2011	30,434,819	1,451,944	5,722,158	1,466,645	180,505	39,256,071	1.31	48,535,035	80.88%
2012	32,477,281	1,642,125	5,899,244	1,472,610	163,184	41,654,444	1.28	46,901,818	88.81%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

2003 - \$1,646,501	2008 - \$3,867,736
2004 - \$1,695,543	2009 - \$3,722,543
2005 - \$2,223,993	2010 - \$3,451,863
2006 - \$2,567,585	2011 - \$3,119,173
2007 - \$3,049,599	2012 - \$3,183,169

⁽²⁾ See Table 7, Direct and Overlapping Real Estate Tax Rates.

TABLE 6A - 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		New Construction ⁽¹⁾				Bank Deposits ⁽²⁾
	Commercial to Total	Commercial & Public Service to Total	Permits	Value	Permits	Value	
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	\$ 2,319
2006	10.8%	13.7%	3,871	\$ 552	299	\$ 576	\$ 2,681
2007	9.8%	12.2%	2,744	\$ 397	301	\$ 379	\$ 2,864
2008	11.3%	13.8%	1,568	\$ 228	259	\$ 183	\$ 2,863
2009	14.3%	17.0%	1,782	\$ 270	203	\$ 195	\$ 3,135
2010	16.8%	20.2%	1,996	\$ 297	152	\$ 92	\$ 3,322
2011	14.6%	18.3%	1,377	\$ 242	99	\$ 53	\$ 3,531
2012	14.2%	17.7%	1,398	\$ 278	161	\$ 94	\$ 3,866

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. 2003-2012, Federal Deposit Insurance Corporation, (commercial and savings bank deposits) and National Credit Union Administration (credit union deposits).

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 7 - Direct and Overlapping Real Estate Tax Rates
Last Ten Fiscal Years
 (tax rate per \$100 of assessed value)

Type of Tax	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PRINCE WILLIAM COUNTY										
<i>Countywide Tax Levies:</i>										
Real Estate - General Fund	\$1.23000	\$1.16000	\$1.07000	\$0.91000	\$0.75800	\$0.78700	\$0.97000	\$1.21200	\$1.23600	\$1.20400
Fire and Rescue Levy (Countywide)	\$0.07280	\$0.07280	\$0.06600	\$0.05600	\$0.04660	\$0.04840	\$0.05970	\$0.07460	\$0.07610	\$0.07410
Gypsy Moth Levy (Countywide)	\$0.00400	\$0.00400	\$0.00400	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250
Total Direct Tax Rate	\$1.30680	\$1.23680	\$1.14000	\$0.96850	\$0.80710	\$0.83790	\$1.03220	\$1.28910	\$1.31460	\$1.28060
<i>Special District Levies⁽¹⁾:</i>										
<i>Sanitary District Levy</i>										
Bull Run	\$0.00001	\$0.00001	\$0.00001	\$0.00001	--	--	--	--	--	--
Occoquan Forest	\$0.00001	\$0.00001	\$0.00001	\$0.00001	--	--	--	--	--	--
<i>Service District Levies -</i>										
Bull Run	\$0.10000	\$0.10000	\$0.10000	\$0.10000	\$0.12000	\$0.12000	\$0.13800	\$0.19900	\$0.20100	\$0.20100
Lake Jackson	\$0.11000	\$0.11000	\$0.11000	\$0.11000	\$0.11000	\$0.11000	\$0.12300	\$0.17200	\$0.17500	\$0.17500
Circuit Court	--	\$0.28000	\$0.28000	\$0.23000	\$0.19000	\$0.19000	\$0.15000	--	--	--
<i>Transportation District Levies -</i>										
Prince William Parkway	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000
234-Bypass	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000
Foremost Court Service	\$0.23000	\$0.23000	\$0.22000	--	--	--	--	--	--	--
Woodbine Forest Service	\$0.07000	--	--	--	--	--	--	--	--	--
OVERLAPPING GOVERNMENTS										
<i>Real Estate Tax Levy:</i>										
Town of Dumfries	\$0.12420	\$0.12420	\$0.12420	\$0.13000	\$0.18000	\$0.18000	\$0.18000	\$0.35330	\$0.33350	\$0.33330
Town of Haymarket	\$0.14000	\$0.14000	\$0.14000	\$0.14000	\$0.12000	\$0.12800	\$0.16400	\$0.16400	\$0.16400	\$0.16400
Town of Occoquan	\$0.05000	\$0.05000	\$0.05000	\$0.05000	\$0.08500	\$0.08500	\$0.10000	\$0.10000	\$0.10000	\$0.10000
Town of Quantico	\$0.20000	\$0.20000	\$0.20000	\$0.15000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000

