



Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

A Component of Prince William County, Virginia

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2006



CELEBRATING
275
Years
1731-2006
PRINCE WILLIAM COUNTY





Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

Prince William County Public Schools
A Component Unit of Prince William County, Virginia
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

School Board

Mrs. Lucy S. Beauchamp
Chairman At-Large

Mrs. Betty D. Covington
Vice Chairman
Dumfries District

Mr. Milton C. Johns
Brentsville District

Dr. Michael I. Otaigbe
Coles District

Mr. Grant Lattin
Occoquan District

Mrs. Denita S. Ramirez
Woodbridge District

Ms. Julie C. Lucas
Neabsco District

Mr. Don Richardson
Gainesville District

Superintendent of Schools

Dr. Steven L. Walts

Superintendent's Staff

Ms. Rae Darlington - Deputy Superintendent

Mr. Melvin J. Brown - Area II Associate Superintendent

Ms. Pamela K. Gauch - Associate Superintendent for Student Learning and Accountability

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

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

Mr. George Kisha - Associate Superintendent for Finance and Support Services

Ms. Diana Lambert-Aikens - Area III Associate Superintendent

Mr. Michael A. Mulgrew - Area IV Associate Superintendent

Mrs. Alison Nourse-Miller - Area I Associate Superintendent

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.

This Report Prepared By:

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Director of Financial Services
David S. Cline

Supervisor of Fiscal Operations
John M. Wallingford

Chief Accountant
Patricia Townsend

Accountants
Kathleen Addison
Maria Cavin
Karen Myers
Sheryl Brooks

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Introductory Section

Letter of Transmittal
List of Elected Officials
Organizational Chart



September 8, 2006

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

We are pleased to present the Comprehensive Annual Financial Report of the Prince William County Public Schools (PWCPS), a component unit of Prince William County, Virginia, for the year ended June 30, 2006.

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

PWCPS' financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of PWCPS for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the PWCPS' financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. PWCPS' MD&A can be found immediately following the report of independent auditors.

Steven L. Walts
Superintendent of Schools

Profile of the Government

Prince William County is located in Northern Virginia, approximately 35 miles southwest of Washington D.C. and encompasses an area of 348 square miles and is celebrating its 275th anniversary during 2006. Prince William County has, within its boundaries, the independent cities of Manassas and Manassas Park and the incorporated towns Dumfries, Haymarket, Occoquan, and Quantico. The cities of Manassas and Manassas Park have their own public school divisions.

PWCPS is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The eight members of the School Board are elected by the citizens of the County to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCPS is organized to focus on meeting the needs of its 68,225 students while managing the 51 elementary schools, 13 middle schools, 10 high schools, 4 special education schools, 2 alternative schools, and 2 traditional schools.

Local Economy

The local economy is inseparable from that of the regional Washington D.C. metropolitan area, and the area's economic performance was quite good over the last year. Job growth in the metropolitan area continued to be among the nation's best, driven, in part, by robust Federal spending, which accounts for about one-third of the region's economy, strong consumer spending and a very positive economic environment. Expectations are for continued prosperity in the metropolitan area, but with slowed momentum. After several years of having seen home sales reach levels unmatched since before 1997, the local real estate housing market has entered into a cooling down period. Currently, the stock of unsold homes on the market is at a record high, hindering significant price appreciation. Although the area has been hit with the declining housing market, unemployment rates remain under 2.5, interest rates remain relatively low and retail sales remain healthy as consumers experience relief in their fuel bills as early fall energy prices declined, helping to stretch disposable income. Five counties in the Washington metropolitan area top the list of the ten wealthiest counties in the country, with Prince William County ranking seventh. This ranking further underscores Prince William County's national status as a premier community.

Prince William County saw its population increase by 16,800 citizens or 4.7 percent over the past year. This strong population growth and healthy job growth should fair well for the County in the years ahead. Despite a slowing housing market, the Metropolitan Washington Council of Governments predicts the County's population will grow by more than 275,000 people or an increase of 98% between the years 2000 and 2030, while the rest of the region is expected to grow by only 45%. Despite the current housing market situation, the County's population growth over the long term will translate into housing growth. In the short term, however, FY 2006 building permit activity, a leading indicator for housing construction, was down 65% from FY 2005 and as of August 2006, calendar year-to-date home sales in the County were down 40% over the same period last year. The average sales price for resale homes in August, 2006 was \$415,601 compared to \$430,845 for the same period in 2005 representing a price decline of 3.5 percent. About 84 percent of the County's real estate tax base consists of residential housing, with approximately 15 percent comprised of commercial, industrial and public service properties and one percent undeveloped land. Indicative of the rapid slow-down in the real estate market, the average number of days a home was on the market ballooned to 80 for August 2006, compared to only 24 in August of 2005.

As values of homes and people's investment in the community have continued to increase over the past few years, the Board of County Supervisors has been very diligent in looking at the impact this has on the average homeowner's tax bill, utilizing one of its policy successes, the *Tax Reduction Plan*. When the Board began its tax rate reduction plan, County tax bills were on par with the rest of Northern Virginia. This has reversed dramatically as Prince William County is one of very few jurisdictions in the Commonwealth to commit so much of its increased revenue growth in homeowners' and businesses' tax bills, reducing the real estate tax rate from \$1.36 in 2000 to \$.91 per \$100 of assessed value in 2006, with a further reduction to \$.758 for fiscal year 2007.

One of Prince William County's strategic goals is to maintain an economic development climate that will attract and foster the expansion of environmentally-sound industries that create quality jobs, diversify the non-residential tax base, and allow people to live in, work in, and visit the County. In that regard, the County's Department of Economic Development has worked diligently to attract new businesses in quality industries to locate in Prince William County. Since January 2002, 96 new and expanding companies have announced their intention to invest more than \$1.3 billion and add approximately 6,300 jobs to Prince William County.

The Potomac Communities, which includes the stretch of Prince William County from the Potomac River to I-95, are proving to be a significant economic development asset for the County. Recent Base Realignment and Closures (BRAC) provisions will relocate thousands of military and civilian workers from less secure locations to Fort Belvoir and Quantico and will likely add to the County's population growth and increase the demand for nearby office space to support contractors serving these two military installations. To ensure development that meets the needs of citizens and businesses while honoring the scenic beauty and historic significance of the Potomac Communities, the County implemented a *Potomac Communities Revitalization Plan*. Through this plan, the County established new land use and zoning regulations, road improvement plans and incentives for businesses looking to locate in and around the three major nodes – Belmont Bay, Harbor Station and Quantico. Belmont Bay is already home to upscale condominiums and townhomes and is the future home of the Belmont Bay Marine Museum. Plans are also in place for office and retail development along the marina. The Harbor Station development is centrally located on the Cherry Hill Peninsula and includes a gated golf community, town center, commuter rail station, class-A office buildings and a luxury hotel and conference center, scheduled to open in the Fall of 2007. Finally, the U.S. Marine Corps Heritage Museum will serve as the southern gateway into Prince William County. With visibility from I-95, the national museum will serve thousands of tourists each year and bode well for surrounding development. Nearby Potomac Center is scheduled to open in the fall 2007 and will boast retail space, multi family units and a hotel.

Innovation @ Prince William has emerged as a model for one of the most innovative economic development strategies, employed to attract and retain business, according to CoreNet Global, the world's premier association for corporate real estate and related professions. In recognition of Prince William County's and George Mason University's approach to university-centered economic development, CoreNet Global honored Prince William County and GMU with the coveted CoreNet Global Leadership Award for "Innovative Practices in Economic Development." This highly competitive award recognizes organizations that have successfully implemented unique and innovative strategies in economic development.

Long-term Financial Planning

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

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

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

Each year PWPCS 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 PWPCS facilities in good operating condition. This document also provides the necessary input for the five year budget plan with regard to debt service.

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

Relevant Financial Policies

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

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

Major Initiatives

PWCPs is the third largest of 132 school divisions in Virginia and the sixty-seventh largest school division in the country. The school division provides services to over six percent of the state student enrollment. During the next five years, student membership is projected to increase by an annual rate of over four percent. This will result in almost 12,000 additional students by the 2009-10 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 \$82.8 million.

