

Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2013



Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

A Component Unit of Prince William County, Virginia



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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, 2013

School Board*

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

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

Dr. Catherine P. Puttre - Associate Superintendent for Middle Schools

* as of June 30, 2013

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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Introductory Section

Letter of Transmittal

Certificates of Achievement

List of Elected and Appointed Officials

Organizational Chart



November 26, 2013

**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, 2013.

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 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, 2013 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, 2013, 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 the County designed to meet the special needs of federal grant or 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. WALTERS
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 83,551 students while managing the 57 elementary schools, 16 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. The Prince William County economy during the first half of fiscal 2013 continued a strengthening trend, showing little impact of the federal government's sequestration to date. The residential real estate market continued to improve in terms of average sold price, number of sales and average days on the market. Unemployment in the County continued to be well below the national rate, but is still high by recent standards. Foreclosure activity, as measured by monthly Courthouse recordings, continued to improve as the year progressed, with fewer than 400 for 2013 through June—an average of less than 70 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 2012, when fewer than 1,000 foreclosures were recorded. Latest at-place employment data from the Virginia Employment Commission (1st Quarter 2013) indicate continued growth in establishments, employment and wages in the County. Job growth in Prince William, year-over-year, led all Northern Virginia communities. Prince William County's commercial inventory continues to be elevated in terms of historic vacancy rates; this may be due more to long-term business planning in anticipation of Defense Department draw-downs, rather than an immediate reaction to sequestration. That notwithstanding, the Prince William economy appears to be continuing its strengthening trend, even as the impact of sequestration on the local economy has yet to be fully ascertained.

Retail sales continued at a robust pace, with 41 consecutive months of year-over-year increases as of June 2013. Never before has the County experienced this many continuous months of increases in sales volume. This upward trend reflects the increased consumer confidence here locally in Prince William County, which mirrors trends seen nationally during 2013.

The local housing market, after a major downturn in 2007 and 2008, stabilized in 2010 and since then has gained steady momentum through July 2013. The average sold price for a home in Prince William County was \$349,256 in July 2013, a year-over-year increase of 12.7 percent and an increase of \$144,878 (70.9%) since February 2009. As 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, apartment values should continue to trend higher over the short term. As the market adjusts to the increase supply of apartment housing, growth rates in rental rates should flatten out along with valuations.

The commercial real estate market in Prince William County remained slightly worse overall in 2013 from one year earlier. According to Costar Realty Group, a multiple listing service for commercial property, Prince William County commercial inventory included 43.6 million square feet of space in 1,913 buildings. Since 2009, some 1.56 million square feet of commercial space has been added to the inventory, a growth rate of 3.7 percent. Vacancy rates moved slightly higher, year-over-year, led by increases in Flex, Industrial and Retail vacancy. In June 2013, a total of 3.72 million square feet of vacant space (including Retail) was reported by Costar, a vacancy rate of 8.5 percent. This represents a modest increase of 118,158 square feet since June 2012, when the total vacancy rate was 8.3 percent; vacant commercial space has declined by 428,170 square feet (-2.6%) since 2009. Expectations are that the commercial real estate market will improve over the course of the next few years, as the local economy grows.

Prince William County's population is currently estimated at 418,385 (as of June 30, 2013). Population growth has been at a slower pace than in past years, particularly before the economic downturn, when annual increases approached 5 percent. Nevertheless, the County will continue to expand its population base as the real estate market continues to strengthen. 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%) 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 community of choice.

Employment in the County continues to improve in terms of establishments, jobs and wages. According to the Virginia Employment Commission, at-place establishments in Prince William County (8,052 in the 1st Quarter 2013) grew by 4.5% year-over-year and by 14.7% since 2008. In Northern Virginia, at-place establishments (72,361 in the 1st Quarter 2013) grew by 3.1% year-over-year and by 7.2% since 2008. In Virginia, at-place establishments (238,971 in the 1st Quarter 2013) grew by 2.9% year-over-year and by 4.1% since 2008. Establishments in Prince William County account for 11.1% of all establishments in Northern Virginia and 3.4% of all establishments in the Commonwealth.

At-place employment in Prince William County (114,273 in the 1st Quarter 2013) increased by 4.0% year-over-year and by 11.8% since 2008. By comparison, Northern Virginia employment grew by 1.0% in the last year and 2.7% since 2008. Employment in the Commonwealth grew by 1.0% in the last year, but declined by 1.1% since 2008. At-place employment in Prince William County accounted for 9.9% of all jobs in Northern Virginia and 3.2% of all jobs in the Commonwealth.

The average weekly wage in Prince William County (\$831 in the 1st Quarter 2013) is unchanged year-over-year but has grown by 9.1% since 2008. At-place average weekly wages in Northern Virginia (\$1,411 in the 1st Quarter 2013) increased by 0.4% in the last year and grew by 11.4% since 2008. In Virginia, weekly wages (\$1,028 in the 1st Quarter 2013) increased by 0.9% year-over-year and grew by 12.0% since 2008.

The impact of the housing downturn continues to be felt in those industries related to housing; however, some ground has been regained in terms of at-place employment. Construction employment, for example, declined in Prince William County by over 7,000 jobs (-44.2%) between September 2005 and February 2010. Since that low point, Construction employment has increased by 3,040 jobs (34.0%). Likewise, jobs in finance and insurance and real estate experienced a net loss of over 800 jobs (22.2%) since their respective peak months of the real estate boom, but have increased by 409 jobs (13.9%) since that low point. Continued improvement in the local real estate market give hope that employment in these sectors will continue to improve as well. Prince William County's unemployment rate was 5.1 percent in June 2013, well below the statewide rate of 6 percent and the national rate of 7.6 percent in June 2013. By comparison, Prince William County's unemployment rate was the same 5.1 percent in June 2012.

Since the real estate boom years of 2001-2006, when home values were increasing at double digit rates in some years, the residential new homes market in the County experienced a major downturn, though indications are that the new homes sector is stabilizing and even growing – albeit modestly. New home construction, however, has yet to recover. 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:

<u>Calendar Year</u>	<u>Single Family</u>	<u>Townhouse</u>	<u>Condo/Apartment</u>	<u>Total</u>
2006	1,818	712	345	2,875
2007	1,305	580	366	2,451
2008	984	260	665	1,909
2009	1,152	381	402	1,935
2010	1,056	479	777	2,312
2011	842	349	316	1,507
2012	845	229	374	1,448
2013 (June)	368	368	328	930

Recent apartment construction in the last several years points to an increasing importance of rental units in the overall mix. Since 2011, a total of 434 apartment rental units have been permitted (through June 2013).

Recent increases in home sales activity are indicative of a strengthening housing market, though to date new home construction continues to lag the resale market. 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 June 2013, however, the average price of a sold home in Prince William County had climbed to \$352,542, a 72.5% increase since February 2009. The total units sold in June was 696, compared to 617 homes sold one year earlier; the average days on the market in June 2013 was 30 days for all homes sold in Prince William County, compared to 43 days one year earlier.

About 77 percent of the County’s real estate tax base consists of residential housing, approximately 22 percent is comprised of commercial, industrial, agricultural 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 by dramatically adjusting the real estate tax rate lower 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.

Since 2010, the Prince William County real estate tax rate has been as follows:

- FY2010 - \$1.212 per \$100 of assessed value
- FY2011 - \$1.236 per \$100 of assessed value
- FY2012 - \$1.204 per \$100 of assessed value
- FY2013 - \$1.209 per \$100 of assessed value
- FY2014 - \$1.181 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 the inclusion of economic development in the strategic goals of County (in the mid-1990’s), 412 new and expanding companies have announced their intention to invest more than \$4.9 billion and add

approximately 16,000 jobs to the Prince William County economy. Of these announcements, 309 (75%) were targeted industry businesses accounting for \$4.2 billion (84%) of the total investment and 12,000 (75%) 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 (GMU) Life Sciences Campus, Prince William County has a growing cluster of life science companies sited near the GMU campus.

The ground-breaking research coming from GMU creates community awareness and significant economic development opportunities. To date, 19 life sciences industry announcements have yielded a cumulative total intent to invest \$232 million and add 701 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 the mid-1990's, 104 economic development projects involving government contractors or federal agencies have delivered a cumulative announced intent to invest of over \$327 million and to create 3,702 new jobs in the County.

Prince William County's competitive tax structure, affordable power and water availability, 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. To date, there have been 17 projects involving the construction or expansion of data center facilities in the County. These projects have yielded announcements totally nearly \$3.3 billion in capital investment and 578 new jobs.

Areas of particular interest in Prince William County include: Innovation Technology Park, and the Potomac Communities. These two areas are home to 25 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/National Institute of Health (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 the mid-1990's, 56 economic development projects have been announced within Innovation Technology Park. Cumulatively, these projects delivered \$719.9 million of announced investment and 2,560 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 56 economic development projects announced since the mid-1990's, carrying a cumulative intent to create 2,146 jobs and invest \$501.7 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. As previously noted, the County has seen 41 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 2014, 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. After a rather severe correction in the housing market, current conditions suggest that a market expansion is occurring again, though at a more moderate pace than during the previous housing market boom. However, any sharp rise in mortgage interest rates could impact the direction of the market. In addition, the impact of defense-related drawdowns in the federal budget, as well as the prospect of long-term sequestration of federal resources in general, has yet to be fully ascertained. The impact of the federal government on the regional and local economy cannot be overlooked.

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 economic uncertainties in the Eurozone (e.g., Greece and Spain, among others), are still problematic to the global and national economies, which in turn may well impact Prince William County, by virtue 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.

In 2012, PWCS adopted a policy 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.

Major Initiatives

PWCS is the second largest of 132 school divisions in Virginia and among the 40 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 two percent. This will result in more than 11,242 additional students by the 2017-2018 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 \$286.9 million over the five year period.

Providing quality educational facilities is important in providing quality education. PWCS' Capital Program identifies seventeen schools for new construction or additions over the next five years and replacement of two schools. 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 2013, with the oldest school being Dumfries Elementary School constructed 93 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 PWCS for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the eleventh consecutive year that the government 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 generally accepted accounting principles 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, 2012. This was the eleventh 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, 2013. 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 2014 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



Government Finance Officers Association

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, 2012

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Prince William County Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

Prince William County Public Schools
List of Elected and Appointed Officials
June 30, 2013

Elected Officials - The Prince William County School Board*

Milton C. Johns, Chairman *At-Large*

Michael I. Otaigbe, Vice Chairman, *Coles District*

Lisa E. Bell, *Neabsco District*

Betty D. Covington, *Potomac District*

Lillie G. Jessie, *Occoquan District*

Steven Keen, *Woodbridge District*

Alyson A. Satterwhite, *Gainesville District*

Gil Trenum, *Brentsville 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
Supervisor of Accounting
Services

* as of June 30, 2013



Prince William County
PUBLIC SCHOOLS
Providing A World-Class Education

FY 2014
Organizational Chart

PWCS_OrgChart_FY2014_v3.vsd August 29, 2013 2:16 PM

Prince William County School Board

Milton C. Johns Chairman At-Large	Michael I. Otaigbe, Ph.D. Vice Chairman Coles District	Lisa E. Bell Neabsco District	Betty D. Covington Potomac District
Lillie G. Jessie Occoquan District	Steven Keen Woodbridge District	Alyson Satterwhite Gainesville District	Gil Trenum Brentsville District

Associate Superintendent for Eastern Elementary Schools
Rita Everett Goss

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
Marumsc Hills ES	Westridge ES
Occoquan ES	Williams ES
Old Bridge ES	

Associate Superintendent for Western Elementary Schools
Jarcelynn Hart

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	

Associate Superintendent for Central Elementary Schools
R. Todd Erickson

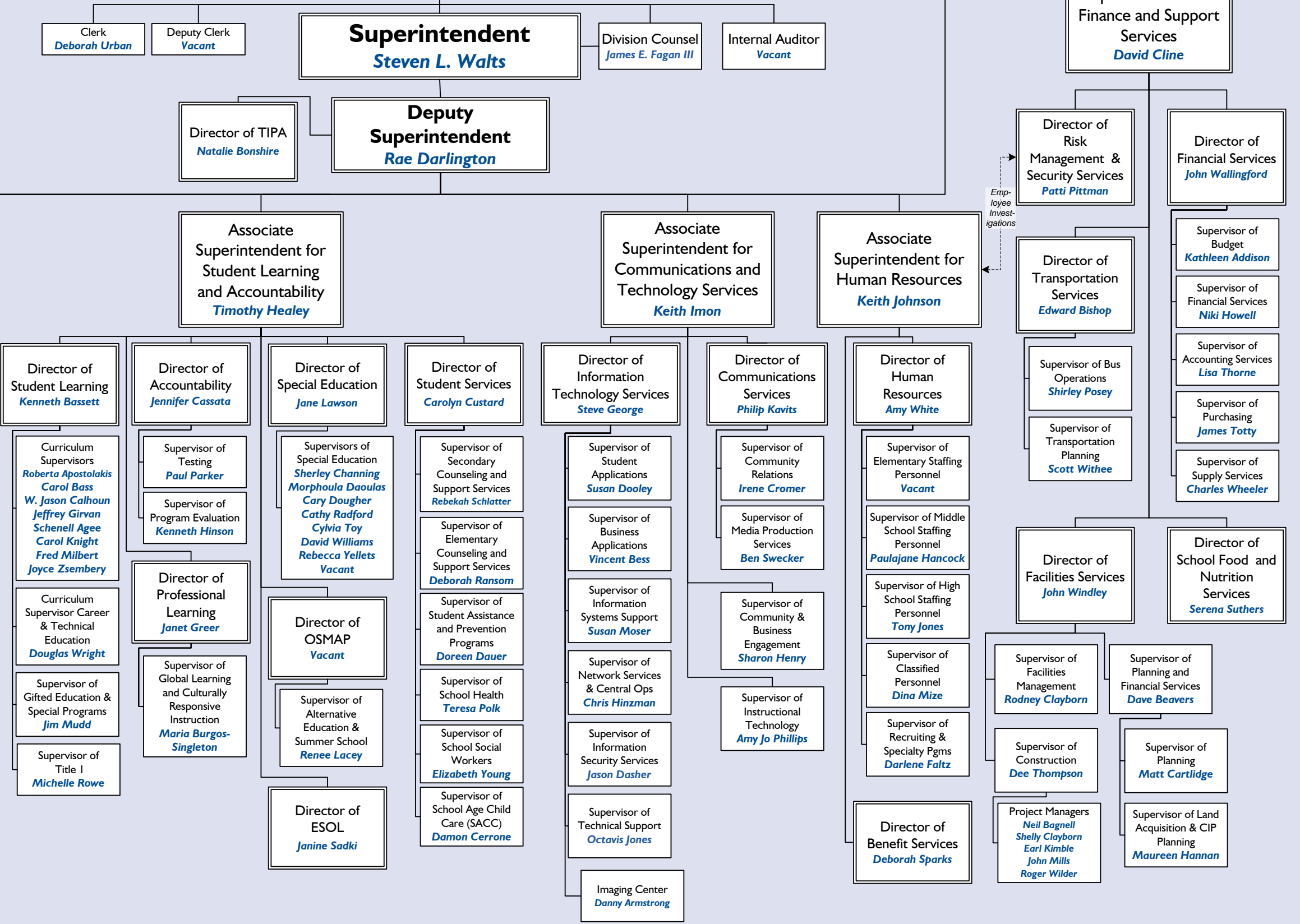
Central Elementary Schools	
Ashland ES	Marshall ES
Bel Air ES	McAuliffe ES
Bennett ES	Minnieville ES
Coles ES	Montclair ES
Dale City ES	Neabsco ES
Enterprise ES	Parks ES
Fitzgerald ES	Pattie ES
Henderson ES	Penn ES
Kerrydale ES	Signal Hill ES
King ES	Woodbine SE

Associate Superintendent for Middle Schools
William G. Bixby

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	

Associate Superintendent for High Schools
Michael Mulgrew

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	



Financial Section

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the PWCS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Agency Fund, which represents 52% of the assets of the aggregate agency fund information. Those financial statements were audited by another auditor 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 the other auditor.