Source: County of Prince William, Virginia

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 8 - Principal Real Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	2012			2003		
	Taxable Assessed		Percentage of Total County Taxable Assessed	Taxable Assessed		Percentage of Total County Taxable Assessed
	Value	Rank	Value ⁽¹⁾	Value	Rank	Value ⁽¹⁾
Virginia Electric & Power Company	\$ 709,629	1	1.70%	\$ 369,242	1	1.62%
Mall at Potomac Mills, LLC	425,593	2	1.02%	287,657	2	1.26%
Northern Virginia Electric Co-op	266,130	3	0.64%	172,502	3	0.76%
Verizon South, Inc.	159,458	4	0.38%	134,313	4	0.59%
Washington Gas Light Company	100,513	5	0.24%	65,524	10	0.29%
E & A Acquisition LTD Partnership	92,338	6	0.22%	-	-	-
Prince William Square Investors LLC	86,227	7	0.21%	-	-	-
Kir Smoketown Station LP	85,044	8	0.20%	59,317	-	0.26%
Stellar Chatsworth LLC	80,880	9	0.19%	-	-	-
Manassas Owner LLC	78,984	10	0.19%	-	-	-
Dominion Country Club, LP	-	-	-	97,900	5	0.43%
AOL LLC	-	-	-	94,493	6	0.41%
Manassas Mall LLC	-	-	-	81,461	7	0.36%
US Home Corporation	-	-	-	75,222	8	0.33%
WNH Limited Partnership	-	-	-	66,748	9	0.29%
	<u>\$ 2,084,796</u>		<u>4.99%</u>	<u>\$ 1,504,379</u>		<u>6.60%</u>

Source: County of Prince William, Virginia

⁽¹⁾ See Table 6 for a ten-year listing of Taxable Assessed Values.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 9 - Real Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Total Adjusted Tax Levy ⁽¹⁾	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Percentage of Levy Collected	Penalties on Taxes Collected	Total Collections to Date	
		Amount	Percentage of Levy				Amount	Percentage of Levy
2003	\$ 298,674	\$ 296,421	99.2%	\$ 1,849	99.9%	\$ 1,050	\$ 299,320	100.2%
2004	\$ 340,760	\$ 338,870	99.4%	\$ 1,746	100.0%	\$ 1,221	\$ 341,837	100.3%
2005	\$ 388,254	\$ 386,367	99.5%	\$ 1,694	100.0%	\$ 1,367	\$ 495,970	100.8%
2006	\$ 420,203	\$ 418,111	99.5%	\$ 1,973	100.0%	\$ 1,507	\$ 421,591	100.3%
2007	\$ 461,108	\$ 458,438	99.4%	\$ 2,505	100.0%	\$ 1,748	\$ 462,691	100.3%
2008	\$ 484,124	\$ 481,069	99.4%	\$ 2,717	99.9%	\$ 1,905	\$ 485,691	100.3%
2009	\$ 544,909	\$ 541,235	99.3%	\$ 3,263	99.9%	\$ 2,065	\$ 546,563	100.3%
2010	\$ 510,988	\$ 508,264	99.5%	\$ 2,397	99.9%	\$ 1,698	\$ 512,359	100.3%
2011	\$ 511,316	\$ 509,154	99.6%	\$ 1,417	99.9%	\$ 1,376	\$ 511,947	100.1%
2012	\$ 527,838	\$ 525,737	99.6%	\$ --	99.6%	\$ 1,256	\$ 526,993	99.8%

Source: County of Prince William, Virginia

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

Debt Capacity

This information is inserted from the Prince William County CAFR because Prince William Public Schools does not issue debt.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 10 - Ratios of Outstanding Debt by Type, Primary Government and Component Units
Last Ten Fiscal Years
(amounts expressed in thousands, except percentage and per capita)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 96,668	\$ 108,292	\$ 140,039	\$ 128,525	\$ 149,362	\$ 136,200	\$ 165,649	\$ 151,352	\$ 156,520	\$ 139,782
School Board-Related	367,341	395,333	432,562	467,363	502,453	515,486	531,815	576,826	549,775	556,747
Park Authority-Related	9,699	9,531	7,000	6,267	5,537	4,810	8,477	7,842	7,210	7,126
IDA Lease Revenue Bonds	12,875	12,315	11,970	11,140	10,430	9,680	8,870	8,030	7,160	6,260
Literary Fund Loans	6,209	5,713	5,316	4,918	4,520	4,124	3,749	3,374	3,000	2,750
Real Property Capital Leases										
General Government	78,590	80,645	79,025	132,825	150,189	151,039	179,298	169,012	156,854	145,695
Adult Detention Center	--	--	--	--	68,005	66,275	64,550	34,825	33,100	25,875
Park Authority	--	--	--	--	594	561	528	495	462	429
Commuter Rail Capital Leases**	3,301	2,977	2,629	2,258	1,863	1,442	992	511	--	--
Equipment Capital Leases	562	527	381	228	68	--	--	--	485	398
Installment Notes Payable	1,045	924	795	657	509	351	182	--	--	--
Internal Service Funds Leases and Notes	12	--	--	--	--	--	--	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds**	\$ 18,327	\$ 17,179	\$ 13,920	\$ 12,550	\$ 11,065	\$ 9,535	\$ 7,945	\$ 6,295	\$ 4,595	\$ 3,125
Taxable Revenue Notes	250	250	250	3,250	3,250	--	--	--	--	--
Total Primary Government	\$ 594,879	\$ 633,686	\$ 693,887	\$ 769,981	\$ 907,845	\$ 899,503	\$ 972,055	\$ 958,562	\$ 919,161	\$ 888,187
Percentage of Personal Income ⁽²⁾	4.80%	4.62%	4.62%	4.79%	5.28%	4.96%	5.24%	4.82%	4.33%	*
Per Capita ⁽²⁾	1,908	1,960	2,056	2,196	2,528	2,444	2,594	2,464	2,262	2,120
Component Units										
Park Authority Component Unit ⁽³⁾ :										
Series 1999 Revenue Bonds**	\$ 20,425	\$ 19,112	\$ 18,795	\$ 18,459	\$ 18,101	\$ 17,725	\$ 17,323	\$ 12,481	\$ 12,008	\$ 11,528
Equipment Capital Leases**	2,003	1,833	1,353	2,249	1,710	3,116	2,800	2,254	1,689	2,793
Installment Notes Payable** ⁽⁴⁾	1,718	1,023	904	780	651	517	376	230	78	--
Total Component Units	24,146	21,968	21,052	21,488	20,462	21,358	20,499	14,965	13,775	14,321
Total Reporting Entity Outstanding Debt	619,025	655,654	714,939	791,469	928,307	920,861	992,554	973,527	932,936	902,508
Less: Self-Supporting Revenue and Other Bonds	45,774	42,124	37,601	36,296	33,390	32,335	29,436	21,771	18,370	17,446
Net Tax-Supported Debt	\$ 573,251	\$ 613,530	\$ 677,338	\$ 755,173	\$ 894,917	\$ 888,526	\$ 963,118	\$ 951,756	\$ 914,566	\$ 885,062