Providing quality educational facilities is important in providing quality education. PWCPs' Capital Program identifies twelve schools for new construction or additions and one administration building over the next five years. PWCPs endeavors to spend, as is recommended by the National Building Research Board, between 2% and 4% of the total replacement value of buildings on an annual basis on maintenance of existing school facilities. PWCPs facilities were constructed between 1918 and 2006, with the oldest school being Dumfries Elementary School constructed 87 years ago.

Financial Reporting Certificate Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the fourth consecutive year the School Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both 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, 2005. This was the fourth 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, PWCPs 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, 2006. These awards are valid for one period 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 2007 to determine the School Board's eligibility for another certificate award.

Acknowledgments

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

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

Respectfully,



Steven L. Walts
Division Superintendent



David S. Cline
Director of Financial Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Prince William County
Public Schools, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



Carla E. Fudge

President

Jeffrey R. Emmer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

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

President

Interim Executive Director

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Organization of Prince William County Schools

The Prince William County School Board

Lucy S. Beauchamp Chairperson, *At-Large*

Betty D. Covington, Vice Chairman, *Dumfries District*

Milton C. Johns, *Brentsville District*

Grant E. Lattin, *Occoquan District*

Julie C. Lucas, *Neabsco District*

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

Denita S. Ramirez, *Woodbridge District*

Donald P. Richardson, *Gainesville District*

School Division Administration

Steven L. Walts
Superintendent of Schools

Rae Darlington
Deputy Superintendent

Pamela K. Gauch
Associate Superintendent
Instruction

George Kisha
Associate Superintendent
Finance and Support Services

Alison Nourse-Miller
Associate Superintendent
Area 1 Schools

Melvin J. Brown
Associate Superintendent
Area II Schools

Diana Lambert-Aikens
Associate Superintendent
Area III Schools

Michael Mulgrew
Associate Superintendent
Area IV Schools

David S. Cline
Director of Financial Services

John M. Wallingford
Supervisor of Fiscal Operations



Prince William County
PUBLIC SCHOOLS
Providing A World-Class Education

2006-07 Organizational Chart

School Board

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

Superintendent
Steven L. Walts

Deputy Superintendent
Rae Darlington

Supervisor for
Quality Systems
Linda Moniuszko

Clerk
Eva Thorpe

Deputy Clerk
Cathy Muse

Associate Superintendent for Area I
Alison Nourse-Miller

Area I Schools

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

Associate Superintendent for Area II
Melvin Brown

Area II Schools

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

Associate Superintendent for Area III
Diana Lambert-Aikens

Area III Schools

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

Associate Superintendent for Area IV
Michael Mulgrew

Area IV Schools

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

Associate Superintendent for Human Resources
Keith Johnson

Director of Human Resources
Amy White

Supervisor of Benefits
Sue Taylor

Supervisor of Elementary & Spec. Ed. Personnel
Michael Mondak

Supervisor of Classified Personnel
Dina Mize

Supervisor of Recruiting & Specialty Prgms
Darlene Faltz

Supervisor of Secondary Personnel
Rene Campbell

Associate Superintendent for Student Learning and Accountability
Pamela Gauch

Director of Student Learning and Professional Development
Lisa Reinshuttle

Curriculum Supervisors
Carol Bass
Kenneth Bassett
Reba Greer
Kathy Keese
Carol Knight
Fred Milbert
Sarah Hopwood
Joyce Zsembery

Curriculum Supervisor Career & Technical Education
Kathleen Kunze

Supervisor of Instructional Technology
Pat Donahue

Supervisor of Gifted Education & Special Programs
Gail Hubbard

Supervisor of Multicultural Education
Victor Martin

Supervisor of Title I
Joyce Mannherz

Supervisor of Professional Development
Nataly Walker

Director of OSMAP
Pam Brown

Principals
Jehovanni Mitchell
New Directions
Elmer Magyar

Supervisor of Alternative Education & Summer School
Renee Lacey

Director of Student Services
Clarice Torian

Supervisor of Secondary Counseling and Support Services
Cheryl Hiatt

Supervisor of Elementary Counseling and Support Services
Etta Jane Hall

Supervisor of Student Assistance and Prevention Programs
Doreen Dauer

Supervisor of School Health
Teresa Polk

Director of Accountability
Holly Hess

Supervisor of Testing
Raymond Diroll

Supervisor of Program Evaluation
Jennifer Cassata

Director of Special Education
Tommy Carter

Supervisors of Special Education
Kathy Aux
Kay Cooper
Cary Dougher
Frank Finn
Lynn Galgano
Teresa Hopkins
Jill Tomlinson
Cylvia Toy

Associate Superintendent for Finance and Support Services
George Kisha

Director of Financial Services
David Cline

Supervisor of Budget
Bob Horwath

Supervisor of Financial Services
Niki Howell

Supervisor of Fiscal Operations
John Wallingford

Supervisor of Purchasing
Willie Frazier

Supervisor of Supply Services
Charles Wheeler

Director of Construction and Planning Services
Randy Dasher

Supervisor of Planning
Dave Beavers

Supervisor of Land Acquisition & CIP Planning
Maureen Hannan

Project Managers
Dee Thompson
Don Mason
Neil Bagnell
Rodney Clayborn
Danny Murrin
Dennis Clark
Roger Wilder
John Windley

Director of Transportation Services
Edward Bishop

Supervisor of Bus Operations
Charles Engelberger

Supervisor of Transportation Planning
Scott Withee

Director of Risk Management & Security Services
Donald Mercer

Director of Facilities Management Services
Steve Snarr

Supervisor of Facilities Management
Vacant

Director of School Food and Nutrition Services
Serena Suthers

Associate Superintendent for Communications and Technology Services
Keith Imon

Director of Information Technology Services
Jim Hite

Supervisor of Student Applications
Susan Dooley

Supervisor of Business Applications
Vincent Bess

Supervisor of Information Systems Support
Susan Moser

Supervisor of Network Services & Central Ops
Vacant

Imaging Center
Danny Armstrong

Director of Communications Services
Ken Blackstone

Supervisor of Community Relations
Irene Cromer

Supervisor of Media Production Services
Ben Swecker

Education Foundation
Susan Harman

Business Partnerships
Sharon Henry

Financial Section

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

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prince William County Public Schools ("PWCPs"), as of and for the year ended June 30, 2006, which collectively comprise the PWCPs' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PWCPs' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Fund, which represents 53% of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the PWCPs, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, there of and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the PWCPs restated beginning Net Assets and retainage payable in the Construction Fund to correct previously reported amounts. We also audited the adjustments described in Note 11 that were applied to restate beginning net assets and retainage payable. In our opinion, such adjustments are appropriate and have been properly applied.

McGladrey & Pullen

Certified Public Accountants

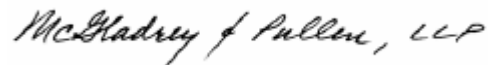
In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006 on our consideration of the School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedules of Funding Progress and Contributions for a defined benefit pension plan on pages 13 through 25 and page 56, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of PWCPS. The individual fund financial statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying schedules and tables, listed in the table of contents as "*Introductory Section*" and "*Statistical Section*", are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

Greensboro, North Carolina
September 8, 2006



Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

This section of the Prince William County Public Schools' (PWPCS) annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year ended June 30, 2006 (FY 2006). 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 \$700,625 or 87% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$104,212 or 13% of total revenues of \$804,837.
- The school division had \$709,695 in expenses related to governmental activities of which \$104,212 was offset by program specific charges, grants, or contributions. General revenues, primarily County and State, were adequate to fund the remaining expenses.
- Net assets increased by \$95,142 to a total of \$887,498. The value of net assets reflects the financial health of the school division and includes certain assets procured with debt. The school division is a component unit of, and fiscally dependent on Prince William County. As such, all debt related to school division assets is shown on the County's Statement of Net Assets.
- On September 30, 2005 (FY 2006) student membership was 68,225, an increase of 2,504 students, or 3.2% greater than the FY 2005 Approved budget. The student membership was also 796 students less than projected for FY 2006.
- The school division received an additional \$2.7 million in County revenue for PWPCS' share of FY 2005 revenues that exceeded the original FY 2005 revenue projections. These funds were used to support the local cost of the additional students and to fund capital projects.
- Glenkirk Elementary and Victory Elementary Schools were opened in September 2005.