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the PWCS, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, in 2013 the PWCS adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PWCS' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report date November 26, 2013, on our considerations of PWC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PWC's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 26, 2013

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Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2013

This section of the Prince William County Public Schools' (PWCS) annual financial report presents our discussion and analysis of the division's financial performance during the fiscal year ended June 30, 2013 (FY 2013). 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 \$888,393 or 84.7% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$160,123 or 15.3% of total revenues of \$1,048,516.
- The School Division had \$982,546 in expenses of which \$160,123 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 position increased by \$65,970 to a total of \$1,272,808. The value of net position 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 Position.
- On September 30, 2012 (FY 2013) student membership was 83,551, an increase of 1,916 students, or 2.3% greater than FY 2012. The student membership was also 286 students less than projected for FY 2013.

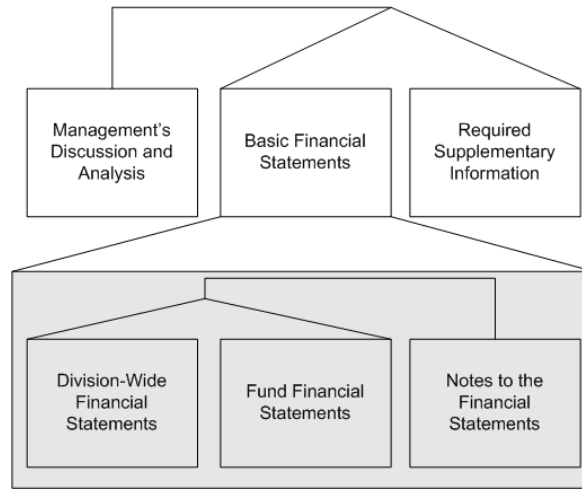
Using this Comprehensive Annual Financial Report

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 position •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 position • Statement of revenues, expenses and changes in fund net position •Statement of cash flows 	<ul style="list-style-type: none"> •Statement of fiduciary net position
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 PWCS 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 2013?” The Statement of Net Position 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 position* and how they have changed. Net position – 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 position 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 Position 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 & nutrition services, 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 position 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 position 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 fiduciary for the Governor’s School @ Innovation Park, the Northern Virginia Regional Special Education Fund, and Student Activities in an Agency Fund capacity. In

addition, PWCS along with the County are trustees for 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 combining 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. All of these activities are excluded from PWCS' government-wide statements because PWCS cannot use these assets to finance its operation.

Financial Analysis of PWCS as a Whole

Net Position

The condensed statement of net position describes the financial position of PWCS on June 30, 2013. The largest portion of PWCS net position reflects its investment in capital assets (buildings, land, equipment, vehicles, and construction-in-progress). Capital assets account for 88.4% of the total net position and have increased by \$47,848 since June 30, 2012. 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 Position. 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 position. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net position are restricted net position and unrestricted net position. Restricted net position represents those resources that have externally imposed constraints on their use. Restricted net position increased by a net of \$8,301 during the current fiscal year reflecting an increase in PWCS' resources restricted for specific construction projects of \$7,501 and a net increase in restricted for food & nutrition services, self-insurance, and other purposes of \$800. Unrestricted net position 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 position amounted to \$104,701, an increase of \$9,821 from FY 2012. All three components of net position show positive balances.

Condensed Statement of Net Position						
(amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Entity	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 298,877	\$ 266,663	664	857	299,541	267,520
Capital assets	1,125,015	1,077,167	-	-	1,125,015	1,077,167
Total assets	1,423,892	1,343,830	664	857	1,424,556	1,344,687
Current liabilities	109,621	99,137	-	19	109,621	99,156
Long-term liabilities	42,127	38,693	-	-	42,127	38,693
Total liabilities	151,748	137,830	-	19	151,748	137,849
Net position:						
Invested in capital assets	1,125,015	1,077,167	-	-	1,125,015	1,077,167
Restricted	43,092	34,791	-	-	43,092	34,791
Unrestricted	104,037	94,042	664	838	104,701	94,880
Total net position	\$ 1,272,144	\$ 1,206,000	664	838	1,272,808	1,206,838

Changes in Net Position

Changes in Net Position (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Reporting Entity	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 23,300	\$ 22,688	425	389	23,725	23,077
Operating grants and contributions	136,285	134,204	-	-	136,285	134,204
Capital grants and contributions	113	98	-	-	113	98
General revenues:						
Federal	2,803	1,379	-	-	2,803	1,379
State	347,674	319,514	-	-	347,674	319,514
County	532,717	474,783	-	-	532,717	474,783
Unrestricted investment earnings	1,724	3,045	(5)	18	1,719	3,063
Miscellaneous revenues	3,480	2,655	-	-	3,480	2,655
Total revenues	1,048,096	958,366	420	407	1,048,516	958,773
Expenses						
Instruction:						
Regular	485,165	461,883	-	-	485,165	461,883
Special	101,696	107,521	-	-	101,696	107,521
Other	9,565	9,047	-	-	9,565	9,047
Instructional leadership	57,215	54,417	-	-	57,215	54,417
Support Services:						
General administration	10,023	8,400	-	-	10,023	8,400
Student services	10,446	9,699	-	-	10,446	9,699
Curricular/staff development	14,092	13,625	-	-	14,092	13,625
Pupil transportation	53,658	49,379	-	-	53,658	49,379
Operations	22,858	21,856	-	-	22,858	21,856
Utilities	23,321	25,331	-	-	23,321	25,331
Maintenance	31,147	32,431	-	-	31,147	32,431
Central business services	52,343	44,687	-	-	52,343	44,687
Reimbursement to County for debt service	70,605	68,440	-	-	70,605	68,440
Food & nutrition services	38,551	36,597	-	-	38,551	36,597
Community service operations	1,267	1,205	-	-	1,267	1,205
School Age Child Care	-	-	594	508	594	508
Total expenses	981,952	944,518	594	508	982,546	945,026
Change in net position	66,144	13,848	(174)	(101)	65,970	13,747
Net position, beginning of year	1,206,000	1,192,152	838	939	1,206,838	1,193,091
Net position, end of year	\$ 1,272,144	\$ 1,206,000	664	838	1,272,808	1,206,838

Total revenues increased by \$89,743 for a 9.4% increase over FY 2012. This is primarily the result of increase in State aid and general revenue from the County.

50.8% of PWCS' revenue comes from the primary government (the County), 33.2% from the State, .3% from the Federal government, 15.2% in the form of program revenues (charges for services, operating, and capital grants and contributions), and 0.5% 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.

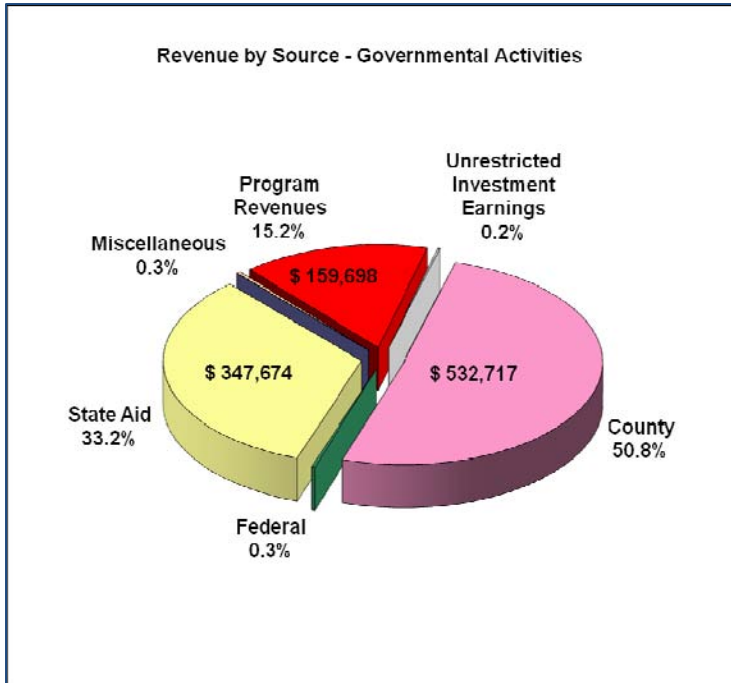
The component of PWCS' "County revenue" that is a function of bond sales increased from FY 2012 by \$29,295 or 60.2% while all other components of "county revenue" increased by \$28,639 or 6.7%. For FY 2013 there was a 12.2 increase of all components of "county revenue" or \$57,934. This increase is primarily a function of an increase in bond sales for FY 2013.

State revenue increased \$28,160 or 8.8% 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 4.0% to \$982,546 in FY 2013. This increase is a function of the

increase in the student population by 2.3% and related instructional needs, as well as an increase in Virginia Retirement System costs by 50% and a pay adjustment for employees of one step, averaging 2.85%. 77.0% of the Division's expenses are related to the instruction of and caring for the needs of students (instruction, transportation, student services, and food & nutrition services). The Division's business and administrative activities accounted for 7.9% of total costs while operations and maintenance amounted to 7.9% of total cost. Reimbursements to the County for debt service totaled 7.2% of FY 2013 costs. For the FY 2013, revenues exceeded expenses by \$65,970. 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

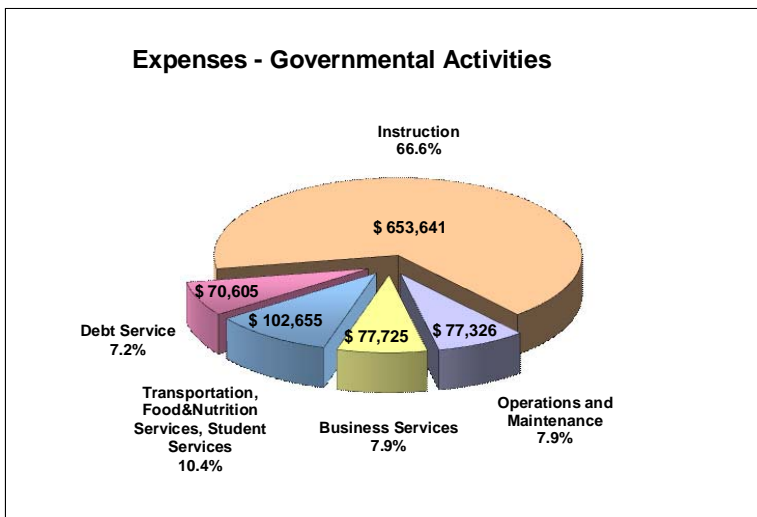


The two primary sources of revenue for the School Division are from Prince William County and the Commonwealth of Virginia. Funding from the County is provided through a revenue sharing agreement whereby the School Division receives 56.75% of general county revenue. The budget is developed based upon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

The 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 the 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 the County in FY 2014 related to additional recognized revenues from FY 2013 in the amount of \$1,134 and \$181 recognition of additional general county revenue in excess of projections and cable franchise tax grant, respectively. Also, \$1,486 was needed to maintain the 7.5% of unassigned General Fund balance. This netted to a decrease in revenue from FY 2013 in the amount of \$171.

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 2013 increased as a result of the State funding its share of the SOQ cost of the additional 1,916 students in the School Division.



The FY 2013 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 provided

by tax revenue, State aid, Federal aid not restricted to specific programs, and miscellaneous revenue.

Net Cost of Governmental Activities (amounts expressed in thousands)							
	Total Cost of Services			Percent Change	Net Cost of Services		
	2013	2012			2013	2012	Percent Change
Instruction							
Regular	\$ 485,165	\$ 461,883		5.0%	\$ 434,026	\$ 417,372	4.0%
Special	101,696	107,521		-5.4%	43,658	43,186	1.1%
Other	9,565	9,047		5.7%	1,184	1,161	2.0%
Instructional leadership	57,215	54,417		5.1%	57,215	54,417	5.1%
Total instruction	<u>653,641</u>	<u>632,868</u>		<u>3.3%</u>	<u>536,083</u>	<u>516,136</u>	<u>3.9%</u>
Support services							
General administration	10,023	8,400		19.3%	10,023	8,400	19.3%
Student services	10,446	9,699		7.7%	10,424	9,674	7.8%
Curricular/staff development	14,092	13,625		3.4%	14,030	13,513	3.8%
Pupil transportation	53,658	49,379		8.7%	53,579	49,280	8.7%
Operations	22,858	21,856		4.6%	22,467	21,686	3.6%
Utilities	23,321	25,331		-7.9%	23,321	25,331	-7.9%
Maintenance	31,147	32,431		-4.0%	31,147	32,431	-4.0%
Central business services	52,343	44,687		17.1%	51,963	44,385	17.1%
Reimbursement to County for debt service	70,605	68,440		3.2%	70,605	68,440	3.2%
Food & nutrition services	38,551	36,597		5.3%	(1,629)	(2,032)	-19.8%
Community service operations	1,267	1,205		5.1%	241	284	-15.1%
Total support services	<u>328,311</u>	<u>311,650</u>		<u>5.3%</u>	<u>286,171</u>	<u>271,392</u>	<u>5.4%</u>
Total expenses	<u>\$ 981,952</u>	<u>\$ 944,518</u>		<u>4.0%</u>	<u>\$ 822,254</u>	<u>\$ 787,528</u>	<u>4.4%</u>

- The cost of all governmental activities was \$981,952.
- The net cost of governmental activities was \$822,254.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$443,787. Additional revenue from the County consisted of bond sales in the amount of \$77,976 and proffers in the amount of \$10,954.
- The Commonwealth of Virginia contributed general revenue of \$347,674.
- The Federal Government contributed general revenue of \$2,803.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$23,300;
 - Total Grants and Contributions: \$136,398;
 - Other payments: \$5,204.
- There are several significant activity changes in the net cost of services:
 - Central business services net costs increased as a result of change in methodology for Virginia Retirement liability calculations in FY 2012 which resulted in a one-time reduction of expenses in FY 2012.
 - Food & nutrition services net costs decreased as a result of a decrease in revenue from charges for services and an increase in operating grants and contributions due to an increase in the reimbursement rate. This overall revenue increase partially offset the cost to support additional 1,916 students.
 - Community service operations are subject to change each year as a function of the number of activities conducted within the community use of building (rental) program.