Source: County of Prince William, Virginia

* Not available

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

⁽¹⁾ Includes general obligation bonds associated with School Board-Related Debt and Park Authority-Related Debt; see Exhibit 1, PWC CAFR.

⁽²⁾ See Table 15 for personal income and population data.

⁽³⁾ The Park Authority Component Unit debt for fiscal years prior to 2004 is shown on a calendar year basis, with amounts shown as of December 31.

⁽⁴⁾ Restated in FY 2003.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 11 - Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(amounts expressed in thousands, except percentage and per capita)

Fiscal Year	General Obligation Bonds ⁽¹⁾	IDA Lease Revenue Bonds	Solid Waste System Revenue Bonds	Total	Percentage of Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2003	\$ 473,708	\$ 12,875	\$ 18,327	\$ 504,910	1.77%	\$ 1,620
2004	513,156	12,315	17,179	542,650	1.60%	1,678
2005	579,601	11,970	13,920	605,491	1.33%	1,794
2006	602,155	11,140	12,550	625,845	1.04%	1,785
2007	657,352	10,430	11,065	678,847	1.06%	1,890
2008	656,496	9,680	9,535	675,711	1.10%	1,836
2009	705,941	8,870	7,945	722,756	1.40%	1,929
2010	736,020	8,030	6,295	750,345	1.59%	1,929
2011	713,505	7,160	4,595	725,260	1.49%	1,785
2012	703,655	6,260	3,125	713,040	1.52%	1,702

Source: County of Prince William, Virginia

⁽¹⁾ Includes general obligation bonds associated with School Board-Related and Park Authority-Related Debt; see Table 10.

⁽²⁾ See Table 6 for property value data.

⁽³⁾ See Table 15 for population data.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 12 - Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(amounts expressed in thousands)

	Outstanding on 6/30/2012	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 885,062	100.00%	\$ 885,062	2.1248%
Overlapping:				
Town of Dumfries	4,778	100.00%	4,778	0.0115%
Town of Quantico	217	100.00%	217	0.0005%
Town of Haymarket	2,143	100.00%	2,143	0.0051%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	1,612	100.00%	1,612	0.0039%
Virginia Gateway Community Development Authority Special Assessment Bond Series 1999 and 2003 B	11,809	100.00%	11,809	0.0283%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	101,166	36.75%	37,176	0.0892%
Northern Virginia Criminal Justice Training Academy (NVCJTA) ⁽³⁾	14,660	27.66%	4,055	0.0097%
Upper Occoquan Sewage Authority (UOSA) ⁽³⁾	276,632	1.39%	3,843	0.0092%
Total Overlapping Governmental Activities Debt	\$ 413,017	15.89%	\$ 65,633	0.1576%
Total Direct and Overlapping Governmental Activities Debt	\$ 1,298,079	73.24%	\$ 950,695	2.2823%

Source: County of Prince William, Virginia

⁽¹⁾ From Table 10.

⁽²⁾ Assessed value of taxable property is from Table 6.