Using this Comprehensive Annual Financial Report

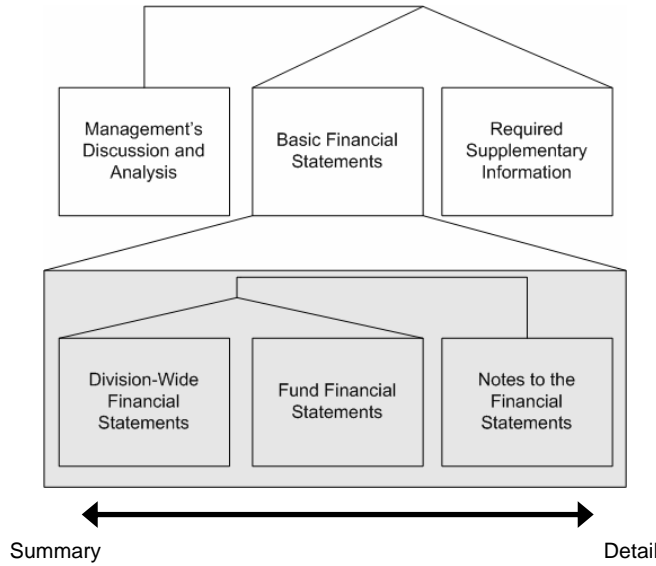
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school division.

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

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

Prince William County Public Schools
Management's Discussion and Analysis
 For the Year Ended June 30, 2006

Organization of Prince William County Public Schools Annual Financial Report



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

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Division-wide Statements

The division-wide statements report information about Prince William County Public Schools as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by PWCPSS to provide programs and activities, the view of PWCPSS, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. The accrual basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

PWCPSS has three types of funds:

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

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

- **Fiduciary Funds:** PWCPS is a trustee or fiduciary for the Northern Virginia Regional Special Education Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from PWCPS' division-wide statements because PWCPS cannot use these assets to finance its operation. The student activity monies are also accounted for in an agency fund.

Financial Analysis of PWCPS as a Whole

Net Assets

The condensed statement of net assets describes the financial position of PWCPS on June 30, 2006. The largest portion of PWCPS net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 81.0% of the total net assets and have increased by \$79,632 since June 30, 2005. This increase is primarily the result of continued construction necessary to house the continuing growth in the student population. These capital assets are not net of related debt because, as a component unit (school division) in Virginia, PWCPS does not have the authority to issue debt. All debt is issued by Prince William County and, therefore, shown as a liability

Condensed Statement of Net Assets			
(amounts expressed in thousands)			
<i>2005 restated</i>			
	Governmental Activities		
	2006	2005	Percent Change
Current and other assets	\$ 287,004	\$ 262,702	9.3%
Capital assets	718,755	639,123	12.5
Total assets	<u>1,005,759</u>	<u>901,825</u>	11.5
Current liabilities	102,994	92,819	11.0
Long-term liabilities	15,267	16,650	(8.3)
Total liabilities	<u>118,261</u>	<u>109,469</u>	8.0
Net assets:			
Invested in capital assets	718,755	639,123	12.5
Restricted	91,598	89,379	2.5
Unrestricted	77,145	63,855	21.0
Total net assets	<u>\$ 887,498</u>	<u>\$ 792,356</u>	12.0

on their Statement of Net Assets. In years where there are substantial additions to capital assets that are funded through the issuance of debt, the school division will have substantial increases in net assets. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Restricted net assets increased by \$2,219 during the current fiscal year reflecting an increase in PWCPS' resources restricted for specific construction projects. Unrestricted net assets are those resources that may be used to meet the obligations placed on PWCPS by its creditors and to pay for ongoing operations of the school division. At the end of the fiscal year unrestricted net assets amounted to \$77,145, an increase of \$13,290. All three components of net assets show positive balances.

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Changes in Net Assets

(amounts expressed in thousands)

	Governmental Activities		Percent Change
	2006	2005	
Program revenues:			
Charges for services	\$ 18,528	\$ 17,141	8.1%
Operating grants and contributions	84,723	77,713	9.0
Capital grants and contributions	961	904	6.3
General revenues:			
Federal	554	1,646	(66.3)
State aid	253,732	234,640	8.1
County	437,701	407,130	7.5
Unrestricted investment earnings	5,409	2,499	116.4
Other	3,229	3,673	(12.1)
Total revenues	804,837	745,346	8.0
Expenses:			
Instructional:			
Regular	331,903	309,172	7.4
Special	83,794	72,039	16.3
Other	8,657	7,995	8.3
Instructional leadership	43,389	40,212	7.9
Support services:			
General administration	6,045	4,960	21.9
Student services	8,820	7,808	13.0
Curricular/staff development	12,036	10,606	13.5
Pupil transportation	40,152	35,292	13.8
Operations	21,618	20,024	8.0
Utilities	19,586	16,889	16.0
Maintenance	19,546	15,892	23.0
Central business services	42,117	35,235	19.5
Reimbursement to County for debt service	48,220	47,582	1.3
Food service	23,163	23,629	(2.0)
Community service operations	649	499	30.0
Total expenses	709,695	647,834	9.5
Change in net assets	95,142	97,512	(2.4)
Net assets, beginning of year (as restated)	792,356	694,844	14.0
Net assets, end of year	\$ 887,498	\$ 792,356	12.0

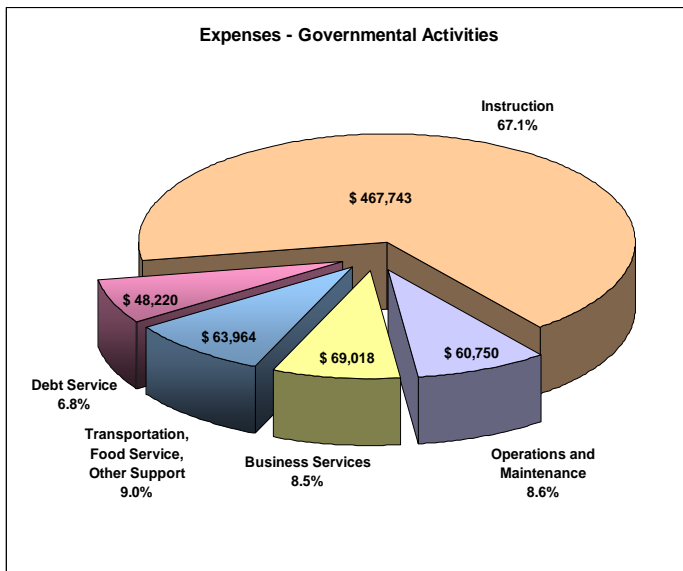
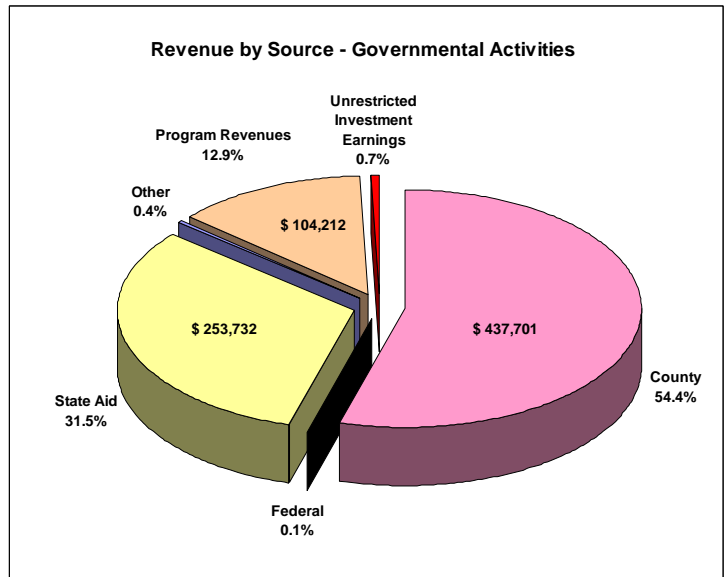
Prince William County Public Schools
Management's Discussion and Analysis
 For the Year Ended June 30, 2006

Changes in Net Assets

Total revenues increased by \$59,491 for an 8.0% increase over fiscal year 2005. This is primarily the result of increases in state aid and increased revenue from the County.