Also, during FY 2013 the catering department was relocated from Food & nutrition services fund to the Facilities use fund. This increase in revenue contributed to a decrease in the net cost of services.

Business-type Activities

Revenues of the School Division's business-type activities increased 3.2% to \$420, while expenses increased 16.9% to \$594. 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. The revenue increased as a result of entering into a flat-fee contractual arrangement with the vendor for providing the services.

Financial Analysis of the Division's Funds

Information about PWCS' major funds begins on page 35. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of \$1,048,242 and expenditures of \$1,022,654. The net change in fund balance was most significant in the Construction Fund amounting to an increase of \$21,361. This increase is primarily due to the transfer into the Construction Fund.

The General Fund net increase in fund balance of \$1,166 resulted from an increase in both State and County revenue and an increase in regular instruction and central business services expenditures in comparison to FY 2012. These increases in State revenue and increases in expenditures are a result of increased student enrollment of 1,916 and the opening of one new school. The increase in fund balance in Other Governmental Funds of \$1,262 is primarily attributable to increased Federal revenues and increased expenditures in the Food & Nutrition 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 2013, PWCS amended its General Fund budget as follows:

- Amended appropriation of \$17,524 to reflect the carryover of encumbrances from FY 2012 to FY 2013.
- Supplemental appropriations totaled \$15,797; of which \$9,394 related to the carryover of unencumbered FY 2012 budget and appropriations, a \$6,191 increase in additional Federal, State and local grants and additional State aid due to the continuing increase in enrollment, and \$212 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 2012, an appropriation adjustment was made to the School Division budget to reflect the difference between the actual and projected revenues of \$1,270. In addition, the supplemental appropriation included a return of fund balance excess of \$1,155.

PWCS' final budget for the General Fund anticipated that expenditures, including transfers, would exceed revenues by roughly \$42,346. The actual results for the year show revenue exceeded expenditures by \$1,166. Key factors contributing to the significant changes in revenues/appropriations from the final budgeted amounts include:

- Revenue from the State government increased \$4,245 over the final budget primarily due to Regional School funding increases of \$3,664 over budgeted amounts.
- Utility expenditures were \$12,512 less than budgeted amounts due to the results of the Energy Conservation Program and conservative budgeting efforts.

Capital Assets

At the end of FY 2013, PWCS had \$1,125,015 invested in buildings, land, equipment, vehicles, and construction-in-progress in governmental-type activities. The following table shows FY 2013 balances, net of accumulated depreciation/amortization. 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 67,374	\$ 67,248	-	-	67,374	67,248
Construction in progress	102,856	41,416	-	-	102,856	41,416
Depreciable/amortizable capital assets	954,785	968,503	-	-	954,785	968,503
Total	\$ 1,125,015	\$ 1,077,167	-	-	1,125,015	1,077,167

Major capital asset additions for FY 2013 included:

- Land acquisition for planned Kilby Elementary School replacement.
- Began construction of two new schools:
 - Elementary School on Haymarket Road;
 - 12th High School.
- Continued construction of one new school:
 - Nokesville K – 8;
- Completed major renovations, additions, replacements at:
 - Pattie Elementary School;
- Continued major renovations, additions, replacements or renewals at:
 - West Gate Elementary School;
 - Potomac High School;
 - Independent Hill Complex;
 - Sudley Elementary School;
 - Loch Lomond Elementary School;
 - Sinclair Elementary School;
 - Mullen Elementary School;
 - Penn Elementary School;
 - Potomac Middle School;
 - Parkside Middle School;
 - Dumfries Elementary School;
 - River Oaks Elementary School;
 - Benton Middle School.
- Purchased 53 school buses and 20 trucks.

- Replaced 25 school buses, 6 trucks, and 2 cars.

The following major capital projects are included in PWCS' FY 2014 capital budget:

- Elementary School on Haymarket Road;
- Nokesville K – 8;
- Commence 12th high school;
- Dumfries Elementary School renewal;
- Additions to River Oaks Elementary School , Featherstone Elementary School, and Parkside Middle School;
- Ongoing implementation of infrastructure upgrades needed for technology improvements.

Funding for the FY 2014 capital projects includes a general fund transfer of \$15,439 and \$67,260 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, the 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 division. At June 30, 2013, the County is liable for \$582,469 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2013, outstanding long-term debt increased by a net \$22,972 consisting of:

- \$42,703 in debt principal retired during the fiscal year.
- \$65,675 in new debt issued during FY 2013 through the sale of general obligation bonds to the VPSA:
 - In addition, a bond premium of \$12,301 was realized on the sale of the VPSA bonds, bringing the total bonds available from the sale to \$77,976.

During FY 2013, \$869 in revenue related to long-term debt was recognized by the County related to a one-time credit for the refinancing of existing VPSA bonds.

The Approved School Board budget for FY 2014 provides funding for \$74,900 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$67,260 in new bonds during FY 2014 to support school capital projects, as detailed in the FY 2014 – 2023 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	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds *	\$ 579,969	\$ 556,747	-	-	579,969	556,747
Literary Loans	2,500	2,750	-	-	2,500	2,750
Total	\$ 582,469	\$ 559,497	-	-	582,469	559,497

*Includes G.O. Bonds, BABs 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 Standard & Poor's, and a "Aaa" rating from Moody's Investors Service. A "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 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 2014 budget provides funding for the following significant costs:

- Funding for current programs to support an approximate increase of 1,500 students.
- Funding to support the capital projects included in the FY 2014 – 2023 CIP.
- A salary scale adjustment of 3.0% to School Division employees.
- An overall increase of 5% in health insurance costs.

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. This year there has been an unexpected growth rate reduction. The Division has realized approximately 1,500 additional students. This is just under 900 fewer than projected. Division staff will have to monitor this change and evaluate if there has been a long term shift in enrollment growth. This has the potential to make substantial changes in future budgets and capital plans.
- Demographics changes to the student population will continue to change regardless of the growth rates. 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, 2013 was 85,055. This represents an increase of 1,504 students for a growth rate of 1.8%. Student membership was 871 students below the 85,926 projected in the FY 2014 Approved Budget which translates to an estimated net savings of \$5,372 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 2014 and 2015 fund balance will be supporting the General Fund budgets to the extent of \$21.1 million and \$17.6 million, respectively. This is approximately 2 to 4 percent of the General Fund budgets for the respective years and, for FY 2014, the beginning of reductions of the use of fund balance to support the General Fund budgets. These funds became available, partly, through the conservative management of Federal and other one-time funds. The Budget for FY 2015 through FY 2017 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 at a rate that will be greater than 2.0% annually.
- FY 2014 is the second year of the biennial budget process for the Commonwealth of Virginia. The budget for FY 2014 may be impacted by a number of significant changes including:
 - Updated student enrollment projections;
 - Continued updating of rates for the Virginia Retirement System (VRS).
- 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 resulted 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 34%. Future VRS rate increases are certain and will continue to be budgetary challenge for PWCS and other school divisions across the state. PWCS is currently expecting an increase in VRS costs of approximately \$18 million. 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. PWCS 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 position deficit on their Statement of Net Position and may also create net position issues for cities and counties in Virginia as school divisions are a component unit of their associated county or city government. If PWCS were to book these liabilities in FY 2012 the Division would disclose a net position of \$312,000. This would be equivalent to a net position reduction of approximately \$960,000.
- In the FY 2012 Comprehensive Financial Report there was a discussion of the possibility of sequestration. Sequestration is no longer a looming issue for the economy of Virginia and the economies of all of the localities in the state it is a reality. Because of the forward funding mechanism for most Federal education grants, the impact of sequestration will not become a problem until FY 2015. 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 if agreements cannot be reached at the federal level to ultimately avoid sequestration.

- There is concern about the likelihood that the Federal Government will allow the debt ceiling deadlines to pass without increasing the US debt limits. There is a great deal of uncertainty currently and Prince William may be substantially impacted by decisions that the Federal Government may make.
- Revenue receipts for the first quarter at the State level are slightly higher than last year and are ahead of budget for the year. Division staff will continue to monitor State revenues.
- PWCS' local composite index (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 2014-2016 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 future funding received from the state, relative to other localities in Virginia.
- The County has indicated that FY 2014 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 2014 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. In FY 2014 the rate decreased to \$1.181. 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 PWCS 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 year (financial) plan (FY 2014 to FY 2018) there are plans for six new schools. During the challenging economic period starting in fiscal 2008 many capital projects were deferred as a result of budgetary constraints. Construction associated to increased enrollment and pent up demand for other capital improvements create uncertainty as to how these increased capital requirements will be funded. One mechanism to fund this capital requirement is through cash; the other is increased debt funding. Should increases in debt funding materialize, PWCS will begin to approach the self imposed debt service limits set in the Prince William County *Principles of Sound Financial Management*. These financial policies 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.
- During the FY 2014 budget deliberations, the County approved an increase to the revenue share. The percent of County general revenues the County agrees to transfer to the School Division increased from 56.75% to 57.23%.

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/>.

Basic Financial Statements

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Prince William County Public Schools
Statement of Net Position
As of June 30, 2013

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Reporting Entity</u>
ASSETS			
Equity in cash and pooled investments	\$ 237,243,950	662,230	237,906,180
Accounts receivable and other current assets	2,063,798	2,004	2,065,802
Due from other governmental units	30,708,957	-	30,708,957
Inventory	3,666,557	-	3,666,557
Net OPEB asset	1,987,045	-	1,987,045
Restricted assets:			
Restricted cash	22,706,781	-	22,706,781
Deposits	500,000	-	500,000
Capital assets:			
Land	67,373,629	-	67,373,629
Construction in progress	102,855,852	-	102,855,852
Depreciable/amortizable capital assets	1,334,106,712	-	1,334,106,712
Less: accumulated depreciation/amortization	(379,321,020)	-	(379,321,020)
 Total assets	 <u>1,423,892,261</u>	 <u>664,234</u>	 <u>1,424,556,495</u>
LIABILITIES			
Accounts payable and accrued liabilities	11,432,279	141	11,432,420
Salaries payable and withholdings	84,586,526	209	84,586,735
Due to other governmental units	539,753	-	539,753
Retainage	3,634,898	-	3,634,898
Unearned revenue	9,427,872	-	9,427,872
Long-term liabilities:			
Due within one year	18,637,395	-	18,637,395
Due in more than one year	23,489,685	-	23,489,685
 Total liabilities	 <u>151,748,408</u>	 <u>350</u>	 <u>151,748,758</u>
NET POSITION			
Invested in capital assets	1,125,015,173	-	1,125,015,173
Restricted for:			
Capital projects	19,418,090	-	19,418,090
Food & nutrition services	18,165,043	-	18,165,043
Self-insurance	500,000	-	500,000
Other purposes	5,008,389	-	5,008,389
Unrestricted	104,037,158	663,884	104,701,042
 Total net position	 <u>\$ 1,272,143,853</u>	 <u>663,884</u>	 <u>1,272,807,737</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, 2013

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total Reporting Entity
Governmental activities:							
Instruction:							
Regular	\$ 485,165,562	1,855,872	49,170,472	113,226	(434,025,992)	-	(434,025,992)
Special	101,695,653	2,523	58,035,177	-	(43,657,953)	-	(43,657,953)
Other	9,564,625	1,639,919	6,740,341	-	(1,184,365)	-	(1,184,365)
Instructional leadership	57,215,305	-	-	-	(57,215,305)	-	(57,215,305)
Total instruction	653,641,145	3,498,314	113,945,990	113,226	(536,083,615)	-	(536,083,615)
Support services:							
General administration	10,023,084	-	-	-	(10,023,084)	-	(10,023,084)
Student services	10,446,005	-	22,092	-	(10,423,913)	-	(10,423,913)
Curricular/staff development	14,090,217	-	59,848	-	(14,030,369)	-	(14,030,369)
Pupil transportation	53,658,771	80,169	-	-	(53,578,602)	-	(53,578,602)
Operations	22,858,289	391,686	-	-	(22,466,603)	-	(22,466,603)
Utilities	23,321,478	-	-	-	(23,321,478)	-	(23,321,478)
Maintenance	31,146,930	-	-	-	(31,146,930)	-	(31,146,930)
Central business services	52,343,259	380,148	-	-	(51,963,111)	-	(51,963,111)
Reimbursement to County for debt service	70,604,617	-	-	-	(70,604,617)	-	(70,604,617)
Food & nutrition services	38,551,731	17,923,505	22,257,093	-	1,628,867	-	1,628,867
Community service operations	1,267,082	1,026,275	-	-	(240,807)	-	(240,807)
Total support services	328,311,463	19,801,783	22,339,033	-	(286,170,647)	-	(286,170,647)
Total governmental activities	981,952,608	23,300,097	136,285,023	113,226	(822,254,262)	-	(822,254,262)
Business-type activities:							
School Age Child Care	594,455	425,000	-	-	-	(169,455)	(169,455)
Total Reporting Entity	\$ 982,547,063	23,725,097	136,285,023	113,226	(822,254,262)	(169,455)	(822,423,717)
General revenues:							
Grants and contributions not restricted to specific programs							
Federal					2,803,420	-	2,803,420
State					347,674,076	-	347,674,076
County					532,716,993	-	532,716,993
Unrestricted investment earnings					1,723,598	(4,900)	1,718,698
Miscellaneous revenues					3,480,030	-	3,480,030
Total general revenues					888,398,117	(4,900)	888,393,217
Change in net position					66,143,855	(174,355)	65,969,500
Net position, beginning of year					1,205,999,998	838,239	1,206,838,237
Net position, end of year					\$ 1,272,143,853	663,884	1,272,807,737