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

**TABLE 13 - Debt Ratio Information
Last Ten Fiscal Years**

(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 \$327,100 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2012. These authorized bonds are for the construction of roads, road improvements, parks, libraries, and schools.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government ⁽¹⁾										
Principal	\$ 30,929	\$ 35,165	\$ 39,975	\$ 47,584	\$ 52,060	\$ 59,741	\$ 61,303	\$ 91,742	\$ 66,299	\$ 74,673
Interest ⁽²⁾	23,959	25,247	29,849	32,995	37,524	39,865	41,032	43,272	43,783	42,777
Internal Service Fund Debt Service ⁽³⁾	12	12	--	--	--	--	--	--	--	--
Debt Service on Net Tax-Supported Debt	54,900	60,424	69,824	80,579	89,584	99,606	102,335	135,014	110,082	117,450
Total Government Expenditures ⁽⁴⁾	845,342	925,866	1,033,382	1,125,453	1,310,566	1,325,488	1,331,692	1,386,901	1,337,189	1,427,543
Ratio of Debt Service to Expenditures	6.5%	6.5%	6.8%	7.2%	6.8%	7.5%	7.7%	9.7%	8.2%	8.2%
Total Revenues ⁽⁵⁾	820,465	956,529	1,089,605	1,188,320	1,360,579	1,364,972	1,441,690	1,392,237	1,439,786	1,460,245
Ratio of Debt Service to Revenues	6.7%	6.3%	6.4%	6.8%	6.6%	7.3%	7.1%	9.7%	7.6%	8.0%
Net Tax-Supported Debt ⁽⁶⁾	573,251	613,530	677,338	755,173	894,917	888,526	963,118	951,756	914,566	885,062
Assessed Value of Taxable Property ⁽⁷⁾	25,551,796	30,498,825	37,138,437	47,160,546	61,267,297	62,011,351	56,999,051	43,359,775	42,750,432	45,148,805
Ratio of Net Tax-Supported Debt to Assessed Value	2.2%	2.0%	1.8%	1.6%	1.5%	1.4%	1.7%	2.2%	2.1%	2.0%

NOTE: The 2010 debt service ratios are significantly closer to the limits due to a one-time principal reduction payment of \$28 million resulting from support received from the Commonwealth of Virginia for the County's Adult Detention Center Expansion and Renovation project. If the effect of this non-recurring payment was removed, the 2010 ratio of debt service to revenues would have been 7.7%.

⁽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 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.

⁽⁴⁾ Total Expenditures excluding capital projects from Table 22, PWC CAFR.

⁽⁵⁾ Includes revenues of the General Fund, Special Revenue Funds and the School Board and Adult Detention Center Component Units.

⁽⁶⁾ From Table 10.

⁽⁷⁾ From Table 7 and Table 21, PWC CAFR.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 14 - Revenue Bond Coverage for Solid Waste System Revenue Bonds
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	System Revenues ⁽¹⁾	Operating Expenses and Transfers ⁽²⁾	Closure Payment ⁽³⁾	Net Revenue Available for Debt	Debt Service Payments ⁽⁴⁾		Total	Coverage ⁽⁶⁾
					Principal ⁽⁵⁾	Interest		
2003	\$ 12,724	\$ 8,027	\$ 1,244	\$ 3,453	\$ 1,793	\$ 1,187	\$ 2,980	1.16
2004	13,606	7,013	1,798	4,795	1,148	1,162	2,310	2.08
2005	14,715	10,090	1,752	2,873	1,323	1,114	2,437	1.18
2006	14,653	9,615	2,594	2,444	1,370	501	1,871	1.31
2007	16,535	9,970	2,199	4,366	1,485	562	2,047	2.13
2008	17,342	10,651	3,015	3,676	1,530	504	2,034	1.81
2009	17,795	15,027	--	2,768	1,590	435	2,025	1.37
2010	17,925	10,423	--	7,502	1,650	362	2,012	3.73
2011	18,861	11,694	749	6,418	1,700	295	1,995	3.22
2012	18,064	12,031	1,503	4,530	1,470	226	1,696	2.67

Source: County of Prince William, Virginia.

⁽¹⁾ Includes "Total Operating Revenues" (exclusive of fees collected on behalf of the Park Authority), "Grants from the Commonwealth," and "Interest and Miscellaneous Income" from the Statement of Revenues, Expenses and Changes in Fund Net Assets.

⁽²⁾ Includes "Total Operating Expenses" (exclusive of "Depreciation" and "Closure Expense"), and "Operating Transfers", from the Statement of Revenues, Expenses and Changes in Fund Net Assets.

⁽³⁾ There is no provision for FY 2009 or FY 2010 closure payment due to revised engineering estimate increasing the capacity because of changes in slope design.

⁽⁴⁾ Principal, accreted value of and interest (including other debt costs) paid during the fiscal year on bonded indebtedness of the Solid Waste System.

⁽⁵⁾ In FY2005, certain bonds were refunded, and a portion of the proceeds were used to pay down principal resulting in excess principal payments of \$1.9 million. This amount is excluded from the normal principal payments noted above.

⁽⁶⁾ Required coverage is 1.15.