54.4% of PWPCS' of revenue comes from the primary government (PWC), 31.5% from the state of Virginia, 12.9% in the form of program revenues (charges for services, operating and capital grants and contributions), and 1.2% from other categories. The funds PWPCS receives from PWC are comprised, primarily, of two components; 56.75% of all county general revenues, and amounts provided to PWPCS that are the result of bonds sold by PWC to fund schools capital projects.

The component of PWPCS' "county revenue" that is a function of bond sales decreased from fiscal year 2005 by \$2,203 or (3.3%) while all other components of "county revenue" increased by \$32,774 or 9.6%. For fiscal year 2006 there was a 7.5% increase of all components "county revenue" (\$30,571). This increase is a function of the overall growth in Prince William County (PWC) general revenues and the cooperative funding formula that exists between PWC and PWPCS. "Other revenue" displayed on the statement of activities decreased by \$444 relative to FY 2005 "other revenue".



State revenue increased \$19,092 or 8.1% 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 9.5% to \$709,695 in fiscal year 2006. 76.1% of the division's expenses are related to the instruction of and caring for the needs of students (instruction, transportation, student service, and food service). The division's business and administrative activities accounted for 8.5% of total costs while operations and maintenance amounted to 8.6% of total cost. Reimbursements to the County for debt service totaled 6.8% of fiscal year 2006 costs. For the fiscal 2006, revenues exceeded expenses by a total of \$95,142. A substantial portion of this excess is the recognition of revenues associated with capital outlay related to PWPCS continued expansion of facilities.

Governmental Activities

The two primary sources of revenue for the school division are from Prince William County and the Commonwealth (State) of Virginia. Funding from the County is provided through a revenue sharing agreement whereby the school division receives 56.75% of general county revenue. The budget is developed based upon projected revenue for that year. In the following fiscal year, revenues are adjusted to reflect the difference

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

between projected and actual revenues (plus or minus). FY 2006 county funding was increased by \$4,356 due to additional recognized revenues from FY 2005.

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 2006 increased for two primary reasons. First, State funding for basic and categorical aid increased as a result of the calculation of required state funding as defined in the state SOQ. Second, State funding also increases with growth in enrollment. State revenue increased from FY 2005 as a result of the state funding their share of the SOQ cost of the additional 2,513 students in the school division; an increase in student population of 3.2%.

The FY 2006 expense budget was adjusted to fund schools and central departments for the costs of the additional student enrollment. The Net Cost of Governmental Activities table shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

Net Cost of Governmental Activities						
(amounts expressed in thousands)						
	Total Cost of Services			Net Cost of Services		
	2006	2005	Percent Change	2006	2005	Percent Change
Instruction						
Regular	\$ 331,903	\$ 309,172	7.4%	\$302,703	\$ 280,223	8.0%
Special	83,794	72,039	16.3	40,579	35,151	15.4
Other	8,657	7,995	8.3	3,940	3,167	24.4
Instructional leadership	43,389	40,212	7.9	43,389	40,212	7.9
Total instruction	467,743	429,418	8.9	390,611	358,753	8.9
Support services						
General administration	6,045	4,960	21.9	6,045	4,960	21.9
Student services	8,820	7,808	13.0	8,820	7,808	13.0
Curricular/staff development	12,036	10,606	13.5	11,966	10,360	15.5
Pupil transportation	40,152	35,292	13.8	40,005	35,208	13.6
Operations	21,618	20,024	8.0	21,568	19,978	8.0
Utilities	19,586	16,889	16.0	19,586	16,889	16.0
Maintenance	19,546	15,892	23.0	19,546	15,892	23.0
Central business services	42,117	35,235	19.5	41,216	34,360	20.0
Reimbursement to County for debt	48,220	47,582	1.3	48,220	47,582	1.3
Food service	23,163	23,629	(2.0)	(1,946)	426	(556.8)
Community service operations	649	499	30.1	(155)	(140)	10.7
Total support services	241,952	218,416	10.8	214,871	193,323	11.1
Total expenses	\$ 709,695	\$ 647,834	9.5	\$ 605,482	\$ 552,076	9.7

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Governmental Activities (continued)

- The cost of all governmental activities was \$709,695.
- The net cost of governmental activities was \$605,482.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$437,701.
- The Commonwealth of Virginia contributed general revenue of \$253,732.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$18,528.
 - Total Grants and Contributions: \$85,684.
 - Other payments: \$9,192.
- There are several significant activity changes in the net cost of services:
 - Special education costs increased as a result of increases in both student enrollment and program costs.
 - The net cost of other instruction increased as a result of expanded non-tuition Standards of Learning (SOL) remediation programs for students in summer school and other tuition based programs.
 - General administration costs increased for changes in the FY 2006 Approved budget as well as additional staffing associated with the reorganization of the administration. Cost also increased with the opening of two new schools and the staffing and startup costs associated with these schools.
 - The net costs of Student Services increased with the continued expansion of the school nurse program.
 - Curricular/staff development increased with the additional costs associated with SOL remediation.
 - Utility costs have increased with the opening of new schools as well as increased prices for heating and bus fuels.
 - Maintenance costs have increased as a result of enhanced program funding for the repair and maintenance of facilities focusing on the 5, 10 and 15 year periods.
 - Community services operations are subject to change each year as a function of the number of activities conducted within the community use of building (rental) program.

Financial Analysis of the District's Funds

Information about PWCPSS' major funds begins on page 31. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$805,164 and expenditures of \$789,678. The net change in fund balance was most significant in the Construction Fund amounting to an increase of \$10,892. This increase is due, primarily, to timing differences between the sale of bonds and the expenditures for the construction of the associated projects.

The General Fund net change in fund balance of \$2,389 reflects an increase resulting from General Fund activities (\$1,936) and an increase related to PWCPSS' funds used to repay PWC for debt they incur on behalf of PWCPSS (\$453). The change in the General Fund's fund balance is primarily a result of greater than anticipated savings in salary and benefit accounts with the largest savings coming from our supplemental retirement plan and health insurance premiums. The increase in fund balance in Other Governmental Funds of \$2,204 is primarily attributable to concerted operational efforts to control costs and new reimbursement amounts with regard to some

Prince William County Public Schools
Management's Discussion and Analysis
 For the Year Ended June 30, 2006

federal revenues.

General Fund Budgetary Highlights

The PWCCPS' budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, PWCCPS amended its General Fund budget as follows:

- Amended appropriation of \$14,891 to reflect the carryover of encumbrances from Fiscal Year 2005 to Fiscal Year 2006.
- Amended appropriation of \$20,048 to reflect the carryover of encumbrances from Fiscal Year 2006 to Fiscal Year 2007.
- Supplemental appropriation of \$4,356 for PWCCPS' share of FY 2005 revenues that exceeded the original FY 2005 revenue projections. Based upon the revenue sharing agreement with the County, PWCCPS develops the Approved budget based upon projected revenues. After the final close of the fiscal year, the County determines the actual revenues for the year (FY 2005). In the following fiscal year (FY 2006) an appropriation adjustment is made (plus or minus) to the school division budget to reflect the difference between the actual and projected revenues. The supplemental appropriation is net of other adjustments including contribution to the County fund balance.
- Other supplemental appropriations totaling \$7,550 for increases in federal, state, and local grants and for additional state aid due to a higher student population than originally projected in the budget.

PWCCPS' final budget for the General Fund anticipated that expenses would exceed revenues by roughly \$7,873. The actual results for the year show a savings of \$2,389. The \$2,389 reflects an effort by management to utilize increases in revenue and savings in expense to increase fund balance. The increased fund balance will be utilized to support future budgets in the five-year budget plan.

Capital Assets

At the end of fiscal year 2006, PWCCPS had \$718,755 invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table shows fiscal year 2006 balances, net of accumulated depreciation. Readers interested in more detailed information on capital assets should refer to the Notes to the Basic Financial Statements.