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, 2013

Exhibit 3

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in cash and pooled investments	\$ 148,993,797	33,273,473	17,523,722	199,790,992
Restricted cash	-	22,706,781	-	22,706,781
Accounts receivable	1,157,853	27,306	437,317	1,622,476
Due from other funds	491,131	-	-	491,131
Due from other governmental units	24,879,716	-	5,829,241	30,708,957
Inventory	1,079,299	-	1,533,941	2,613,240
Total assets	<u>176,601,796</u>	<u>56,007,560</u>	<u>25,324,221</u>	<u>257,933,577</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	8,289,870	2,230,481	798,660	11,319,011
Salaries payable and withholdings	83,964,067	20,071	601,997	84,586,135
Due to other governmental units	351,468	-	-	351,468
Retainage payable	-	3,634,890	-	3,634,890
Deferred revenue	180,844	-	-	180,844
Unearned revenue	1,770,655	-	1,376,819	3,147,474
Total liabilities	<u>94,556,904</u>	<u>5,885,442</u>	<u>2,777,476</u>	<u>103,219,822</u>
Fund Balances:				
Nonspendable:				
Inventory	1,079,299	-	1,533,941	2,613,240
Restricted:				
Regular instruction	1,203,681	-	-	1,203,681
Special instruction	3,039,051	-	-	3,039,051
Other instruction	390,915	-	-	390,915
General administration	248,426	-	-	248,426
Curricular/staff development	27,719	-	-	27,719
Student services	25,223	-	-	25,223
Central business services	73,374	-	-	73,374
Food & nutrition services	-	-	18,165,043	18,165,043
Capital outlay	-	19,229,805	-	19,229,805
For payments to PWC for arbitrage rebate	-	188,285	-	188,285
Committed:				
Community service operations	-	-	2,847,761	2,847,761
Assigned:				
Regular instruction	26,102,439	-	-	26,102,439
Special instruction	8,748,376	-	-	8,748,376
Other instruction	521,381	-	-	521,381
Instructional leadership	3,218,564	-	-	3,218,564
General administration	835,516	-	-	835,516
Student services	590,454	-	-	590,454
Curricular/staff development	1,185,380	-	-	1,185,380
Pupil transportation	5,027,251	-	-	5,027,251
Operations	969,151	-	-	969,151
Utilities	2,883,458	-	-	2,883,458
Maintenance	2,489,589	-	-	2,489,589
Central business services	7,981,560	-	-	7,981,560
Capital outlay	-	30,704,028	-	30,704,028
Unassigned	15,404,085	-	-	15,404,085
Total fund balances	<u>82,044,892</u>	<u>50,122,118</u>	<u>22,546,745</u>	<u>154,713,755</u>
Total liabilities and fund balances	<u>\$ 176,601,796</u>	<u>56,007,560</u>	<u>25,324,221</u>	<u>257,933,577</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 Position
 As of June 30, 2013

Exhibit 4

Total fund balances - governmental funds \$ 154,713,755

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

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

Land	\$ 67,373,629	
Construction in progress	102,855,852	
Library books	3,630,892	
Buildings and improvements	1,205,600,819	
Equipment	36,449,285	
Vehicles	85,016,087	
Software	3,409,629	
Total capital assets	<u>1,504,336,193</u>	
Accumulated depreciation/amortization	<u>(379,321,020)</u>	1,125,015,173

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 Position, but as expenditures in the funds when made. 1,987,045

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

Arbitrage rebate (188,285)

Certain revenues are measurable but not available to pay for current period expenditures and, therefore, are reported in the funds as deferred revenue. 180,844

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

Compensated absences	(28,621,710)	
Pollution remediation	<u>(680,608)</u>	(29,302,318)

Net Position of internal service funds. 19,737,639

Net position - governmental activities \$ 1,272,143,853

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 Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit 5

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 1,965,944	14,456	(141,012)	1,839,388
Use of property	-	-	1,026,275	1,026,275
Charges for services	4,532,372	-	17,901,164	22,433,536
Intergovernmental:				
Federal	34,230,797	-	21,114,967	55,345,764
State	428,608,705	-	684,515	429,293,220
County	446,149,060	88,930,074	-	535,079,134
Miscellaneous	2,735,831	2,519	486,677	3,225,027
Total revenues	<u>918,222,709</u>	<u>88,947,049</u>	<u>41,072,586</u>	<u>1,048,242,344</u>
EXPENDITURES:				
Current:				
Regular instruction	452,683,915	5,264,198	-	457,948,113
Special instruction	100,383,975	-	-	100,383,975
Other instruction	9,446,179	-	-	9,446,179
Instructional leadership	57,212,407	-	-	57,212,407
General administration	8,843,417	-	-	8,843,417
Student services	10,339,560	-	-	10,339,560
Curricular/staff development	13,978,895	-	-	13,978,895
Pupil transportation	55,568,286	-	-	55,568,286
Operations	22,612,587	-	-	22,612,587
Utilities	23,321,478	-	-	23,321,478
Maintenance	23,599,418	7,286,262	-	30,885,680
Central business services	51,016,528	-	-	51,016,528
Community service operations	-	-	1,267,082	1,267,082
Food & nutrition services	-	-	38,543,923	38,543,923
Reimbursement to the County for debt service	70,604,577	-	-	70,604,577
Capital outlay	-	70,681,132	-	70,681,132
Total expenditures	<u>899,611,222</u>	<u>83,231,592</u>	<u>39,811,005</u>	<u>1,022,653,819</u>
Excess of revenues over expenditures	<u>18,611,487</u>	<u>5,715,457</u>	<u>1,261,581</u>	<u>25,588,525</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
General fund	-	17,587,836	-	17,587,836
Construction fund	1,942,785	-	-	1,942,785
TRANSFERS OUT:				
General fund	-	(1,942,785)	-	(1,942,785)
Construction fund	(17,587,836)	-	-	(17,587,836)
Health Insurance fund	(1,800,000)	-	-	(1,800,000)
Total other financing sources (uses), net	<u>(17,445,051)</u>	<u>15,645,051</u>	<u>-</u>	<u>(1,800,000)</u>
Net change in fund balances	1,166,436	21,360,508	1,261,581	23,788,525
FUND BALANCES, beginning of year	<u>80,878,456</u>	<u>28,761,610</u>	<u>21,285,164</u>	<u>130,925,230</u>
FUND BALANCES, end of year	<u>\$ 82,044,892</u>	<u>50,122,118</u>	<u>22,546,745</u>	<u>154,713,755</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, 2013

Exhibit 6

Total net change in fund balances - total governmental funds	\$ 23,788,525
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, therefore, are not reported in the funds.	(145,887)
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	\$ 81,812,062
Depreciation/amortization expense	<u>(33,656,783)</u>
	48,155,279
The net effect of various transactions including disposal of capital assets.	(307,176)
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	(38)
Compensated absences	(637,498)
Other postemployment benefits	476,011
Pollution remediation	(48,812)
Activities of Internal Service Funds that serve governmental activities.	<u>(5,136,553)</u>
Change in net position of governmental activities	<u>\$ 66,143,851</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, 2013

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	1,965,944	1,965,944	-
Charges for services	2,167,254	4,505,537	4,532,372	26,835
Intergovernmental:				
Federal	29,948,019	34,410,736	34,230,797	(179,939)
State	423,691,780	424,363,367	428,608,705	4,245,338
County	447,303,355	445,664,137	446,149,060	484,923
Miscellaneous	60,300	1,481,666	2,735,831	1,254,165
Total revenues	<u>903,170,708</u>	<u>912,391,387</u>	<u>918,222,709</u>	<u>5,831,322</u>
EXPENDITURES:				
Current:				
Regular instruction	463,023,644	460,348,639	452,683,915	7,664,724
Special instruction	101,029,511	104,525,153	100,383,975	4,141,178
Other instruction	10,449,217	11,027,171	9,446,179	1,580,992
Instructional leadership	59,978,818	60,578,366	57,212,407	3,365,959
General administration	9,205,760	9,575,254	8,843,417	731,837
Student services	10,486,113	10,636,687	10,339,560	297,127
Curricular/staff development	13,886,570	14,114,960	13,978,895	136,065
Pupil transportation	59,510,760	56,404,918	55,568,286	836,632
Operations	21,167,668	21,155,608	22,612,587	(1,456,979)
Utilities	39,454,819	35,833,449	23,321,478	12,511,971
Maintenance	27,990,067	24,443,110	23,599,418	843,692
Central business services	61,212,484	56,747,228	51,016,528	5,730,700
Reimbursement to the County for debt service	70,996,885	70,996,885	70,604,577	392,308
Total expenditures	<u>948,392,316</u>	<u>936,387,428</u>	<u>899,611,222</u>	<u>36,776,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,221,608)</u>	<u>(23,996,041)</u>	<u>18,611,487</u>	<u>42,607,528</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Construction fund	1,000,000	1,000,000	1,942,785	942,785
TRANSFERS OUT:				
Construction fund	(14,220,000)	(17,549,981)	(17,587,836)	(37,855)
Health Insurance fund	(1,800,000)	(1,800,000)	(1,800,000)	-
Total other financing sources (uses), net	<u>(15,020,000)</u>	<u>(18,349,981)</u>	<u>(17,445,051)</u>	<u>904,930</u>
Net change in fund balance	(60,241,608)	(42,346,022)	1,166,436	43,512,458
FUND BALANCE, beginning of year	<u>80,878,456</u>	<u>80,878,456</u>	<u>80,878,456</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 20,636,848</u>	<u>38,532,434</u>	<u>82,044,892</u>	<u>43,512,458</u>

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

Prince William County Public Schools
Statement of Net Position
Proprietary Funds
As of June 30, 2013

Exhibit 8

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
ASSETS	<u> </u>	<u> </u>
Current assets:		
Equity in cash and pooled investments	\$ 662,230	37,452,958
Accounts receivable and other current assets	2,004	441,322
Inventory	-	1,053,317
Restricted assets:		
Deposits	-	500,000
Total assets	<u> 664,234</u>	<u> 39,447,597</u>
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	141	113,268
Salaries payable and withholdings	209	399
Unearned revenue	-	6,280,398
Due to other funds	-	491,131
Incurred but not reported claims	-	8,398,025
Total current liabilities	<u> 350</u>	<u> 15,283,221</u>
Noncurrent liabilities:		
Incurred but not reported claims	-	4,426,737
Total liabilities	<u> 350</u>	<u> 19,709,958</u>
 NET POSITION		
Restricted	-	500,000
Unrestricted	663,884	19,237,639
Total net position	<u>\$ 663,884</u>	<u> 19,737,639</u>

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 Position
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit 9

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 425,000	79,059,665
Total operating revenues	<u>425,000</u>	<u>79,059,665</u>
OPERATING EXPENSES:		
Personnel services	384,897	917,266
Materials/supplies	191,748	219,820
Administrative costs	-	3,913,458
Professional services	17,810	-
Premiums	-	6,220,067
Claims and benefits paid	-	65,850,090
Losses and unallocated loss adjustment	-	4,337,389
Cost of goods sold	-	4,440,388
Total operating expenses	<u>594,455</u>	<u>85,898,478</u>
Operating (loss)	<u>(169,455)</u>	<u>(6,838,813)</u>
NON-OPERATING REVENUE:		
Interest and miscellaneous	(4,900)	(97,740)
Total non-operating revenues	<u>(4,900)</u>	<u>(97,740)</u>
(Loss) before contributions and transfers	(174,355)	(6,936,553)
Transfers In	<u>-</u>	<u>1,800,000</u>
Change in net position	(174,355)	(5,136,553)
NET POSITION, beginning of year	<u>838,239</u>	<u>24,874,192</u>
NET POSITION, end of year	<u>\$ 663,884</u>	<u>19,737,639</u>

Prince William County Public Schools
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

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	\$ 425,000	80,248,131
Payments to suppliers for goods and services	(228,490)	(82,701,126)
Payments to employees	(384,688)	(916,867)
Net cash used by operating activities	<u>(188,178)</u>	<u>(3,369,862)</u>
Cash Flows from Non-capital Financing Activities:		
Advances from other funds	-	66,987
Transfers from other funds	-	1,800,000
Net cash provided by non-capital financing activities	<u>-</u>	<u>1,866,987</u>
Cash Flows from Investing Activities:		
Interest received from investments	(4,811)	(121,336)
Net (decrease) in equity in cash and pooled investments	(192,989)	(1,624,211)
Equity in cash and pooled investments, beginning of year	<u>855,219</u>	<u>39,077,169</u>
Equity in cash and pooled investments, end of year	<u>\$ 662,230</u>	<u>37,452,958</u>
Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities:		
Operating (loss)	\$ (169,455)	<u>(6,838,813)</u>
Adjustments to reconcile operating (loss) to net cash used by operating activities		
Change in assets and liabilities:		
Decrease in accounts receivable	-	892,519
Decrease in inventory	-	9,255
Increase in unearned revenue	-	295,947
(Decrease) in accounts payable and accrued liabilities	(18,932)	(476,751)
Increase in salaries payable and withholdings	209	399
Increase in incurred but not reported claims	-	2,747,582
Net cash used by operating activities	<u>\$ (188,178)</u>	<u>(3,369,862)</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, 2013**

Exhibit 11

	<u>Agency Funds</u>
ASSETS	
Cash and pooled investments	\$ 9,948,467
Due from other governmental units	3,020,029
Total assets	<u>12,968,496</u>
LIABILITIES	
Accounts payable and accrued liabilities	12,968,496
Total liabilities	<u>\$ 12,968,496</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, 2013

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 83,551 students while managing 91 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 position, 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 position - The statement of net position 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 position and reports depreciation/amortization expense - the cost of "using up" capital assets - in the statement of activities. The net position of PWCS is 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. PWCS provides budgetary comparison information in their annual reports. PWCS provides the government's original budget to the final budget and actual result comparisons.

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 position than in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted* in the statement of net position.

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, other governments, and/or other funds. Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. 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 position 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, 2013 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 \$22,706,781 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 32.12% at June 30, 2013. 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's Comprehensive Annual Financial Report (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 position, 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 & Nutrition 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 & Nutrition Services 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 & Nutrition 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 estimated useful lives. New buildings use the midyear convention.

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 position.

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 position.

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, 2013 PWCS had contractual commitments of \$14,617,942 in the General Fund, \$67,629,789 in the Construction fund for construction of various projects, and \$879,033 in the Other Governmental Funds.

E. Governmental Accounting Standards Board (GASB) pronouncements

PWCS has implemented the following GASB pronouncements during the fiscal year June 30, 2013:

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.

GASB has issued several statements with effective implementation dates later than June 30, 2013. The statements deemed to have a future impact on PWCS are as follows:

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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This statement is effective for periods beginning after December 15, 2013. PWCS is in the process of completing their assessment of GASB Statement No. 69, and does not believe the implementation will have a material impact on the financial statements of the Schools.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. This statement is effective for periods beginning after June 15, 2013. PWCS is in the process of completing their assessment of GASB Statement No. 70 and does not believe the implementation will have a material impact on the financial statements of the Schools.