Demographic and Economic Information

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

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (in thousands)	Per Capita Income ⁽²⁾	Fall School Enrollment ⁽³⁾	Average Civilian Labor Force ⁽⁴⁾	Average Unemployment Rate ⁽⁴⁾
2003	311,749	\$ 12,399,884	\$ 33,424	59,835	174,911	3.9%
2004	323,377	13,723,915	35,556	63,404	183,258	3.1%
2005	337,439	15,012,664	37,577	66,298	192,173	3.0%
2006	350,612	16,088,936	39,502	68,458	198,763	2.6%
2007	359,174	17,200,916	41,382	70,948	200,678	2.6%
2008	368,016	18,145,470	42,960	72,988	206,210	3.4%
2009	374,776	18,561,645	42,254	73,917	214,777	5.9%
2010	389,001	19,899,449	43,346	76,861	227,364	5.7%
2011	406,395	21,216,947	43,076	79,358	231,371	5.3%
2012	419,006	*	*	81,937	235,988	4.9%

Source: County of Prince William, Virginia

* Not available

⁽¹⁾ US Census Bureau, Population Estimates Program (data as of July 1, 2011).

⁽²⁾ Bureau of Economic Analysis, U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of April, 2010). 2011 data estimated based upon ten-year growth rates on BEA data from 2001 through 2010.

⁽³⁾ Fall Membership by Division, by Grade, Virginia Department of Education; Prince William County Public Schools, as of December 2, 2011.

⁽⁴⁾ Bureau of Labor Statistics, LAUS data (data are annual averages with the exception of the most recent monthly data)

TABLE 15A - Comparative Demographic Statistics
2000 & 2010 U.S. Census

	2000 Census	2010 Census			
	Prince William County	Prince William County	Washington MSA	Virginia	United States
Population¹:					
Median Age	31.9	33.5	33.8	37.5	37.2
Percent School Age	24.4%	23.1%	15.1%	19.7%	20.4%
Percent Working Age	62.3%	61.9%	68.1%	61.8%	60.0%
Percent 65 and over	4.8%	6.8%	11.5%	12.2%	13.1%
Education²:					
High School or Higher	88.8%	87.6%	89.6%	86.5%	85.6%
Bachelor's Degree or Higher	31.5%	36.9%	46.8%	34.2%	28.2%
Income²:					
Median Family Income	\$71,622	\$102,117	\$100,921	\$72,476	\$60,609
Percent Below Poverty Level	4.4%	4.4%	5.4%	7.7%	11.3%
Housing:					
Number Persons / Household ¹	2.9	3.1	2.1	2.5	2.6
Percent Owner Occupied ²	71.0%	73.2%	42.0%	67.2%	65.1%
Owner Occupied Median Value ²	\$149,600	\$316,600	\$376,200	\$249,100	\$179,900

Source: County of Prince William, Virginia

¹ U.S. Bureau of the Census Bureau, 2000 and 2010 Census Data.

² U.S. Bureau of the Census Bureau, 2000 and 2010 American Community Survey - 1 Year Estimates.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 16 - Principal Employers
Current Year and Nine Years Ago

Employer ⁽¹⁾	2012			2003		
	Ownership	Rank	Number of Employees ⁽²⁾	Ownership	Rank	Number of Employees ⁽²⁾
Prince William County School Board	Local Government	1	1000 and over	Local Government	1	1000 and over
U.S. Department of Defense	Federal Government	2	1000 and over	Federal Government	3	1000 and over
County of Prince William	Local Government	3	1000 and over	Local Government	2	1000 and over
Walmart	Private	4	1000 and over	Private	6	500 to 999
Morale Welfare and Recreation	Federal Government	5	1000 and over	Federal Government	10	500 to 999
Sentara Healthcare/Potomac Hospital Corp	Private	6	1000 and over	Private	5	500 to 999
Minnieland Private Day School	Private	7	500 to 999			
Wegmans Store #07	Private	8	500 to 999			
Target Corp	Private	9	500 to 999			
Northern Virginia Community College	State Government	10	500 to 999	State Government	9	500 to 999
Temporary Solutions				Private	4	1000 and over
S.W. Rogers Corporation				Private	7	500 to 999
Giant Food				Private	8	500 to 999

Source: County of Prince William, Virginia

⁽¹⁾ All data provided by the Virginia Employment Commission (1st Quarter, 2012 & 2003).

⁽²⁾ Prince William County is prohibited from publishing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act of 2002 - Title V of Public Law 107-347.