Capital Assets			
(net of accumulated depreciation)			
(amounts expressed in thousands)			
<i>2005 Restated</i>			
	Governmental Activities		
	2006	2005	Percent Change
Land	\$ 38,517	\$ 30,093	28.0%
Construction in progress	41,136	49,665	(17.1)
Depreciable capital assets	639,102	559,365	14.3
Total	\$ 718,755	\$ 639,123	12.5

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Major capital asset additions for FY 2006 included:

- Completion of construction and opening of the following schools:
 - Glenkirk Elementary School on Sedge Wren Drive, Gainesville,
 - Victory Elementary School on Tygart Drive, Bristow.
- Continued construction of two elementary and one middle school, opening September 2006:
 - Rosa Parks Elementary School on Prinedale Avenue, Dale City,
 - Buckland Mills Elementary School on Wharfdale Place, Gainesville,
 - Potomac Middle School on Four Year Trail, Dumfries.
- Commenced construction of Wentworth Green Middle School on Limestone Drive, Gainesville, estimated completion September 2007.
- Land Acquisitions at the following locations:
 - Dumfries Road and Wolf Run Lane for the new administration building, Edward L. Kelly Leadership Center,
 - Dumfries Road for the future construction of the Hoadly/Independent Hill High School,
 - Yorkshire Lane for the replacement of Yorkshire Elementary School.
- Building additions were accomplished at the following schools:
 - Belmont Elementary School,
 - Dale City Elementary School,
 - Marumsco Hills Elementary School.
- Major renovations at
 - Osbourn Park High School (Phase 2 of 2),
 - Stonewall Jackson High School (Phase 2 of 2),
 - Woodbridge High School (Phase 2 of 2).
- Purchase of 19 school buses.
- Replacement of 19 trucks and other vehicles.
- Replacement of designated computers identified within the school division three year technology refresh plan.
- CGI-AMS, financial and human resource, hardware upgrade.
- Initial implementation of an institutional technology network, I-Net, for all data, voice and video communications.

The following major capital projects are included in PWPCS' fiscal year 2007 capital budget:

- Wentworth Green Middle School, on Limestone Drive, Gainesville, estimated completion date September 2007.
- Construction for the new administration building, Edward L. Kelly Leadership Center, estimated completion date 2008.
- Land acquisitions for future school sites.
- Four room addition of Tyler Elementary School, estimated completion September 2007.
- Continual implementation of an institutional technology network, I-Net.

Prince William County Public Schools
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- Major renewal projects to:
 - Kerrydale Elementary School,
 - Tyler Elementary School.
- Renewal of Hylton High School television studio to digital technology.
- Purchase of 46 school buses (28 replacements, 18 additional).
- Replacement of 39 trucks and other vehicles.
- Replacement of designated computers identified within the school division three year technology refresh plan.

Funding for the FY 2007 capital projects includes \$19,987 in appropriated funds and \$63,833 to be financed by Prince William County through the sale of General Obligation bonds to the Virginia Public School Authority (VPSA) in the spring of 2006.

Outstanding Long-Term Debt

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

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

The following information is provided to acknowledge the portion of long-term debt that is incurred by the County at the request of the School Board and funded by the school district. At June 30, 2006, the County is liable for \$472,281 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2006, outstanding long-term debt increased by a net \$34,403 consisting of:

- \$27,202 in debt principal retired during the fiscal year.
- \$61,605 new debt issued during FY 2006:
 - \$61,605 in sale of general obligation bonds to the Virginia Public School Authority (VPSA);
 - In addition, a bond premium of \$2,353 was realized on the sale of the VPSA bonds. (Bringing the total funds available from the sale to \$63,958);

The FY 2007 Approved School Board budget provides funding for \$52,933 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$63,833 in new bonds to support school capital projects, as detailed in the FY2007 – 2011 Capital Improvements Program. Readers interested in more detailed information for long-term debt activity should refer to the Notes to the Basic Financial Statements.

Prince William County Public Schools
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For the Year Ended June 30, 2006

Outstanding Long-Term Debt			
(Incurred by Prince William County on behalf of PWCPSS)			
(amounts expressed in thousands)			
	Total School Division		
	2006	2005	Percent Change
General obligation bonds *	\$ 467,363	\$ 432,562	8.0%
Literary loans	4,918	5,316	(7.5)
Total	\$ 472,281	\$ 437,878	7.9

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

Bond Ratings

The County's general obligation bonds are IBCA rated AAA. AAA is the highest rating awarded by a credit rating agency and certifies the County's sound, consistent, and excellent financial management practices. The County is among a very select group of jurisdictions nationwide which carry AAA bond rating.

Factors influencing future budgets:

The FY 2007 budget provides funding for the following significant costs:

- A step increase and pay adjustment averaging 5.9%.
- A 3.0% cost-of-living adjustment in supplies and materials accounts.
- Funding for current programs to support an increase of 2,191 students.
- Funding to support the capital projects included in the FY 2007 – 2011 CIP.

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

- Student membership on September 30, 2006 was 70,723. This represents an increase of 2,498 students for a growth rate in excess of 3.6%. The student membership was 307 students above the 70,416 projected in the FY 2007 Approved Budget. The rate of student growth continues to place fiscal demands upon the school division requiring additional staff, buses, and classroom space. The moderation in the rate of growth should make the fiscal demands more manageable in future budgets.
- County FY 2006 revenues exceeded the projections; the school division anticipates receiving an additional \$2,765 in December 2006. The County has also indicated that changes in the local economy will likely result in reduced revenues for FY 2007. The FY 2006 additional revenues will be utilized to reduce the FY 2007 shortfall.
- Not only is the student population continuing to grow, but the demographics of the student population continue to change. The changes in student demographics increases the number of students requiring additional educational services, which in turn increases school division expenses to meet those needs.

Prince William County Public Schools

Management's Discussion and Analysis

For the Year Ended June 30, 2006

- The school division continues to receive information and assess the potential impact and associated costs of the federal No Child Left Behind legislation. The legislation will likely result in increased costs for remediation of under-performing students, and for improved information/data processing systems to meet additional federal requirements for student assessment and reporting.
- During FY 2006 the school division experienced fuel (natural gas, heating fuel, vehicle fuels) costs that have increased by as much as 50 percent. The FY 2007 budget will have to address the continuing volatility in energy prices.
- The costs for school construction and renovation continue to climb with inflationary increases of as much as 10% - 15% per year. The costs have increased as a function of high demand in both the national and international markets and the rebuilding efforts from hurricanes in the past several years. These costs continue to impact the fiscal ability of the school division to sustain the construction and renovation of our facilities.
- During the past seven years, the growth in real estate values has enabled both a reduction in the real property rate of 60 cents to a value of \$0.76 while providing additional revenues to the County and School Board. While data is not yet available, there has been a significant leveling of the appreciation in the value of real estate which in turn will impact County revenues for FY 2008.
- The school division is assessing the liability and budgetary impacts of Governmental Accounting Standards Board (GASB) statement #45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The FY 2008 budget process will have to address both the policy implications and budgetary impacts of implementing the standard.
- FY 2008 is the second year of the biennial budget process for the Commonwealth of Virginia. The budget for FY 2008 may be impacted by a number of significant changes including:
 - Updated student enrollment projections
 - Continued updating of rates for the Virginia Retirement System
 - Programmatic changes are not likely to be significant in the second year of the biennium.