F. Subsequent Events

PWCS has evaluated subsequent events (events occurring after June 30, 2013 through date of the Independent Auditor's Report) 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, 2013, expenditures exceeded appropriations in the General Fund for Operations. Excess budget in other functions covered the shortfall in the aforementioned functional area.

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

Receivables and due from other governments at June 30, 2013 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).

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Non Major Funds</u>	<u>Internal Service</u>	<u>Enterprise</u>	<u>Fiduciary</u>	<u>Total</u>
Other receivables	\$ 1,157,853	27,306	437,317	441,322	2,004	-	2,065,802
Federal	8,760,933	-	5,829,241	-	-	-	14,590,174
State	15,937,939	-	-	-	-	78,000	16,015,939
County	180,844	-	-	-	-	-	180,844
Other localities	-	-	-	-	-	2,942,029	2,942,029
Total	\$ 26,037,569	27,306	6,266,558	441,322	2,004	3,020,029	35,794,788

Amounts due from the Federal government in the General Fund are attributed primarily to Titles I, II, III and VI-B grants, Head Start, 21st Century, as well as the Carl Perkins grant. Title I, II, and III programs enhance instruction and train and recruit teachers. Title VI-B is intended to assure that all handicapped children are provided a free and appropriate education. Head Start is a Department of Health and Human Services federally funded comprehensive preschool program for economically disadvantaged three- and four-year-old children. 21st Century grants support the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children. 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, 2013, deferred revenue is recorded in the General Fund for excess revenue receivable for the cable franchise fees agreement in the amount of \$180,844.

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>	<u>Unearned</u>
Food Service Fund – USDA commodities and other unearned revenue	\$ 1,376,819
General Fund – prepaid tuition or fees and other unearned revenue	1,770,655
Governmental Funds	3,147,474
Health Insurance Fund (internal service fund) – prepaid health insurance premium	6,280,398
Total	\$ 9,427,872

Due to other governments at June 30, 2013 for PWCS' individual major fund is as follows:

	General Fund
County	\$ 351,468
Total	\$ 351,468

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	\$ 491,131
Total	\$ 491,131

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	\$ -	17,587,836	1,800,000
Construction Fund	1,942,785	-	-
Total	\$ 1,942,785	17,587,836	1,800,000

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$17,587,836 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications. The General Fund transfer of \$1,800,000 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 CAFR.

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, 2013 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 position. Liabilities for compensated absences are liquidated by the General Fund.

Changes in liability for compensated absences for the year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 27,984,212	9,667,467	(9,029,969)	28,621,710	9,558,762

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 position. 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, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pollution Remediation	\$ 631,796	536,359	(487,547)	680,608	680,608

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 funds 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, 2013 PWCS incurred \$62,050,090 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 \$500,000 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 position.

Changes in aggregate liabilities for claims are as follows:

	Health Insurance	Self- Insurance
Unpaid Claims June 30, 2011	\$ 6,163,239	3,340,233
Incurred 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
Incurred Claims	62,050,090	3,994,923
Claims Paid	61,999,721	1,297,710
Unpaid Claims June 30, 2013	\$ 6,926,138	5,898,624
Due Within One Year	\$ 6,926,138	1,471,887

Note 7 – Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 67,248,139	125,490	-	67,373,629
Construction in Progress	41,416,056	69,991,927	(8,552,131)	102,855,852
Total capital assets, not being depreciated	108,664,195	70,117,417	(8,552,131)	170,229,481
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,197,566,561	8,034,258	-	1,205,600,819
Library books	3,723,138	587,645	(679,891)	3,630,892
Equipment	34,847,632	2,136,215	(534,562)	36,449,285
Vehicles	78,409,253	8,268,342	(1,661,508)	85,016,087
Intangibles	2,189,314	1,220,315	-	3,409,629
Total capital assets being depreciated/amortized	1,316,735,898	20,246,775	(2,875,961)	1,334,106,712
Less accumulated depreciation/amortization for:				
Buildings and improvements	285,581,244	23,946,133	-	309,527,377
Library books	2,110,975	726,179	(679,891)	2,157,263
Equipment	16,482,210	2,763,453	(348,458)	18,897,205
Vehicles	43,771,897	5,848,185	(1,540,436)	48,079,646
Intangibles	286,696	372,833	-	659,529
Total accumulated depreciation/amortization	348,233,022	33,656,783	(2,568,785)	379,321,020
Total capital assets, being depreciated/amortized, net	968,502,876			954,785,692
Capital assets, net	\$ 1,077,167,071			1,125,015,173

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

Instruction	
Regular	\$ 24,013,204
Special	359,701
Other	44,528
Support Services	
General administration	1,014,765
Student services	8,512
Curricular/staff development	11,267
Pupil transportation	5,865,915
Operations	41,790
Maintenance	126,902
Central business services	2,136,601
Food service	33,598
Total depreciation/amortization expense	<u>\$ 33,656,783</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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. 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 were vested as of January 1, 2013 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 Plan 1 members who were not vested on January 1, 2013 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 five 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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 3.00%. 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 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/2012-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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, 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 2013 was 13.94% of annual covered payroll. The professional employer and employee contributions to the VRS for the three years ended June 30, 2013, 2012, and 2011, were \$75,725,523, \$56,300,212, and \$37,815,837, respectively, and were equal to the required contributions for each year. The contribution rates for the professional group were; 5.00% employee, 11.66% employer, 5.00% employee, 6.33% employer, and 5.00% employee, 3.93% employer, respectively for the years 2013, 2012, and 2011.

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, 2013, PWCS' annual pension cost of \$7,168,686 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, 2013	\$ 4,597,421	\$ 2,571,265	100 %	\$ -
June 30, 2012	3,305,923	2,485,656	100	-
June 30, 2011	3,206,394	2,410,822	100	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.75% to 6.20% per year for teachers, and 3.5% 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases 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, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

Funding status and funding progress:

As of June 30, 2012, the most recent actuarial valuation date, the non-professional agent multiple-employer retirement plan was 79.37% funded. The actuarial accrued liability for benefits was \$159,663,559 and the actuarial value of assets was \$126,732,526, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,931,033. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal year ended June 30, 2012 was \$50,363,181 and the ratio of the UAAL to covered payroll was 65.39%.

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 3,516 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, 2013, the contribution made by PWCS was \$5,181,759. 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, 2013 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, 2011 using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Item (a) 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, 2011 was 30 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, 2013 for the non-professional employee group was as follows:

Fiscal Year Ending	Annual Benefit Cost (ABC) - Employer Portion	Percentage of ABC Contributed	Net Benefit Obligation
June 30, 2013	\$ 5,181,759	100 %	\$ -
June 30, 2012	2,760,779	100	-
June 30, 2011	2,665,633	100	-

Funding status and funding progress:

As of June 30, 2012, the most recent actuarial valuation date, the VRS health insurance credit program was 47.17% funded. The actuarial accrued liability for benefits was \$1,839,228 and the actuarial value of assets was \$867,618, resulting in an unfunded actuarial accrued liability (UAAL) of \$971,610. The covered payroll for the fiscal year ended June 30, 2011 was \$50,363,181 and the ratio of the UAAL to covered payroll was 1.93%.

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, including retirees who participate in the Retirement Opportunities Program (ROP), 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 and may continue to participate after retirement while participating in the ROP.

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 2013 was \$4,249,964. Substitutes, temporary employees, and ROP participants 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 (OPEB) Master Trust Fund, an agent multiple-employer defined benefit post-employment benefits trust fund administered by the County. As such, it is reported in accordance to GASB Statement 43, paragraph 13, in the aggregate.

The OPEB Master Trust was established by the Prince William County Board of County Supervisors (BOCS) on June 23, 2009 by Resolution No. 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 to establish three separate trust fund sub-accounts for the County, 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. Assets accumulated to pay for plan costs or benefits of members from one agent employer cannot be used for plan costs or benefits of another agent employer.

On March 13, 2012, the BOCS authorized Res. No. 12-236 to merge the functions of the Prince William County Park Authority into County Government by creating the Prince William County Department of Parks and Recreation, ending the separate corporate existence of the Park Authority on July 1, 2012 in order to provide parks and recreation services to the public by the most effective and efficient means. All participants in the Park Authority Premium Plan and Retiree Health Insurance Plan (RHICP) are now participants in the County Premium Plan and RHICP, and the County has

assumed all assets and liabilities connected with the plan. As a result, the beginning of year net position increased by \$809 for the County Trust Fund, but this amount was already included in the total OPEB Master Trust Fund Net Position.

The Line of Duty Act (LODA) is authorized Va. Code Section 9.1-400 et seq. On June 5, 2012, the BOCS authorized Res. No. 12-588, pursuant to paragraph B2 of Item 258 of the Commonwealth Appropriations Act, to make an irrevocable election not to participate in the Commonwealth Line of Duty Act Fund on July 1, 2012. The County has assumed all responsibility for existing, pending or prospective claims for benefits approved and associated administrative costs made by the State Comptroller on behalf of the County. During FY2013, the County did not contribute to the OPEB Master Trust Fund to fund LODA. Therefore, its members, assets and liabilities are excluded from the presentation below.

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.

OPEB Master Trust does not issue a stand-alone financial report.

The County issues a publicly available CAFR 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.pwccgov.org>.

The following is a summary of fiduciary net position of the OPEB Master Trust as of June 30, 2013:

Summary of Fiduciary Net Position			
As of June 30, 2013			
(in thousands)			
	County	PWCS	Total OPEB Master Trust Fund
ASSETS			
Restricted cash	\$ 2	1	3
Restricted investments, at fair value	20,600	18,453	39,053
Total assets	20,602	18,454	39,056
LIABILITIES			
Accounts payable	2,357	5	2,362
Total liabilities	2,357	5	2,362
NET POSITION			
Held in trust for other post employment benefits and other purposes	\$ 18,245	18,449	36,694

The following is a summary of changes in fiduciary net position of the OPEB Master Trust for the year ended June 30, 2013:

Summary of Changes in Fiduciary Net Position			
For the Year Ended June 30, 2013			
(in thousands)			
	County	PWCS	Total OPEB Master Trust Fund
ADDITIONS			
Interest and dividends	\$ 900	657	1,557
Increase in fair value of investments	410	334	744
Employer contributions	4,154	3,816	7,970
Total Additions	5,464	4,807	10,271
DEDUCTIONS			
Other post employment benefit payments	2,351	-	2,351
Administrative expenses	1	25	26
Total Deductions	2,352	25	2,377
Change in net position	3,112	4,782	7,894
NET POSITION, beginning of year as restated	15,133	13,667	28,800
NET POSITION end of year	\$ 18,245	18,449	36,694

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, 2012, the latest actuarial valuation date, membership in the OPEB Master Trust for PWCS' Retiree Health Insurance Premium Plan is as follows:

Active Plan Members	10,533
Retirees and beneficiaries receiving benefits	466
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 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, 2013. 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, 2013, 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, 2013 is 387.

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, 2013 is 168.

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 \$3,800,000 to the OPEB Master Trust Fund to fund the current year liability. Plan members received \$6,645,744 in benefits and contributed \$1,865,876 in premiums, resulting in net benefits paid by the School Board of \$4,779,868 for the year ended June 30, 2013.

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, 2013, 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	\$ 6,794,630
Interest on net OPEB obligation	(105,772)
Adjustment to annual required contribution	1,414,999
Annual OPEB cost (expense)	<u>8,103,857</u>
Employer contributions:	
To OPEB Master Trust	(3,800,000)
Subsidies paid under Plan on behalf of retirees	(4,779,868)
Total Employer contributions	<u>(8,579,868)</u>
Decrease in net OPEB asset obligation	(476,011)
Net OPEB asset, beginning of year	(1,511,034)
Net OPEB asset, end of year	<u><u>\$ (1,987,045)</u></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, 2013 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	\$ 8,103,857	105.9 %	\$ (1,987,045)
June 30, 2012	5,136,925	77.3	(1,511,034)
June 30, 2011	6,785,771	100.0	(2,676,729)

Funded status and funding progress:

As of July 1, 2012, the most recent actuarial valuation date, the plan was 23 percent funded. The estimated actuarial accrued liability for benefits was \$59,639,069, and the actuarial value of assets was \$13,672,786, resulting in an unfunded actuarial accrued liability (UAAL) of \$45,966,283. 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 8.0 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, 2012 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, 2012, was 30 years.

Note 11 – Subsequent events

An election was held by the School Board on November 5, 2013 to select a member for the Woodbridge District seat. Mrs. Loree Y. Williams, a long-time education advocate and volunteer, was elected and subsequently sworn in following the official certification by election officials to serve a four-year term effective immediately.

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
2012	\$ 126,732,526	\$ 159,663,559	\$ 32,931,033	79.37 %	\$ 50,363,181	65.4 %
2011	125,094,738	151,882,495	26,787,757	82.36	49,045,583	54.6
2010	120,585,801	143,319,543	22,733,742	84.14	49,748,192	45.7

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
2012	\$ 867,618	\$ 1,839,228	\$ 971,610	47.17 %	\$ 50,363,181	1.9 %
2011	825,798	1,753,339	927,541	47.10	49,045,583	1.9
2010	655,202	1,604,168	948,966	40.84	49,748,192	1.9

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
2012	\$ 13,672,786	\$ 59,639,069	\$ 45,966,283	23.00 %	\$ 546,625,854	8.0 %
2010	7,072,002	60,171,990	53,099,988	12.00	484,987,933	11.0
2008	-	38,645,301	38,645,301	0.00	461,618,497	8.4

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
2013	\$ 5,181,759	100.0 %
2012	2,760,779	100.0
2011	2,665,633	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
2013	\$ 6,794,630	126.3 %
2012	7,645,393	51.9
2011	7,267,732	93.4

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Supplementary Information

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Other Governmental Funds

Special Revenue Funds

Food & Nutrition Services Fund – The Food & Nutrition 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, 2013

Schedule 1

	Food & Nutrition Services Fund	Facilities Use Fund	Total Other Governmental Funds
ASSETS			
Equity in cash and pooled investments	\$ 14,759,235	2,764,487	17,523,722
Accounts receivable	291,050	146,267	437,317
Due from other governmental units	5,829,241	-	5,829,241
Inventory	1,533,941	-	1,533,941
Total assets	<u>22,413,467</u>	<u>2,910,754</u>	<u>25,324,221</u>
LIABILITIES and FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	771,333	27,327	798,660
Salaries payable and withholdings	566,331	35,666	601,997
Unearned revenue	1,376,819	-	1,376,819
Total liabilities	<u>2,714,483</u>	<u>62,993</u>	<u>2,777,476</u>
Fund Balances:			
Nonspendable:			
Inventory	1,533,941	-	1,533,941
Restricted:			
Food & nutrition services	18,165,043	-	18,165,043
Committed:			
Community service operations	-	2,847,761	2,847,761
Total fund balances	<u>19,698,984</u>	<u>2,847,761</u>	<u>22,546,745</u>
Total liabilities and fund balances	<u>\$ 22,413,467</u>	<u>2,910,754</u>	<u>25,324,221</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, 2013