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Operating Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 17 - Full-time-Equivalent School Employees by Positions
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
School-Based Positions										
Teachers ⁽¹⁾										
Classroom teachers	4,014	-	-	-	-	-	-	-	-	-
Regular classroom teachers	-	2,926	3,193	3,290	3,553	3,757	3,799	3,756	3,827	4,058
Special education teachers	-	621	661	759	767	700	700	687	695	657
Vocational education teachers	-	201	210	212	213	215	200	186	183	185
Speech therapists	-	68	69	72	73	75	73	70	64	70
Physical therapists	-	20	21	8	25	25	24	25	21	19
Guidance counselors	-	146	171	166	169	170	188	184	181	191
Librarians	-	83	88	92	93	95	97	97	97	100
Physical education	-	165	190	201	213	212	217	214	218	222
Technology teachers	-	-	-	76	77	79	81	78	77	82
Other	-	-	-	74	80	78	80	63	35	39
School-Based Administrators										
Principals	76	79	82	84	84	86	87	88	89	91
Assistant principals	70	88	108	122	104	117	104	105	105	113
Guidance directors	21	21	23	23	24	25	10	9	10	11
Student activity directors	8	8	10	10	10	10	10	10	10	11
Other	69	71	79	-	-	-	-	-	-	-
Education Specialist										
Education specialist	94	-	-	-	-	-	-	-	-	-
School-based curriculum specialists	-	8	10	8	8	-	-	23	7	7
Program specialists	-	15	86	19	15	10	14	16	1	1
Social workers	-	34	39	39	45	46	45	44	6	6
Psychologists	-	35	35	40	44	43	43	43	4	4
Instructional Assistants	505	534	551	599	669	669	734	689	655	656
Other Positions										
School office assistant staff	384	399	421	461	475	470	486	482	472	495
Custodial staff	362	366	410	425	435	438	442	437	424	440
Other	-	-	-	-	-	-	-	37	36	-
Noninstructional specialists	97	85	89	-	-	-	39	52	42	49
Security	31	41	49	64	67	53	64	57	61	39
School nurse	32	51	55	60	67	69	72	73	76	79
Total School-Based Positions	5,763	6,065	6,650	6,904	7,310	7,442	7,609	7,525	7,396	7,625
Nonschool-Based Positions										
Technical support	70	121	139	244	206	146	170	134	123	219
Management	110	96	127	138	143	149	148	148	96	112
Education specialist	32	32	48	33	32	86	31	32	201	223
Office assistants	115	119	136	122	136	139	143	139	146	148
Custodial/maintenance	240	252	220	230	258	299	308	302	231	235
Leadership team	8	8	8	10	10	10	11	11	11	11
Bus drivers	489	511	565	645	654	659	680	668	664	680
Bus drivers' aides	98	97	119	135	130	136	132	147	148	142
Cafeteria staff	393	406	441	518	537	513	517	530	543	564
Other	34	35	37	62	20	122	17	25	86	113
Total Nonschool Based Positions	1,589	1,677	1,840	2,137	2,126	2,259	2,157	2,136	2,249	2,446
Total ⁽²⁾	7,352	7,742	8,490	9,041	9,436	9,701	9,766	9,661	9,645	10,071

Source: FY 2012 WABE Guide

⁽¹⁾ Detailed information was not available prior to Fiscal Year 2004.

⁽²⁾ Total positions include the General Fund and Food Services Fund only for Fiscal Years 2003 - 2008.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 18 - Student Enrollment
Last Ten Fiscal Years

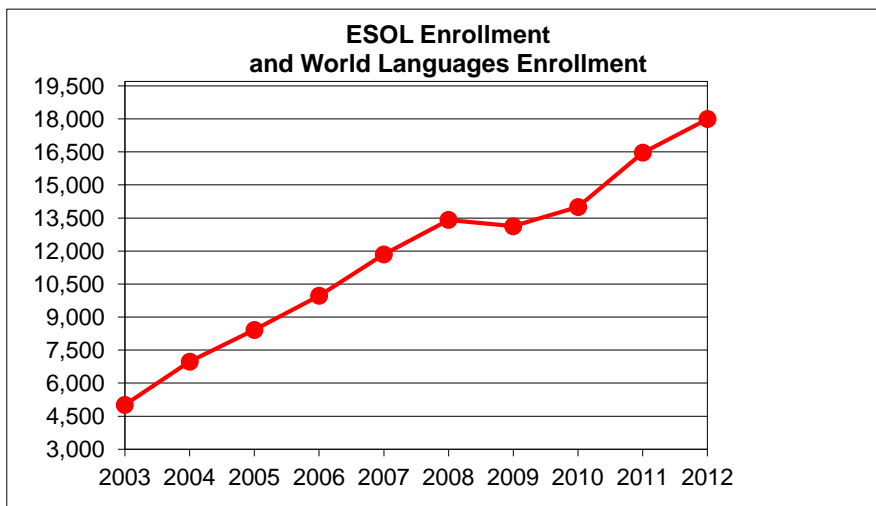
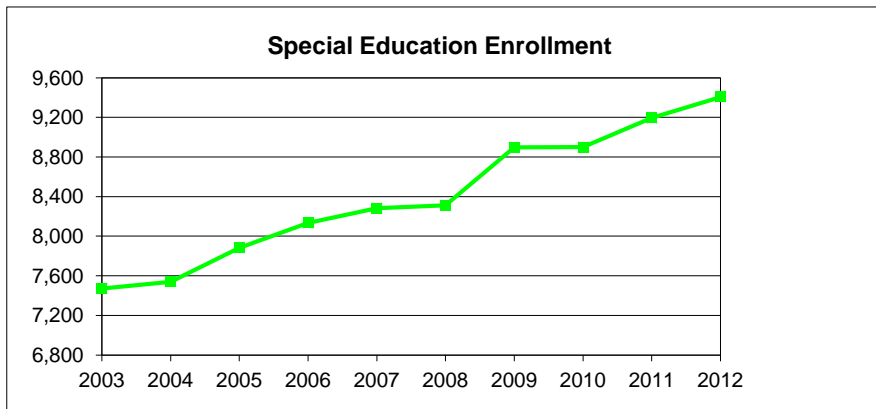
Fiscal Year	Total Student Enrollment ⁽¹⁾	Special Education Enrollment ⁽²⁾	ESOL and World Languages Enrollment ⁽³⁾
2003	60,541	7,471	5,014
2004	62,691	7,540	6,979
2005	66,093	7,883	8,415
2006	68,225	8,134	9,963
2007	70,723	8,283	11,847
2008	72,654	8,312	13,409
2009	73,657	8,898	13,130
2010	76,656	8,900	13,999
2011	79,115	9,195	16,467
2012	81,635	9,406	17,988

Note: Student Enrollments are at September 30th for each fiscal year for Total Student Enrollment and ESOL and World Languages.