Contacting the Prince William County Public Schools' (PWCPS) Financial Management

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

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Basic Financial Statements

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**Prince William County Public Schools
Statement of Net Assets
As of June 30, 2006**

Exhibit 1

	Governmental Activities
ASSETS	
Equity in cash and pooled investments	\$ 171,095,209
Accounts receivable and other current assets	815,098
Due from other governmental units	20,529,010
Inventory	2,966,155
Restricted assets:	
Restricted cash	91,598,466
Capital assets:	
Land	38,517,132
Construction in progress	41,136,118
Depreciable capital assets	840,164,860
Less: accumulated depreciation	(201,063,207)
<i>Total assets</i>	<u>1,005,758,841</u>
LIABILITIES	
Accounts payable and accrued liabilities	13,806,100
Salaries payable and withholdings	67,215,943
Due to other governmental units	401,826
Retainage	4,711,941
Unearned revenue	5,586,638
Long-term liabilities:	
Due within one year	11,271,101
Due in more than one year	15,267,434
<i>Total liabilities</i>	<u>118,260,983</u>
NET ASSETS	
Invested in capital assets	718,754,903
Restricted for:	
Capital projects	91,598,466
Unrestricted	77,144,489
<i>Total net assets</i>	<u>\$ 887,497,858</u>

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

Prince William County Public Schools
Statement of Activities
For the Year Ended June 30, 2006

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 331,903,416	572,972	28,560,895	66,293	(302,703,256)
Special	83,794,427	-	43,215,070	-	(40,579,357)
Other	8,656,718	1,616,499	3,100,825	-	(3,939,394)
Instructional leadership	43,389,217	-	-	-	(43,389,217)
Total instruction	467,743,778	2,189,471	74,876,790	66,293	(390,611,224)
Support services:					
General administration	6,045,109	-	-	-	(6,045,109)
Student services	8,819,744	-	-	-	(8,819,744)
Curricular/staff development	12,036,415	6,270	64,072	-	(11,966,073)
Pupil transportation	40,151,841	146,420	-	-	(40,005,421)
Operations	21,617,600	49,511	-	-	(21,568,089)
Utilities	19,585,737	-	-	-	(19,585,737)
Maintenance	19,546,555	-	-	-	(19,546,555)
Central business services	42,116,891	6,339	-	894,477	(41,216,075)
Reimbursement to County for debt service	48,220,290	-	-	-	(48,220,290)
Food service	23,162,661	15,326,261	9,782,330	-	1,945,930
Community service operations	649,021	804,137	-	-	155,116
Total support services	241,951,864	16,338,938	9,846,402	894,477	(214,872,047)
Total governmental activities	\$ 709,695,642	18,528,409	84,723,192	960,770	(605,483,271)
General revenues:					
Federal, State, and Local Revenues					
Federal 554,334					
State 253,732,148					
County 437,700,637					
Unrestricted investment earnings 5,408,547					
Miscellaneous revenues 3,229,517					
Total general revenues 700,625,183					
Change in net assets 95,141,912					
Net assets, beginning of year (as restated) 792,355,946					
Net assets, end of year \$ 887,497,858					

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

Prince William County Public Schools
 Balance Sheet
 Governmental Funds
 As of June 30, 2006

Exhibit 3

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in cash and pooled investments	\$ 95,909,305	46,000,523	3,387,191	145,297,019
Restricted cash	-	91,598,466	-	91,598,466
Accounts receivable	197,325	211,771	97,054	506,150
Due from other funds	111,664	-	-	111,664
Due from other governmental units	18,981,743	-	1,547,267	20,529,010
Inventory	814,200	-	1,112,877	1,927,077
Total assets	<u>\$ 116,014,237</u>	<u>137,810,760</u>	<u>6,144,389</u>	<u>259,969,386</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,364,671	7,683,425	353,069	13,401,165
Salaries payable and withholdings	66,693,593	21,790	487,131	67,202,514
Retainage payable	-	4,711,941	-	4,711,941
Deferred revenue	2,765,499	-	-	2,765,499
Unearned revenue	687,903	-	862,019	1,549,922
Total liabilities	<u>75,511,666</u>	<u>12,417,156</u>	<u>1,702,219</u>	<u>89,631,041</u>
Fund balances:				
Reserved for:				
Inventory	814,200	-	1,112,877	1,927,077
Unreserved, reported in:				
General Fund:				
Designated for encumbrances	20,048,322	-	-	20,048,322
Designated for future years' expenditures	12,736,000	-	-	12,736,000
Undesignated	6,904,049	-	-	6,904,049
Capital Projects:				
Designated for encumbrances	-	48,134,005	-	48,134,005
Designated for future years' expenditures	-	76,857,773	-	76,857,773
Designated for payments to PWC for arbitrage rebate	-	401,826	-	401,826
Nonmajor Special Revenue Funds:				
Designated for encumbrances	-	-	58,810	58,810
Designated for future years' expenditures	-	-	117,776	117,776
Undesignated	-	-	3,152,707	3,152,707
Total fund balances	<u>40,502,571</u>	<u>125,393,604</u>	<u>4,442,170</u>	<u>170,338,345</u>
Total liabilities and fund balances	<u>\$ 116,014,237</u>	<u>137,810,760</u>	<u>6,144,389</u>	<u>259,969,386</u>

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

Prince William County Public Schools
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Assets
 As of June 30, 2006

Exhibit 4

Total fund balances - governmental funds \$ 170,338,345

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

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

Land	\$ 38,517,132	
Construction in progress	41,136,118	
Library books	3,365,286	
Buildings and improvements	762,230,803	
Equipment	12,536,315	
Vehicles	<u>62,032,456</u>	
Total capital assets	919,818,110	
Accumulated depreciation	<u>(201,063,207)</u>	718,754,903

Certain revenues are measurable but not available to pay for current period expenditures and, therefore, are reported in the funds as deferred revenue. 2,765,499

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

Compensated absences	(21,577,812)	
Other liabilities	<u>(401,826)</u>	(21,979,638)

Net Assets of internal service funds. 17,618,749

Net assets - governmental activities \$ 887,497,858

Prince William County Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit 5

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 2,791,070	4,029,097	102,143	6,922,310
Use of property	-	-	804,137	804,137
Charges for services	5,383,831	-	15,280,111	20,663,942
Intergovernmental revenue:				
Federal	24,659,388	-	9,431,085	34,090,473
State	305,385,849	-	348,843	305,734,692
County	357,546,548	79,353,098	-	436,899,646
Miscellaneous revenue	-	-	48,551	48,551
Total revenues	<u>695,766,686</u>	<u>83,382,195</u>	<u>26,014,870</u>	<u>805,163,751</u>
EXPENDITURES:				
Current:				
Regular instruction	320,388,492	2,295,462	-	322,683,954
Special instruction	83,897,332	-	-	83,897,332
Other instruction	8,672,989	-	-	8,672,989
Instructional leadership	43,389,217	-	-	43,389,217
General administration	6,076,653	-	-	6,076,653
Student services	8,825,978	-	-	8,825,978
Curricular/staff development	12,060,120	-	-	12,060,120
Pupil transportation	37,656,089	-	-	37,656,089
Operations	21,641,520	-	-	21,641,520
Utilities	19,585,737	-	-	19,585,737
Maintenance	19,519,790	-	-	19,519,790
Central business services	43,191,893	-	-	43,191,893
Community service operations	-	-	649,021	649,021
Food services	-	-	23,161,852	23,161,852
Reimbursement to the County for debt service	45,866,125	2,110,653	-	47,976,778
Capital outlay	-	90,689,341	-	90,689,341
Total expenditures	<u>670,771,935</u>	<u>95,095,456</u>	<u>23,810,873</u>	<u>789,678,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,994,751</u>	<u>(11,713,261)</u>	<u>2,203,997</u>	<u>15,485,487</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
General fund	-	23,605,653	-	23,605,653
Construction fund	1,000,000	-	-	1,000,000
TRANSFERS OUT:				
General fund	-	(1,000,000)	-	(1,000,000)
Construction fund	(23,605,653)	-	-	(23,605,653)
Total other financing sources (uses), net	<u>(22,605,653)</u>	<u>22,605,653</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,389,098</u>	<u>10,892,392</u>	<u>2,203,997</u>	<u>15,485,487</u>
FUND BALANCES, beginning of year (as restated)	<u>38,113,473</u>	<u>114,501,212</u>	<u>2,238,173</u>	<u>154,852,858</u>
FUND BALANCES, end of year	<u>\$ 40,502,571</u>	<u>125,393,604</u>	<u>4,442,170</u>	<u>170,338,345</u>

The accompanying notes to the basic financial statements are an integral part of the 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, 2006

Exhibit 6

Total net change in fund balances - total governmental funds \$ 15,485,487

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

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

Donated building assets	\$ 571,381	
Additional FY 2006 County general revenue allocation	2,765,499	
Additional FY 2005 County general revenue allocation	<u>(4,355,581)</u>	(1,018,701)