Schedule 2

	<u>Food & Nutrition Services Fund</u>	<u>Facilities Use Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES:			
Use of money and property:			
Use of money - interest	\$ (122,510)	(18,502)	(141,012)
Use of property	-	1,026,275	1,026,275
Charges for services	17,581,175	319,989	17,901,164
Intergovernmental:			
Federal	21,114,967	-	21,114,967
State	684,515	-	684,515
Miscellaneous	486,677	-	486,677
Total revenues	<u>39,744,824</u>	<u>1,327,762</u>	<u>41,072,586</u>
EXPENDITURES:			
Current:			
Community service operations	-	1,267,082	1,267,082
Food & nutrition services	38,543,923	-	38,543,923
Total expenditures	<u>38,543,923</u>	<u>1,267,082</u>	<u>39,811,005</u>
Excess of revenues over expenditures	1,200,901	60,680	1,261,581
FUND BALANCES, beginning of year	18,498,083	2,787,081	21,285,164
FUND BALANCES, end of year	<u>\$ 19,698,984</u>	<u>2,847,761</u>	<u>22,546,745</u>

Prince William County Public Schools
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Food & Nutrition Services Fund
 For the Year Ended June 30, 2013

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	(122,510)	(372,510)
Charges for services	18,020,484	18,020,484	17,581,175	(439,309)
Intergovernmental:				
Federal	17,571,243	18,571,243	21,114,967	2,543,724
State	538,210	538,210	684,515	146,305
Miscellaneous	432,200	432,200	486,677	54,477
Total revenues	<u>36,812,137</u>	<u>37,812,137</u>	<u>39,744,824</u>	<u>1,932,687</u>
EXPENDITURES:				
Current:				
Food & nutrition services	<u>38,446,763</u>	<u>38,791,745</u>	<u>38,543,923</u>	<u>247,822</u>
Total expenditures	<u>38,446,763</u>	<u>38,791,745</u>	<u>38,543,923</u>	<u>247,822</u>
Excess (deficiency) of revenues over (under) expenditures	(1,634,626)	(979,608)	1,200,901	2,180,509
FUND BALANCES, beginning of year	18,498,083	18,498,083	18,498,083	-
FUND BALANCES, end of year	<u>\$ 16,863,457</u>	<u>17,518,475</u>	<u>19,698,984</u>	<u>2,180,509</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, 2013

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	(18,502)	(53,502)
Use of property	1,138,726	1,138,726	1,026,275	(112,451)
Charges for services	313,847	313,847	319,989	6,142
Total revenues	<u>1,487,573</u>	<u>1,487,573</u>	<u>1,327,762</u>	<u>(159,811)</u>
EXPENDITURES:				
Current:				
Community service operations	1,775,145	1,551,130	1,267,082	284,048
Total expenditures	<u>1,775,145</u>	<u>1,551,130</u>	<u>1,267,082</u>	<u>284,048</u>
Excess (deficiency) of revenues over (under) expenditures	(287,572)	(63,557)	60,680	124,237
FUND BALANCES, beginning of year	2,787,081	2,787,081	2,787,081	-
FUND BALANCES, end of year	<u>\$ 2,499,509</u>	<u>2,723,524</u>	<u>2,847,761</u>	<u>124,237</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 Position
 Proprietary Funds - Internal Service Funds
 As of June 30, 2013

Schedule 5

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ -	7,248,798	30,204,160	37,452,958
Accounts receivable and other current assets	-	38,677	402,645	441,322
Inventory	1,053,317	-	-	1,053,317
Restricted assets:				
Deposits	-	500,000	-	500,000
Total assets	<u>1,053,317</u>	<u>7,787,475</u>	<u>30,606,805</u>	<u>39,447,597</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	72,917	25,489	14,862	113,268
Salaries payable and withholdings	-	-	399	399
Unearned revenue	-	-	6,280,398	6,280,398
Due to other funds	491,131	-	-	491,131
Incurred but not reported claims	-	1,471,887	6,926,138	8,398,025
Total current liabilities	<u>564,048</u>	<u>1,497,376</u>	<u>13,221,797</u>	<u>15,283,221</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	4,426,737	-	4,426,737
Total liabilities	<u>564,048</u>	<u>5,924,113</u>	<u>13,221,797</u>	<u>19,709,958</u>
NET POSITION				
Restricted	-	500,000	-	500,000
Unrestricted	489,269	1,363,362	17,385,008	19,237,639
Total net position	<u>\$ 489,269</u>	<u>1,863,362</u>	<u>17,385,008</u>	<u>19,737,639</u>

Prince William County Public Schools
 Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2013

Schedule 6

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 4,412,557	3,308,248	71,338,860	79,059,665
Total operating revenues	<u>4,412,557</u>	<u>3,308,248</u>	<u>71,338,860</u>	<u>79,059,665</u>
OPERATING EXPENSES:				
Personnel services	-	370,435	546,831	917,266
Materials/supplies	-	4,575	215,245	219,820
Administrative costs	-	118,789	3,794,669	3,913,458
Premiums	-	1,768,024	4,452,043	6,220,067
Claims and benefits paid	-	-	65,850,090	65,850,090
Losses and unallocated loss adjustment	-	4,337,389	-	4,337,389
Cost of goods sold	4,440,388	-	-	4,440,388
Total operating expenses	<u>4,440,388</u>	<u>6,599,212</u>	<u>74,858,878</u>	<u>85,898,478</u>
Operating (loss)	<u>(27,831)</u>	<u>(3,290,964)</u>	<u>(3,520,018)</u>	<u>(6,838,813)</u>
NON-OPERATING REVENUE:				
Interest and miscellaneous	-	(64,180)	(33,560)	(97,740)
Total non-operating revenues	<u>-</u>	<u>(64,180)</u>	<u>(33,560)</u>	<u>(97,740)</u>
(Loss) before transfers	(27,831)	(3,355,144)	(3,553,578)	(6,936,553)
Transfers In	-	-	1,800,000	1,800,000
Change in net position	(27,831)	(3,355,144)	(1,753,578)	(5,136,553)
NET POSITION, beginning of year	<u>517,100</u>	<u>5,218,506</u>	<u>19,138,586</u>	<u>24,874,192</u>
NET POSITION, end of year	<u>\$ 489,269</u>	<u>1,863,362</u>	<u>17,385,008</u>	<u>19,737,639</u>

Prince William County Public Schools
 Combining Statement of Cash Flows
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2013

Schedule 7

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,412,557	3,293,596	72,541,978	80,248,131
Payments to suppliers for goods and services	(4,479,544)	(3,528,310)	(74,693,272)	(82,701,126)
Payments to employees	-	(370,435)	(546,432)	(916,867)
Net cash used by operating activities	<u>(66,987)</u>	<u>(605,149)</u>	<u>(2,697,726)</u>	<u>(3,369,862)</u>
Cash Flows from Non-capital Financing Activities:				
Advances from other funds	66,987	-	-	66,987
Transfers from other funds	-	-	1,800,000	1,800,000
Net cash provided by non-capital financing activities	<u>66,987</u>	<u>-</u>	<u>1,800,000</u>	<u>1,866,987</u>
Cash Flows from Investing Activities:				
Interest received from investments	-	(66,659)	(54,677)	(121,336)
Net (decrease) in equity in cash and pooled investments	-	(671,808)	(952,403)	(1,624,211)
Equity in cash and pooled investments, beginning of year	-	7,920,606	31,156,563	39,077,169
Equity in cash and pooled investments, end of year	<u>\$ -</u>	<u>7,248,798</u>	<u>30,204,160</u>	<u>37,452,958</u>
Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities:				
Operating (loss)	\$ (27,831)	(3,290,964)	(3,520,018)	(6,838,813)
Adjustments to reconcile operating (loss) to net cash used by operating activities				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(14,652)	907,171	892,519
Decrease in inventory	9,255	-	-	9,255
Increase in unearned revenue	-	-	295,947	295,947
Increase (decrease) in accounts payable and accrued liabilities	(48,411)	3,254	(431,594)	(476,751)
Increase in salaries payable and withholdings	-	-	399	399
Increase in incurred but not reported claims	-	2,697,213	50,369	2,747,582
Net cash used by operating activities	<u>\$ (66,987)</u>	<u>(605,149)</u>	<u>(2,697,726)</u>	<u>(3,369,862)</u>

Agency Funds

The Governor's School @ Innovation Park 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, 2013

Schedule 8

	Governor's School @ Innovation Park	Regional School Fund	Student Activity Fund	Total Agency Funds
ASSETS				
Cash and pooled investments	\$ 197,959	2,947,849	6,802,659	9,948,467
Due from other governmental units	52,000	2,968,029	-	3,020,029
Total assets	<u>249,959</u>	<u>5,915,878</u>	<u>6,802,659</u>	<u>12,968,496</u>
LIABILITIES				
Accounts payable and accrued liabilities	249,959	5,915,878	6,802,659	12,968,496
Total liabilities	<u>\$ 249,959</u>	<u>5,915,878</u>	<u>6,802,659</u>	<u>12,968,496</u>

Prince William County Public Schools
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2013

Schedule 9

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Governor's School @ Innovation Park				
ASSETS				
Cash and pooled investments	\$ 227,127	1,022,622	1,051,790	197,959
Due from other governmental units	-	52,000	-	52,000
Total assets	<u>227,127</u>	<u>1,074,622</u>	<u>1,051,790</u>	<u>249,959</u>
LIABILITIES				
Accounts payable and accrued liabilities	195,097	1,074,622	1,019,760	249,959
Due to other governmental units	32,030	-	32,030	-
Total liabilities	<u>\$ 227,127</u>	<u>1,074,622</u>	<u>1,051,790</u>	<u>249,959</u>
Regional School Fund				
ASSETS				
Cash and pooled investments	\$ 3,131,172	39,178,505	39,361,828	2,947,849
Due from other governmental units	2,651,552	2,968,029	2,651,552	2,968,029
Total assets	<u>5,782,724</u>	<u>42,146,534</u>	<u>42,013,380</u>	<u>5,915,878</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 5,782,724</u>	<u>42,146,534</u>	<u>42,013,380</u>	<u>5,915,878</u>
Student Activity Fund				
ASSETS				
Cash and pooled investments	<u>\$ 6,553,514</u>	<u>13,392,086</u>	<u>13,142,941</u>	<u>6,802,659</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 6,553,514</u>	<u>13,392,086</u>	<u>13,142,941</u>	<u>6,802,659</u>
Total Agency Funds				
ASSETS				
Cash and pooled investments	\$ 9,911,813	53,593,213	53,556,559	9,948,467
Due from other governmental units	2,651,552	3,020,029	2,651,552	3,020,029
Total assets	<u>12,563,365</u>	<u>56,613,242</u>	<u>56,208,111</u>	<u>12,968,496</u>
LIABILITIES				
Accounts payable and accrued liabilities	12,531,335	56,613,242	56,176,081	12,968,496
Due to other governmental units	32,030	-	32,030	-
Total liabilities	<u>\$ 12,563,365</u>	<u>56,613,242</u>	<u>56,208,111</u>	<u>12,968,496</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.

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Financial Trends

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 1 - Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Invested in capital assets	\$ 560,972	633,276	718,755	777,983	860,721	917,228	973,667	1,040,236	1,077,167	1,125,015
Restricted	97,055	89,379	91,598	106,607	86,387	81,904	88,347	39,065	34,791	43,092
Unrestricted	36,817	69,701	77,145	95,163	77,490	100,241	121,821	112,851	94,042	104,037
Total governmental activities net position	<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>	<u>1,272,144</u>
Business-type activities: ⁽¹⁾										
Invested in capital assets	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	302	939	838	664
Total business-type activities net position	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>939</u>	<u>838</u>	<u>664</u>
Total reporting entity:										
Invested in capital assets	\$ 560,972	633,276	718,755	777,983	860,721	917,228	973,667	1,040,236	1,077,167	1,125,015
Restricted	97,055	89,379	91,598	106,607	86,387	81,904	88,347	39,065	34,791	43,092
Unrestricted	36,817	69,701	77,145	95,163	77,490	100,241	122,123	113,790	94,880	104,701
Total reporting entity net position	<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>	<u>1,272,808</u>

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 2 - Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
Instruction:										
Regular	\$ 268,483	309,172	331,903	392,821	416,988	432,322	434,441	438,872	461,883	485,165
Special	65,759	72,039	83,794	90,322	95,345	99,166	94,105	91,911	107,521	101,696
Other	6,694	7,995	8,657	9,151	9,521	8,807	8,241	9,130	9,047	9,565
Instructional leadership	36,898	40,212	43,389	48,346	51,412	52,235	52,762	51,393	54,417	57,215
Support services:										
General administration	5,028	4,960	6,045	6,856	7,622	8,841	8,771	9,191	8,400	10,023
Student services	7,238	7,808	8,820	9,892	10,604	10,985	11,139	9,190	9,699	10,446
Curricular/staff development	10,046	10,606	12,036	12,735	13,353	12,736	12,072	13,469	13,625	14,092
Pupil transportation	29,348	35,292	40,152	45,570	49,304	46,684	48,536	49,830	49,379	53,658
Operations	17,605	20,024	21,618	20,120	21,172	22,033	22,577	21,554	21,856	22,858
Utilities	14,665	16,889	19,586	21,448	23,682	25,175	24,290	25,430	25,331	23,321
Maintenance	13,308	15,892	19,547	23,284	23,707	24,432	24,404	25,054	32,431	31,147
Central business services	30,047	35,235	42,117	37,801	45,996	45,021	45,069	43,445	44,687	52,343
Reimbursement to County for debt service	41,823	47,582	48,220	52,929	57,493	59,566	60,790	63,800	68,440	70,605
Food & nutrition services	21,232	23,629	23,163	25,492	27,191	30,459	30,950	32,480	36,597	38,551
Community service operations	489	499	649	698	785	1,132	866	897	1,205	1,267
Total governmental activities expenses	<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>	<u>981,952</u>
Business-type activities: ⁽¹⁾										
School Age Child Care	-	-	-	-	-	-	11	334	508	594
Total reporting entity expenses	<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>	<u>982,546</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 1,823	2,118	2,189	2,354	2,998	3,499	3,128	2,748	2,879	3,498
Curricular/staff development	-	-	-	-	-	-	-	40	-	-
Pupil transportation	88	85	146	129	118	171	110	111	99	80
Operations	-	-	-	-	-	-	-	282	170	392
Central business services	9	7	6	13	110	133	229	281	301	380
Food & nutrition services	12,691	14,243	15,326	16,676	17,741	18,071	17,079	16,951	18,318	17,924
Community service operations	577	640	804	886	1,039	933	1,027	814	921	1,026
Other activities	68	48	58	38	92	183	118	-	-	-
Operating grants and contributions	66,695	77,713	84,723	93,536	98,392	106,649	112,243	134,064	134,204	136,285
Capital grants and contributions	902	904	961	990	1,029	1,008	99	96	98	113
Total governmental activities program revenues	<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>	<u>159,698</u>
Business-type activities:										
School Age Child Care	-	-	-	-	-	-	-	658	389	425
Charges for services	-	-	-	-	-	-	-	312	303	-
Operating grants and contributions	-	-	-	-	-	-	-	312	961	425
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312</u>	<u>961</u>	<u>425</u>
Total reporting entity program revenues	<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>	<u>160,123</u>
Net (Expense) Revenues										
Governmental activities	(485,810)	(552,076)	(605,483)	(682,843)	(732,656)	(748,947)	(744,980)	(730,259)	(787,528)	(822,254)
Business-type activities	-	-	-	-	-	-	301	627	(119)	(169)
Total reporting entity net (expense) revenues	<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>	<u>(822,423)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted grants and contributions	\$ 552,169	643,416	691,987	764,084	769,061	815,818	822,930	733,426	795,676	883,194
Unrestricted investment earnings	1,518	2,499	5,409	6,712	6,665	5,874	4,792	3,555	3,045	1,724
Miscellaneous revenues	3,067	3,673	3,229	4,302	1,775	2,030	1,720	1,595	2,655	3,480
Total governmental activities general revenues	<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>	<u>888,398</u>
Business-type activities:										
Unrestricted investment earnings	-	-	-	-	-	-	1	10	18	(5)
Total reporting entity general revenues and other changes in net position	<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>	<u>888,393</u>
Change in Net Position										
Governmental activities	\$ 70,944	97,512	95,142	92,255	44,845	74,775	84,462	8,317	13,848	66,144
Business-type activities	-	-	-	-	-	-	302	637	(101)	(174)
Total reporting entity	<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>	<u>65,970</u>