⁽¹⁾ Source: School Board Approved Budget fiscal year 2013.

⁽²⁾ Student Enrollment at December 1, 2011. Source: Special Education Office Prince William County Public Schools.

⁽³⁾ Source: Office of Accountability of Prince William County Public Schools.



PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 19 - Operating Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Student Enrollment ⁽¹⁾</u>	<u>Operating Expenditures ⁽²⁾</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Expenses</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff ⁽³⁾</u>	<u>Pupil-Teacher Ratio</u>
2003	60,541	\$ 470,595,054	\$ 7,773	5.8%	\$ 521,985,921	\$ 8,622	5.9%	*	*
2004	62,691	515,766,698	8,227	5.8%	568,663,297	9,071	5.2%	3,748	16.7
2005	66,093	592,505,238	8,965	9.0%	647,834,147	9,802	8.1%	4,064	16.3
2006	68,225	646,400,810	9,475	5.7%	709,695,642	10,402	6.1%	4,261	16.0
2007	70,723	719,045,975	10,167	7.3%	797,464,538	11,276	8.4%	4,533	15.6
2008	72,654	752,843,056	10,362	1.9%	854,174,576	11,757	4.3%	4,672	15.6
2009	73,657	777,018,397	10,549	1.8%	879,594,362	11,942	1.6%	4,699	15.7
2010	76,656	756,589,970	9,870	-6.4%	879,012,541	11,467	-4.0%	4,629	16.6
2011	79,115	756,111,504	9,557	-3.2%	885,645,725	11,194	-2.4%	4,705	16.8
2012	81,635	809,283,061	9,913	3.7%	944,517,699	11,570	3.4%	4,900	16.7

* Data not available.

⁽¹⁾ The student enrollment as of September 30th for each fiscal year. Source: School Board Approved Budget fiscal year 2013.

⁽²⁾ Operating expenditures are total General Fund expenditures and transfers out for capital projects less Governmental Fund reimbursements to the County for debt service. These numbers are on a modified accrual basis.

⁽³⁾ Teaching staff count includes regular classroom teachers, special education teachers, and vocational education teachers. Source: FY 2012 WABE Guide.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 20 - Teacher Base Salaries
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Bachelors Minimum Salary</u>	<u>Bachelors Average Salary</u>	<u>Masters Mid-Point Salary</u>	<u>Masters Maximum Salary</u>
2003	\$ 34,423	\$ 46,155	\$ 48,234	\$ 69,684
2004	35,455	47,963	50,460	74,519
2005	36,519	50,215	51,974	76,754
2006	37,615	51,607	53,533	83,548
2007	40,788	53,413	55,245	86,372
2008	41,604	55,788	56,350	90,656
2009	42,354	57,406	57,364	94,969
2010	42,863	59,330	57,309	97,723
2011	42,863	60,163	57,309	97,723
2012	43,612	59,367	58,312	99,433

Source: Washington Area Boards of Education (WABE) Guide FY2012

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 21 - Food and Nutrition Services Program
Last Ten 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	Free and Reduced Eligibility %	Adult Breakfast	Adult Lunch
		Elementary	Middle School	High School								
2003	32,479	\$ 1.60	\$ 1.65	\$ 1.65	75	5,578	\$ 1.00	70	15,756	26.0%	\$ 1.10	\$ 2.15
2004	35,241	1.70	1.75	1.75	75	6,459	1.10	69	16,512	26.3%	1.20	2.25
2005	39,062	1.70	1.85	1.85	82	7,211	1.10	79	18,640	28.2%	1.20	2.25
2006	41,057	1.85	1.90	1.90	82	8,210	1.10	78	19,166	28.1%	1.35	2.40
2007	44,288	2.00	2.15	2.25	84	9,619	1.20	85	20,588	29.2%	1.75	3.00
2008	45,725	2.00	2.15	2.25	86	8,904	1.20	87	21,459	30.2%	1.75	3.00
2009	46,714	2.10	2.25	2.35	88	10,102	1.20	88	24,152	32.6%	1.75	3.10
2010	48,828	2.10	2.25	2.35	88	11,659	1.20	88	27,289	35.3%	1.75	3.10
2011	50,777	2.10	2.25	2.35	88	13,413	1.20	88	29,108	36.8%	1.75	3.10
2012	51,576	2.15	2.30	2.40	90	14,154	1.35	90	30,792	37.8%	1.90	3.10

Source: Food Service Department of Prince William County Public Schools.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 22 - School Building Information
Last Ten Fiscal Years