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

Capital outlays	98,852,658	
Depreciation expense	<u>(19,606,700)</u>	79,245,958

The net effect of various transactions including disposal of capital assets. (185,258)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (393,313)

Activities of Internal Service Funds that serve governmental activities 2,007,739

Change in net assets of governmental activities \$ 95,141,912

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, 2006

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	2,791,070	2,791,070	-
Charges for services	1,932,840	4,999,664	5,383,831	384,167
Intergovernmental revenue:				
Federal	21,280,119	25,604,439	24,659,388	(945,051)
State	307,486,014	310,151,297	305,385,849	(4,765,448)
County	360,824,086	358,032,096	357,546,548	(485,548)
Total revenues	<u>691,523,059</u>	<u>701,578,566</u>	<u>695,766,686</u>	<u>(5,811,880)</u>
EXPENDITURES:				
Current:				
Regular instruction	331,943,735	326,486,537	320,388,492	6,098,045
Special instruction	82,501,203	86,142,251	83,897,332	2,244,919
Other instruction	7,521,264	9,047,367	8,672,989	374,378
Instructional leadership	45,695,579	45,682,330	43,389,217	2,293,113
General administration	5,780,666	6,163,932	6,076,653	87,279
Student services	8,343,591	8,363,585	8,825,978	(462,393)
Curricular/staff development	10,888,012	12,006,901	12,060,120	(53,219)
Pupil transportation	39,545,227	37,741,295	37,656,089	85,206
Operations	20,789,000	20,642,971	21,641,520	(998,549)
Utilities	23,618,756	22,366,702	19,585,737	2,780,965
Maintenance	18,868,719	20,549,790	19,519,790	1,030,000
Central business services	41,761,884	45,133,575	43,191,893	1,941,682
Reimbursement to the County for debt service	48,629,423	46,518,770	45,866,125	652,645
Total expenditures	<u>685,887,059</u>	<u>686,846,006</u>	<u>670,771,935</u>	<u>16,074,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,636,000</u>	<u>14,732,560</u>	<u>24,994,751</u>	<u>10,262,191</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Construction fund	1,000,000	1,000,000	1,000,000	-
TRANSFERS OUT:				
Construction fund	<u>(17,815,000)</u>	<u>(23,605,653)</u>	<u>(23,605,653)</u>	<u>-</u>
Total other financing uses, net	<u>(16,815,000)</u>	<u>(22,605,653)</u>	<u>(22,605,653)</u>	<u>-</u>
Net change in fund balance	(11,179,000)	(7,873,093)	2,389,098	10,262,191
FUND BALANCE, beginning of year	<u>38,113,473</u>	<u>38,113,473</u>	<u>38,113,473</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 26,934,473</u>	<u>30,240,380</u>	<u>40,502,571</u>	<u>10,262,191</u>

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

Prince William County Public Schools
Statement of Fund Net Assets
Proprietary Funds - Internal Service Funds
As of June 30, 2006

Exhibit 8

	Internal Service Funds
ASSETS	
Current assets:	
Equity in cash and pooled investments	\$ 25,798,190
Accounts receivable and other current assets	308,948
Inventory	<u>1,039,078</u>
Total current assets	<u>27,146,216</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	404,935
Salaries payable and withholdings	13,429
Unearned revenue	4,036,716
Due to other funds	111,664
Incurred but not reported claims	<u>4,424,518</u>
Total current liabilities	<u>8,991,262</u>
Noncurrent liabilities:	
Incurred but not reported claims	<u>536,205</u>
Total liabilities	<u>9,527,467</u>
NET ASSETS	
Unrestricted	<u>\$ 17,618,749</u>

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

**Prince William County Public Schools
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2006**

Exhibit 9

	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 52,651,827
Total operating revenues	<u>52,651,827</u>
Operating Expenses:	
Personnel services	922,878
Materials/supplies	85,948
Administrative costs	3,642,101
Premiums	4,583,516
Claims and benefits paid	37,432,459
Losses and unallocated loss adjustment	780,144
Cost of goods sold	4,074,801
Total operating expenses	<u>51,521,847</u>
Operating income	<u>1,129,980</u>
Non-Operating Revenues:	
Interest and miscellaneous	<u>877,759</u>
Change in net assets	2,007,739
Net Assets, beginning of year	<u>15,611,010</u>
Net Assets, end of year	<u>\$ 17,618,749</u>

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

Prince William County Public Schools
Statement of Cash Flows
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2006

Exhibit 10

	Internal Service Funds
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 48,837,382
Receipts from interfund services provided	4,140,797
Payments to suppliers for goods and services	(50,727,342)
Payments to employees	(920,150)
Net cash provided by operating activities	<u>1,330,687</u>
Cash Flows from Non-capital Financing Activities:	
Transfers to other funds	(4,143)
Cash Flows from Investing Activities:	
Interest received from investments	<u>854,327</u>
Net increase in equity in cash and pooled investments	2,180,871
Equity in cash and pooled investments, beginning of year	<u>23,617,319</u>
Equity in cash and pooled investments, end of year	<u>\$ 25,798,190</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 1,129,980</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
(Increase) in accounts receivable	(184,760)
Decrease in inventories	29,216
Decrease in prepaids	111,544
Increase in unearned revenue	511,112
(Decrease) in accounts payable and accrued liabilities	(476,662)
Increase in salaries payable and withholdings	2,728
Increase in incurred but not reported claims	207,529
Net cash provided by operating activities	<u>\$ 1,330,687</u>

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

**Prince William County Public Schools
Statement of Assets and Liabilities
Agency Funds
As of June 30, 2006**

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 7,980,499
Due from other governmental units	<u>1,848,457</u>
Total assets	<u><u>\$ 9,828,956</u></u>
Liabilities	
Accounts payable and accrued liabilities	<u><u>\$ 9,828,956</u></u>

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

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Prince William County Public Schools
Notes to the Financial Statements
June 30, 2006

NOTE 1 – Summary of significant accounting policies

A. Financial reporting entity

Prince William County Public Schools (PWPCS) 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 (PWC) to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWPCS is organized to focus on meeting the needs of its 68,225 students while managing 82 schools and centers. The mission of PWPCS is to provide programs to meet the educational needs of all students in the County in a safe learning environment. PWPCS 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 PWPCS school construction funding are Virginia Public School Authority (VPSA) bonds, Literary Fund loans, and cash funding. Accounting principles generally accepted in the United States of America establish PWPCS as a component unit of the County.

B. Implementation of Governmental Accounting Standards Board Pronouncements

In fiscal year 2006 PWPCS implemented GASB Statement No. 44 *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*. This statement makes modifications to the required elements contained in the statistical section of the comprehensive annual financial report (CAFR). Most notable are the modifications that will 1) make the statistical section more comparable across governments, 2) add guidance for special purpose government disclosures, and 3) add requirements to include information contained in the division-wide statements that has not been required in the past.

C. Division-wide and fund financial statements

The basic financial statements include both district-wide statements, based on the entity as a whole, and fund financial statements that focus only on the individual funds defined by PWPCS. 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.

Division-wide financial statements The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting 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. Fiduciary funds are not included in the division-wide financial statements.

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

Statement of net assets - The statement of net assets is designed to display the financial position of the primary government. PWPCS reports all capital assets in the division-wide statement of net assets and

reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of PWCPs are broken down into three categories - 1) invested in capital assets 2) restricted and 3) unrestricted.

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

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

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

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

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

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

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

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

D. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

PWCPs reports the following major funds:

Governmental Funds:

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

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

Proprietary Funds:

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

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

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

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

Fiduciary Funds:

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

E. Assets, liabilities, and net assets or equity

Deposits and investments

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

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

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

Deposits

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

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

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

Restricted cash of \$91,598,466 consists of funds held by trustees for the funding of specific construction projects.

Investments

State statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, corporate notes rated AA or better by Standard & Poor's, Inc. and Aa or better by Moody's Investors Service, Inc., banker's acceptances, repurchase agreements, money market mutual funds, the State Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP). PWCPS' pro rata share of PWC's pooled investments was approximately 29% at June 30, 2006. The investments contained in the County's pool of investments are subject to investment rate and custodial credit risk.