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

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved for:							
Inventory	\$ 567	681	814	824	808	803	837
Prepays	-	-	-	-	56	-	-
Encumbrances ⁽²⁾	15,951	14,890	-	-	-	-	-
Unreserved:							
Designated for encumbrances ⁽²⁾	-	-	20,048	25,431	19,777	21,569	14,165
Designated for future years' expenditures	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	7,988	11,363	6,904	6,120	13,382	7,632	15,810
Total General Fund	<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⁾	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	9,556	-	-	-	-	-	-
Nonmajor Special Revenue Funds							
Reserved for:							
Inventory	686	935	1,113	1,103	1,706	1,245	996
Encumbrances ⁽²⁾	27	24	-	-	-	-	-
Unreserved:							
Designated for encumbrances ⁽²⁾	-	-	59	42	523	45	56
Designated for future years' expenditures	812	120	118	712	340	944	703
Undesignated reported in special revenue funds	926	1,160	3,152	5,326	8,061	10,980	14,342
Total all other governmental funds	<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 Three Fiscal Years ⁽¹⁾

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

	Fiscal Year		
	2011	2012	2013
General Fund			
Nonspendable	\$ 930	997	1,079
Restricted	482	5,524	5,008
Assigned	79,933	71,315	60,554
Unassigned	1,030	3,042	15,404
Total General Fund	<u>82,375</u>	<u>80,878</u>	<u>82,045</u>
All Other Governmental Funds:			
Capital Projects			
Restricted	12,544	7,604	19,418
Committed	3,078	-	-
Assigned	32,382	21,158	30,704
Nonmajor Special Revenue Funds			
Nonspendable	971	1,149	1,534
Restricted	15,454	17,349	18,165
Committed	2,750	2,787	2,848
Total all other governmental funds	<u>\$ 67,179</u>	<u>50,047</u>	<u>72,669</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Federal sources:										
Food & nutrition services	\$ 7,288	8,631	9,431	10,578	11,570	14,015	15,281	17,418	19,314	21,115
Other federal sources	21,095	23,085	24,660	26,335	26,960	28,102	71,812	58,566	44,145	34,231
Total federal sources	28,383	31,716	34,091	36,913	38,530	42,117	87,093	75,984	63,459	55,346
State sources:										
Basic aid	136,549	161,357	165,957	189,043	194,121	225,563	194,124	206,773	221,759	232,907
Food & nutrition services	298	322	349	393	410	451	490	535	632	685
Lottery proceeds ⁽¹⁾	8,363	9,014	9,502	9,150	8,988	7,952	4,818	-	-	-
Regional school program	10,063	11,486	11,646	11,297	12,005	13,261	14,081	15,016	16,532	19,926
Sales tax	42,068	49,470	58,257	65,004	62,998	59,695	60,182	62,525	66,475	73,929
Special education SOQ ⁽²⁾	9,086	13,314	16,485	15,079	15,410	16,574	17,279	17,221	17,721	16,823
Other state sources	34,977	39,388	43,539	58,402	71,217	61,831	55,379	56,079	67,594	85,023
Total state sources	241,404	284,351	305,735	348,368	365,149	385,327	346,353	358,149	390,713	429,293
County sources:										
County bond sale transfer	52,321	66,161	63,958	68,141	49,233	55,773	82,585	9,685	48,681	88,930
County general transfer ⁽³⁾	296,998	326,284	362,035	390,017	404,322	430,650	405,968	412,881	436,079	435,195
County proffer transfer	3,500	9,660	10,906	10,687	7,104	8,018	9,263	3,224	-	10,954
Total county sources	352,819	402,105	436,899	468,845	460,659	494,441	497,816	425,790	484,760	535,079
Local sources:										
Charges for services	4,125	6,171	5,468	5,422	3,317	3,834	3,548	3,762	4,042	4,532
Food & nutrition services sales	12,618	14,137	15,196	16,641	17,701	18,014	17,045	16,699	18,027	17,901
Interest and other income	2,593	3,222	6,922	10,939	10,375	6,899	4,968	3,722	3,118	1,839
Use of property	577	640	804	886	1,039	933	1,027	814	921	1,027
Other local sources	313	43	48	1,705	2,250	2,603	2,239	2,253	3,376	3,225
Total local sources	20,226	24,213	28,438	35,593	34,682	32,283	28,827	27,250	29,484	28,524
Total revenues	642,832	742,385	805,163	889,719	899,020	954,168	960,089	887,173	968,416	1,048,242
Expenditures										
Instruction:										
Regular	256,882	302,094	322,684	378,732	400,959	412,562	412,490	416,900	439,685	457,948
Special	65,205	73,042	83,897	90,532	94,645	98,453	93,426	91,384	107,463	100,384
Other	6,632	8,103	8,673	9,175	9,462	8,802	8,201	9,062	8,986	9,446
Instructional leadership	36,557	40,212	43,389	48,346	51,412	52,235	52,762	51,393	54,417	57,212
Support services:										
General administration	5,018	5,394	6,077	6,856	7,235	7,969	7,507	8,090	7,678	8,843
Student services	7,162	7,891	8,826	9,909	10,533	10,914	11,060	9,143	9,704	10,340
Curricular/staff development	9,960	10,691	12,060	12,770	13,281	12,664	12,027	13,441	13,628	13,979
Pupil transportation	37,724	41,874	37,656	43,359	50,403	43,851	43,390	49,191	52,400	55,568
Operations	17,790	20,310	21,641	20,091	21,000	21,859	22,389	21,419	21,842	22,613
Utilities	14,665	16,889	19,586	21,448	23,682	25,175	24,290	25,430	25,331	23,321
Maintenance	13,808	15,971	19,520	23,358	23,592	23,352	24,772	24,601	32,872	30,886
Central business services	33,298	38,900	43,192	43,327	46,159	43,994	44,254	43,626	45,624	51,017
Community service operations	485	500	649	698	785	1,132	866	897	1,205	1,267
Food & nutrition service	21,140	23,608	23,162	25,488	27,198	30,436	30,927	32,451	36,582	38,544
Reimbursement to County for debt service	38,431	43,685	47,977	52,520	57,049	59,869	60,853	64,425	68,516	70,605
Capital Outlay	84,974	76,889	90,689	68,050	95,188	78,279	82,438	88,159	57,076	70,681
Total expenditures	649,731	726,053	789,678	854,659	932,583	931,546	931,652	949,612	983,009	1,022,654
Excess (deficiency) of revenues over (under) expenditures	(6,899)	16,332	15,485	35,060	(33,563)	22,622	28,437	(62,439)	(14,593)	25,588
Other Financing Sources (Uses):										
Transfers in:										
General fund	1,000	1,000	1,000	1,200	2,000	1,000	1,000	1,000	1,000	1,943
Construction fund	15,859	18,204	23,606	16,864	11,094	35,026	5,916	7,842	8,143	17,588
Transfers out:										
General fund	(15,859)	(18,204)	(23,606)	(16,864)	(11,094)	(40,026)	(7,916)	(11,842)	(12,179)	(19,388)
Construction fund	(1,000)	(1,000)	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,943)
Other Governmental funds	-	-	-	(100)	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	100	-	(5,000)	(2,000)	(4,000)	(4,036)	(1,800)
Net change in fund balances	\$ (6,899)	16,332	15,485	35,160	(33,563)	17,622	26,437	(66,439)	(18,629)	23,788

⁽¹⁾ Effective FY 2011 lottery proceeds no longer provided to support school facilities.

⁽²⁾ Standards of Quality

⁽³⁾ The County general transfer is reduced at year end by the amount of interest income earned in the General Fund during the fiscal year.

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 ⁽³⁾			Total
						PPTRA	All Others	Miscellaneous	
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
2013	752,857	16,354	3,260	(3,557)	49,671	54,288	601,916	30,527	1,505,316
Change 2004 - 2013	51.89%	-30.35%	39.97%	-147.62%	44.50%	7.24%	49.29%	272.37%	46.81%

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⁾ Tax revenues exclude reimbursements from the Commonwealth under the Personal Property Tax Relief Act.

⁽³⁾ 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
2013	535,245	81,783	17,291	634,319	55,169	13,490	22,913	26,966	752,857
Change 2004 - 2013	62.64%	69.09%	48.05%	63.01%	35.48%	-41.01%	30.45%	6.19%	51.89%

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
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	49,533,872	84.09%
2013	33,769,506	1,911,766	6,210,946	1,521,976	170,032	43,584,226	1.29	47,844,804	91.10%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

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
2008 - \$3,867,736	2013 - \$3,316,592

⁽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	
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
2013	14.3%	17.7%	1,542	282	233	233	4,082

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. 2004-2013, 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PRINCE WILLIAM COUNTY										
<i>Countywide Tax Levies:</i>										
Real Estate - General Fund	\$1.16000	\$1.07000	\$0.91000	\$0.75800	\$0.78700	\$0.97000	\$1.21200	\$1.23600	\$1.20400	\$1.20900
Fire and Rescue Levy (Countywide)	0.07280	0.06600	0.05600	0.04660	0.04840	0.05970	0.07460	0.07610	0.07410	0.07440
Gypsy Moth Levy (Countywide)	0.00400	0.00400	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250
Total Direct Tax Rate	\$1.23680	\$1.14000	\$0.96850	\$0.80710	\$0.83790	\$1.03220	\$1.28910	\$1.31460	\$1.28060	\$1.28590
<i>Special District Levies⁽¹⁾:</i>										
<i>Sanitary District Levy</i>										
Bull Run	\$0.00001	\$0.00001	\$0.00001	--	--	--	--	--	--	--
Occoquan Forest	0.00001	0.00001	0.00001	--	--	--	--	--	--	--
<i>Service District Levies -</i>										
Bull Run	0.10000	0.10000	0.10000	0.12000	0.12000	0.13800	0.19900	0.20100	0.20100	0.20100
Lake Jackson	0.11000	0.11000	0.11000	0.11000	0.11000	0.12300	0.17200	0.17500	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	0.22000	--	--	--	--	--	--	--	--
OVERLAPPING GOVERNMENTS										
<i>Real Estate Tax Levy:</i>										
Town of Dumfries	0.12420	0.12420	0.13000	0.18000	0.18000	0.18000	0.35330	0.33350	0.33330	0.27733
Town of Haymarket	0.14000	0.14000	0.14000	0.12000	0.12800	0.16400	0.16400	0.16400	0.16400	0.16400
Town of Occoquan	0.05000	0.05000	0.05000	0.08500	0.08500	0.10000	0.10000	0.10000	0.10000	0.10000
Town of Quantico	0.20000	0.20000	0.15000	0.20000	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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value ⁽¹⁾
Virginia Electric & Power Company	\$ 755,920	1	1.73%	\$ 369,242	1	1.34%
Northern Virginia Electric Co-op	271,275	2	0.62%	172,501	3	0.63%
Verizon South, Inc.	156,121	3	0.36%	134,313	4	0.49%
Woodbridge Station Apartments LLC	136,075	4	0.31%	-		-
Washington Gas Light Company	100,812	5	0.23%	65,524	10	0.24%
Mall at Potomac Mills, LLC	97,162	6	0.22%	287,656	2	1.04%
Stellar Chatsworth LLC	96,449	7	0.22%	-		-
TR Rollings Brook Corp.	94,942	8	0.22%	-		-
Prince William Square Investors LLC	93,924	9	0.22%	-		-
Manassas Owner LLC	74,880	10	0.17%	-		-
Dominion Country Club, LP	-		-	97,900	5	0.36%
AOL LLC	-		-	94,493	6	0.34%
Manassas Mall LLC	-		-	81,460	7	0.30%
US Home Corporation	-		-	75,221	8	0.27%
WNH Limited Partnership	-		-	66,747	9	0.24%
	<u>\$ 1,877,560</u>		<u>4.30%</u>	<u>\$ 1,445,057</u>		<u>5.25%</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 ⁽²⁾	
		Amount	Percentage of Levy				Amount	Percentage of Levy
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%	1,145	99.8%	1,256	528,138	100.1%
2013	553,424	551,222	99.6%	--	99.6%	1,229	552,451	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.