Fiscal Year	Elementary Schools					Middle Schools					High Schools				
	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
2003	46	2,615,702	26,790	191	737.6	13	1,690,958	14,659	27	452	8	2,288,253	17,178	6	594.7
2004	47	2,699,786	27,642	191	757.6	13	1,690,958	14,659	27	452	8	2,288,253	17,178	6	594.7
2005	49	2,859,570	29,048	191	901.2	13	1,690,958	14,659	27	452	10	2,844,241	21,284	9	719.5
2006	51	3,030,766	30,824	191	939.1	13	1,690,958	14,659	27	452	10	2,844,241	21,284	9	719.5
2007	53	3,221,129	31,986	182	858.1	14	1,813,410	15,892	20	476.4	10	2,843,179	21,284	14	722.6
2008	55	3,422,613	33,990	166	887.3	15	1,948,719	17,125	20	515.8	10	2,843,179	21,284	21	722.6
2009	55	3,496,885	35,114	149	887.3	15	1,948,719	17,125	21	515.8	10	2,843,179	21,284	36	722.6
2010	55	3,559,956	35,600	143	887.3	15	1,948,719	17,125	21	515.8	10	2,843,179	21,284	39	722.6
2011	57	3,842,068	37,448	132	934.9	15	1,949,341	17,125	31	515.8	11	3,202,296	23,337	21	782.6
2012	57	3,891,216	37,736	136	929.7	16	2,084,650	18,358	29	557.7	11	3,202,296	23,337	18	782.6

Fiscal Year	Alternative Schools					Special Schools					Traditional Schools				
	Buildings ⁽¹⁾	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
2003	1	14,749	**	0	9.3	4	104,241	**	5	28.7	1	56,330	648	2	15
2004	1	14,749	**	0	9.3	4	104,241	**	5	28.7	1	56,330	648	2	15
2005	2	34,994	**	0	9.3	4	104,241	**	5	28.7	2	127,575	1,320	2	31.9
2006	2	34,994	**	0	9.3	4	104,241	**	5	28.7	2	127,575	1,320	2	31.9
2007	2	34,994	**	12	5	4	104,241	**	10	28.7	2	127,575	1,320	2	31.9
2008	2	34,994	**	12	5	4	104,241	**	9	28.7	2	127,575	1,320	2	31.9
2009	2	34,994	**	10	5	4	104,241	**	10	28.7	2	127,575	1,320	2	31.9
2010	2	34,994	**	10	5	3	90,021	**	10	23.9	2	127,575	1,320	2	31.9
2011	2	34,994	**	10	5	3	90,021	**	10	23.9	2	127,575	1,320	0	31.9
2012	2	34,994	**	10	5	3	97,522	**	9	29.4	2	127,575	1,320	0	31.9

Fiscal Year	Total School Buildings ⁽²⁾				
	Buildings	Square feet	Capacity	Trailers	Acres
2003	73	6,770,233	59,275	231	1,837.3
2004	74	6,854,317	60,127	231	1,857.3
2005	80	7,661,579	66,311	234	2,142.6
2006	82	7,832,775	68,087	234	2,180.5
2007	85	8,144,528	70,482	240	2,122.7
2008	88	8,481,321	73,719	230	2,191.3
2009	88	8,555,593	74,843	228	2,191.3
2010	87	8,604,444	75,329	225	2,186.5
2011	90	9,246,295	79,230	204	2,294.1
2012	91	9,438,253	80,751	202	2,336.3

Source: School Board Construction and Planning Office.

** Data not available.

(1) The building added in FY 2005 is leased.

(2) Represents completed school buildings at June 30th. For FY 2012, 90 school buildings were in use.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 23 - Miscellaneous Statistical Data
June 30, 2012

Date of County Organization:	March 25, 1731
Form of Government:	County Executive (as provided for by the <i>Code of Virginia</i>)
Area:	348 Square Miles
Services of Primary Government:	
Fire protection:	
Number of career employees	550
Number of volunteers	1,112
Police protection:	
Number of police officers	569
Public Safety Communications:	
Number of employees	103
Services not included in the Primary Government:	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	79
Number of public high schools	11
Membership as of September 30, 2011 (FY12)	81,635 ⁽¹⁾
Number of personnel (full-time equivalent)	10,071 ⁽²⁾
Recreation (Park Authority Component Unit):	
Acres developed or reserved for County parks	4,248
Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	402
Capacity of central jail	200
Capacity of work-release center	65
Number of personnel (full-time equivalent)	337
Other statistical data:	
Elections:	
Registered voters at last general election	233,140
Number of votes cast in last general election	60,033
Percent voting in last general election	26%
Water and Wastewater Treatment:	
<i>(provided by Prince William County Service Authority)</i>	
Miles of water mains	1,162
Miles of sanitary sewer mains	1,082

Source: County of Prince William, Virginia.

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.

⁽¹⁾ Source: Prince William County Schools Fiscal Year 2013 Approved Budget Book. Number differs from other sources due to criteria used for determining membership.

⁽²⁾ Source: Prince William County Schools Fiscal Year 2012 Approved Budget book. Does not include Regional Schools personnel.



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