⁽²⁾ Total collections to date include the effects of penalties assessed on amounts paid past the due date.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 108,292	\$ 140,039	\$ 128,525	\$ 149,362	\$ 136,200	\$ 165,649	\$ 151,352	\$ 156,520	\$ 139,782	\$ 127,400
School Board-Related	395,333	432,562	467,363	502,453	515,486	531,815	576,826	549,775	556,747	579,969
Park Authority-Related	9,531	7,000	6,267	5,537	4,810	8,477	7,842	7,210	7,126	6,651
IDA Lease Revenue Bonds	12,315	11,970	11,140	10,430	9,680	8,870	8,030	7,160	6,260	5,325
Literary Fund Loans	5,713	5,316	4,918	4,520	4,124	3,749	3,374	3,000	2,750	2,500
Real Property Capital Leases										
General Government	80,645	79,025	132,825	150,189	151,039	179,298	169,012	156,854	145,695	133,415
Adult Detention Center	--	--	--	68,005	66,275	64,550	34,825	33,100	25,875	23,405
Park Authority	--	--	--	594	561	528	495	462	429	1,535
Commuter Rail Capital Leases**	2,977	2,629	2,258	1,863	1,442	992	511	--	--	--
Equipment Capital Leases	527	381	228	68	--	--	--	485	398	306
Installment Notes Payable	924	795	657	509	351	182	--	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds**	\$ 17,179	\$ 13,920	\$ 12,550	\$ 11,065	\$ 9,535	\$ 7,945	\$ 6,295	\$ 4,595	\$ 3,004	\$ 1,590
Parks & Recreation Revenue Bonds	--	--	--	--	--	--	--	--	--	11,690
Taxable Revenue Notes	250	250	3,250	3,250	--	--	--	--	--	--
Total Primary Government	\$ 633,686	\$ 693,887	\$ 769,981	\$ 907,845	\$ 899,503	\$ 972,055	\$ 958,562	\$ 919,161	\$ 888,066	\$ 893,786
Percentage of Personal Income ⁽²⁾	4.62%	4.62%	4.79%	5.28%	4.96%	5.24%	4.82%	4.31%	3.93%	*
Per Capita ⁽²⁾	1,960	2,056	2,196	2,528	2,444	2,594	2,464	2,262	2,119	2,077
Component Units										
<i>Park Authority Component Unit⁽³⁾:</i>										
Series 1999 Revenue Bonds**	\$ 19,112	\$ 18,795	\$ 18,459	\$ 18,101	\$ 17,725	\$ 17,323	\$ 12,481	\$ 12,008	\$ 11,528	\$ --
Equipment Capital Leases**	1,833	1,353	2,249	1,710	3,116	2,800	2,254	1,689	2,793	--
Installment Notes Payable**	1,023	904	780	651	517	376	230	78	--	--
Total Component Units	21,968	21,052	21,488	20,462	21,358	20,499	14,965	13,775	14,321	--
Total Reporting Entity Outstanding Debt	655,654	714,939	791,469	928,307	920,861	992,554	973,527	932,936	902,387	893,786
Less: Self-Supporting Revenue and Other Bonds	42,124	37,601	36,296	33,390	32,335	29,436	21,771	18,370	17,325	1,590
Net Tax-Supported Debt	\$ 613,530	\$ 677,338	\$ 755,173	\$ 894,917	\$ 888,526	\$ 963,118	\$ 951,756	\$ 914,566	\$ 885,062	\$ 892,196

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.

Note: Park Authority became a County Department in FY13.

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⁾
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	3,004	712,919	1.52%	1,702
2013	714,020	5,325	1,500	720,845	1.51%	1,675

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, 2013
(amounts expressed in thousands)

	Outstanding on 6/30/2013	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 880,598	100.00%	\$ 880,598	2.1141%
Overlapping:				
Town of Dumfries	4,800	100.00%	4,800	0.0115%
Town of Quantico	204	100.00%	204	0.0005%
Town of Haymarket	1,828	100.00%	1,828	0.0044%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	1,502	100.00%	1,502	0.0036%
Virginia Gateway Community Development Authority Special Assessment Bond Series 1999 and 2003 B	11,740	100.00%	11,740	0.0282%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	92,040	40.39%	37,176	0.0892%
Northern Virginia Criminal Justice Training Academy (NVCJTA) ⁽³⁾	13,795	27.29%	3,765	0.0090%
Total Overlapping Governmental Activities Debt	\$ 125,909	48.46%	\$ 61,015	0.1465%
Total Direct and Overlapping Governmental Activities Debt	\$ 1,006,507	93.55%	\$ 941,613	2.2605%

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 \$312,625 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2013. 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government ⁽¹⁾										
Principal	\$ 35,165	\$ 39,975	\$ 47,584	\$ 52,060	\$ 59,741	\$ 61,303	\$ 91,742	\$ 66,299	\$ 74,760	\$ 69,766
Interest ⁽²⁾	25,247	29,849	32,995	37,524	39,865	41,032	43,272	43,783	42,803	41,970
Internal Service Fund Debt Service ⁽³⁾	12	--	--	--	--	--	--	--	--	--
Debt Service on Net Tax-Supported Debt	60,424	69,824	80,579	89,584	99,606	102,335	135,014	110,082	117,563	111,736
Total Government Expenditures ⁽⁴⁾	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	1,414,930
Ratio of Debt Service to Expenditures	6.5%	6.8%	7.2%	6.8%	7.5%	7.7%	9.7%	8.2%	8.2%	7.9%
Total Revenues ⁽⁵⁾	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	1,441,371
Ratio of Debt Service to Revenues	6.3%	6.4%	6.8%	6.6%	7.3%	7.1%	9.7%	7.6%	8.1%	7.8%
Net Tax-Supported Debt ⁽⁶⁾	613,530	677,338	755,173	894,917	888,526	963,118	951,756	914,566	885,062	880,598
Assessed Value of Taxable Property ⁽⁷⁾	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	45,742,388
Ratio of Net Tax-Supported Debt to Assessed Value	2.0%	1.8%	1.6%	1.5%	1.4%	1.7%	2.2%	2.1%	2.0%	1.9%

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		
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
2013	18,339	10,733	1,749	5,857	1,535	156	1,691	3.46

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 Position.

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

⁽³⁾ There was no provision for closure payment in fiscal years 2009 or 2010 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 fiscal year 2005, 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⁾
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	21,307,192	44,986	79,358	231,371	5.3%
2012	419,006	22,620,321	46,123	81,937	235,988	4.9%
2013	430,289	*	*	83,551	231,155	4.7%

Source: County of Prince William, Virginia

* Not available

⁽¹⁾ US Census Bureau, Population Estimates Program (data as of July 1, 2012).

⁽²⁾ Bureau of Economic Analysis, U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of April, 2012). 2012 data estimated based upon ten-year growth rates on BEA data from 2002 through 2011.

⁽³⁾ Fall Membership by Division, by Grade for Prince William County Schools, Virginia Department of Education

⁽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⁾	2013			2004		
	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	1000 and over
Morale Welfare and Recreation	Federal Government	5	1000 and over	Federal Government	9	500 to 999
Sentara Healthcare/Potomac Hospital Corp	Private	6	1000 and over	Private	4	1000 and over
Wegmans Store #07	Private	7	500 to 999			
Minnieland Private Day School	Private	8	500 to 999			
Northern Virginia Community College	State Government	9	500 to 999	State Government	10	500 to 999
Target Corp	Private	10	500 to 999			
Temporary Solutions				Private	5	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, 2013 & 2004).

⁽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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
School -Based Positions										
Teachers										
Regular classroom teachers	2,926	3,193	3,290	3,553	3,757	3,799	3,756	3,827	4,058	4,106
Special education teachers	621	661	759	767	700	700	687	695	657	738
Vocational education teachers	201	210	212	213	215	200	186	183	185	189
Speech therapists	68	69	72	73	75	73	70	64	70	69
Physical therapists	20	21	8	25	25	24	25	21	19	25
Guidance counselors	146	171	166	169	170	188	184	181	191	181
Librarians	83	88	92	93	95	97	97	97	100	100
Physical education	165	190	201	213	212	217	214	218	222	223
Technology teachers	-	-	76	77	79	81	78	77	82	84
Other	-	-	74	80	78	80	63	35	39	37
School-Based Administrators										
Principals	79	82	84	84	86	87	88	89	91	91
Assistant principals	88	108	122	104	117	104	105	105	113	114
Guidance directors	21	23	23	24	25	10	9	10	11	27
Student activity directors	8	10	10	10	10	10	10	10	11	11
Other	71	79	-	-	-	-	-	-	-	-
Education Specialist										
School-based curriculum specialists	8	10	8	8	-	-	23	7	7	9
Program specialists	15	86	19	15	10	14	16	1	1	-
Social workers	34	39	39	45	46	45	44	6	6	6
Psychologists	35	35	40	44	43	43	43	4	4	4
Instructional Assistants	534	551	599	669	669	734	689	655	656	656
Other Positions										
School office assistant staff	399	421	461	475	470	486	482	472	495	503
Custodial staff	366	410	425	435	438	442	437	424	440	444
Other	-	-	-	-	-	-	37	36	40	39
Noninstructional specialists	85	89	-	-	-	39	52	42	103	61
Security	41	49	64	67	53	64	57	61	39	54
School nurse	51	55	60	67	69	72	73	76	79	81
Total School-Based Positions	6,065	6,650	6,904	7,310	7,442	7,609	7,525	7,396	7,719	7,851
Nonschool-Based Positions										
Technical support	121	139	244	206	146	170	134	123	165	163
Management	96	127	138	143	149	148	148	96	112	121
Education specialist	32	48	33	32	86	31	32	201	223	223
Office assistants	119	136	122	136	139	143	139	146	148	138
Custodial/maintenance	252	220	230	258	299	308	302	231	235	245
Leadership team	8	8	10	10	10	11	11	11	11	12
Bus drivers	511	565	645	654	659	680	668	664	680	679
Bus drivers' aides	97	119	135	130	136	132	147	148	142	150
Cafeteria staff	406	441	518	537	513	517	530	543	564	583
Other	35	37	62	20	122	17	25	86	113	62
Total Nonschool Based Positions	1,677	1,840	2,137	2,126	2,259	2,157	2,136	2,249	2,393	2,377
Total⁽¹⁾	7,742	8,490	9,041	9,436	9,701	9,766	9,661	9,645	10,111	10,227

Source: FY 2013 WABE Guide

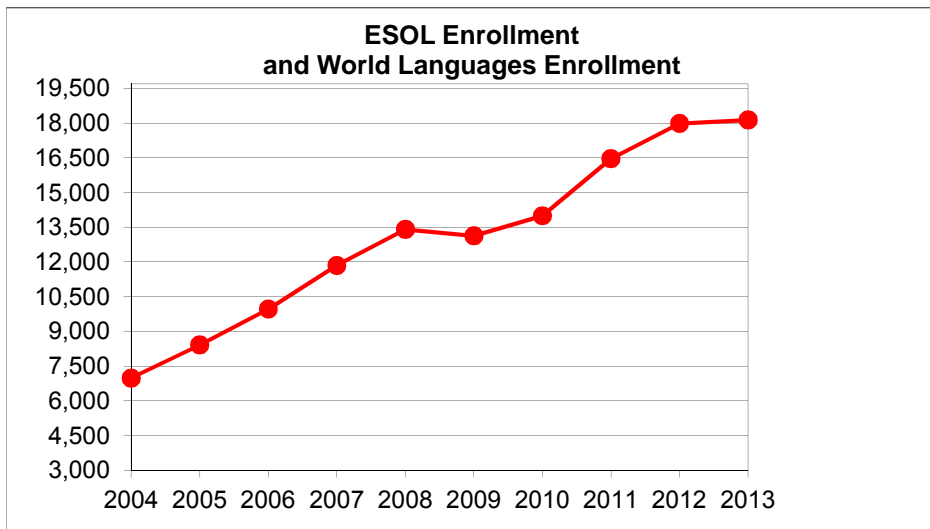
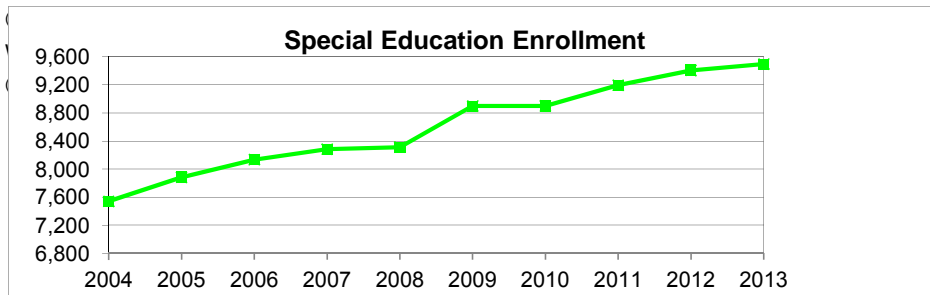
⁽¹⁾ Total positions include the General Fund and Food Services Fund only for Fiscal Years 2004 - 2008.

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⁾
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
2013	83,551	9,496	18,139

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 2014.



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

Fiscal Year	Student Enrollment ⁽¹⁾	Operating Expenditures ⁽²⁾	Cost per Pupil	Percentage Change	Expenses	Cost per Pupil	Percentage Change	Teaching Staff ⁽³⁾	Pupil-Teacher Ratio
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
2013	83,551	846,594,477	10,133	2.2%	981,952,608	11,753	1.6%	5,032	16.6

* Data not available.

⁽¹⁾ The student enrollment as of September 30th for each fiscal year. Source: School Board Approved Budget fiscal year 2014.

⁽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 2013 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>
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
2013	44,048	58,893	58,895	100,427

Source: Washington Area Boards of Education (WABE) Guide FY2013

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 21 - Food & 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								
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
2013	52,056	2.25	2.40	2.50	90	15,387	1.40	90	32,062	38.1%	1.95	3.20

Source: Food & Nutrition Services 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
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
2013	57	3,953,299	39,194	126	918.2	16	2,116,292	18,820	23	557.7	11	3,256,983	24,144	30	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
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
2013	2	34,994	**	11	5	3	97,522	**	9	28.6	2	127,575	1,320	0	31.9

Fiscal Year	Total School Buildings ⁽²⁾				
	Buildings	Square feet	Capacity	Trailers	Acres
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
2013	91	9,586,665	83,478	199	2,323.9

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, 2013

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	1,044
Police protection:	
Number of police officers	581
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	80
Number of public high schools	11
Membership as of September 30, 2012 (FY13)	83,551 ⁽¹⁾
Number of personnel (full-time equivalent)	10,267 ⁽²⁾
Recreation (Park Authority Component Unit):	
Acres developed or reserved for County parks	4,220
Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	634
Capacity of central jail	300
Capacity of work-release center	75
Number of personnel (full-time equivalent)	337
Other statistical data:	
Elections:	
Registered voters at last general election	254,649
Number of votes cast in last general election	180,740
Percent voting in last general election	71%
Water and Wastewater Treatment:	
<i>(provided by Prince William County Service Authority)</i>	
Miles of water mains	1,185
Miles of sanitary sewer mains	1,097

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 2014 Approved Budget Book. Number differs from other sources due to criteria used for determining membership.

⁽²⁾ Source: Prince William County Schools Fiscal Year 2013 Approved Budget book. Does not include Regional Schools personnel.



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