The maturities of the County's investments range from one day to ten years. While the County normally plans to hold investments to maturity, it may sell securities before their maturity. For additional information please refer to the County CAFR. Copies of the County's CAFR may be obtained by writing the Finance Office at One County Complex Court, Prince William, Virginia 22192-9201 or by download from their website at <http://www.co.prince-william.va.us/default.aspx?topic=020100000110002118>.

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 division-wide Statement of Net Assets, so as to not overstate PWPCS' assets and liabilities. All trade receivables are reported net of an allowance for uncollectables.

Inventory

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

Capital assets

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

PWPCS 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 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 PWPCS are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by PWPCS 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 using the straight-line method over the following estimated useful lives:

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

Compensated absences

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

Fund equity

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

Encumbrances

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

Construction commitments

At June 30, 2006 PWCP had contractual commitments of \$48,134,005 in the Construction fund for construction of various projects.

Note 2 - Stewardship, compliance, and accountability**A. Budgetary information**

The Code of Virginia requires the appointed superintendent of PWCP 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 PWCP. 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 PWCP staff and then adopted by the School Board. The approved budget is the basis for operating PWCP 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. PWCP uses the modified accrual basis of accounting in budgeting for governmental funds. The budgets are on a basis consistent with GAAP. All annual appropriations lapse at year-end. The budget is revised and amended in October based on September 30 student enrollments.

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the General Fund for Student services, Curricular/staff development, and Operations. Excess budget in other functions covered the shortfall in the mentioned functional areas.

Note 3 – Receivables and due from other governmental units

Due from other governments and receivables at June 30, 2006 for the division’s individual major funds, nonmajor, internal service, and fiduciary funds, in the aggregate, are as follows (all receivables are considered fully collectable and, therefore, an allowance for uncollectible accounts is not disclosed)

	General Fund	Capital Projects	Non - Major Funds	Internal Service	Fiduciary	Total
Other receivables	\$ 197,325	211,771	97,054	127,457	-	633,607
Federal	5,169,070	-	1,547,267	-	-	6,716,337
State	11,047,174	-	-	-	-	11,047,174
County	2,765,499	-	-	-	-	2,765,499
Other localities	-	-	-	-	1,848,457	1,848,457
Total	\$ 19,179,068	211,771	1,644,321	127,457	1,848,457	23,011,074

Amounts due from the Federal government in the General Fund are attributed primarily to the Title VI B, I, II, and III grants. Titles I, II, and III programs enhance instruction for disadvantaged children while Title VI B helps provide special education and related services.

A significant portion of the receivable from the Commonwealth of Virginia in the General Fund is attributed to state sales taxes due to the PWPCS. 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, 2006, deferred revenue is recorded in the General Fund for the additional County revenue for PWPCS’ share of FY 2006 revenues that exceeded the original FY 2006 revenue projections which amounts to \$2,765,499.

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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
County revenue	\$ 2,765,499	\$ -
Food Service	-	862,019
Other General fund	-	687,903
	<u>\$ 2,765,499</u>	<u>\$ 1,549,922</u>

Note 4 - Interfund receivables, payables, and transfers

The composition of interfund receivable and payable balances as of June 30, 2006 is as follows:

Due from other funds:		
	General Fund	Warehouse Fund
Due to other funds:		
General Fund	\$ -	111,664
Warehouse Fund	111,664	-
Total	<u>\$ 111,664</u>	<u>111,664</u>

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

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

Transfer In:		
	<u>General Fund</u>	<u>Construction Fund</u>
Transfer Out:		
General Fund	\$ -	23,605,653
Construction Fund	<u>1,000,000</u>	<u>-</u>
Total	<u>\$1,000,000</u>	<u>23,605,653</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$23,605,653 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications.

Note 5 – Long-term debt

A. Long-term debt

PWCPs is a component unit of Prince William County. As such, PWCPs 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 PWCPs. PWCPs initiates payments each year to defer the County's cost of this debt. Detail of general obligation, VPSA, and literary debt issued for PWCPs can be found in the County's Comprehensive Annual Financial Report.

B. Compensated absences

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

The current portion of accrued compensated absences at June 30, 2006 is that amount of the liability that is expected to be paid within one year. The current and long-term portion of accrued compensated absences is included in long-term liabilities in the government-wide statement of net assets. Liabilities for compensated absences are liquidated by the General Fund and the Food Service Fund.

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

<u>Compensated absences</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
	\$ 21,428,011	6,398,174	(6,248,373)	21,577,812	6,846,583

Note 6 – Self-Insurance

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

PWCPS participates in a Consortium Group Health Insurance Program made up of employers who provide health insurance to their employees and dependents under one program. Each participant in the program is separately rated and has separate accounting. Anthem Blue Cross/Blue Shield is the plan administrator. Delta Dental Plan of Virginia, Inc. (Delta Dental) is the dental insurance carrier. All full-time and part-time employees who are working at least 17½ hours per week are eligible to enroll in the health insurance program. There are three (3) plans offered through the PWCPS insurance program. An employee may choose either the HMO plan called “*Healthkeepers Product 20*”, or one of the two PPO plans offered, “*KeyCare 15 Plus*” or the “*KeyCare 20*”. All three plans include comprehensive medical, preventive care, vision, and prescription drug coverage. The basis for estimating incurred but not reported claims at year-end is an annual analysis performed by the plan’s administrator. For the fiscal year ended June 30, 2006 PWCPS spent \$37,432,459 on self insured health insurance claims.

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

Changes in aggregate liabilities for claims

	Health Insurance	Risk Management
Unpaid Claims June 30, 2004	\$ 3,035,623	861,415
Incurred Claims	33,675,568	973,259
Claims Paid	(33,056,106)	(736,565)
Unpaid Claims June 30, 2005	3,655,085	1,098,109
Incurred Claims	37,432,459	780,144
Claims Paid	(37,095,248)	(909,826)
Unpaid Claims June 30, 2006	\$ 3,992,296	968,427

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

	Health Insurance Fund	Self Insurance Fund	Compensated Absences	Total
Due within one year	\$3,992,296	432,222	6,846,583	11,271,101
Due in more than one year	-	536,205	14,731,229	15,267,434
Total	\$3,992,296	968,427	21,577,812	26,538,535

Note 7 - Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance, as restated June 30, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 30,093,117	8,424,015	-	38,517,132
Construction in Progress	<u>49,664,419</u>	<u>85,754,910</u>	<u>(94,283,211)</u>	<u>41,136,118</u>
Total capital assets, not being depreciated	<u>79,757,536</u>	<u>94,178,925</u>	<u>(94,283,211)</u>	<u>79,653,250</u>
Capital assets, being depreciated:				
Buildings and improvements	667,552,522	94,813,257	(134,976)	762,230,803
Library books	3,253,045	620,658	(508,417)	3,365,286
Equipment	10,464,311	2,267,452	(195,448)	12,536,315
Vehicles	<u>60,273,790</u>	<u>1,826,960</u>	<u>(68,294)</u>	<u>62,032,456</u>
Total capital assets being depreciated	<u>741,543,668</u>	<u>99,528,327</u>	<u>(907,135)</u>	<u>840,164,860</u>
Less accumulated depreciation for:				
Buildings and improvements	157,962,011	13,754,554	-	171,716,565
Library books	1,777,077	673,057	(508,417)	1,941,717
Equipment	4,484,630	926,938	(152,806)	5,258,762
Vehicles	<u>17,954,666</u>	<u>4,252,151</u>	<u>(60,654)</u>	<u>22,146,163</u>
Total accumulated depreciation	<u>182,178,384</u>	<u>19,606,700</u>	<u>(721,877)</u>	<u>201,063,207</u>
Total capital assets, being depreciated, net	<u>559,365,284</u>			<u>639,101,653</u>
Capital assets, net	<u>\$639,122,820</u>			<u>718,754,903</u>

See note 11 detail on the restatement

Depreciation expense was charged to functions/programs as follows:

Instruction	
Regular	\$ 14,251,938
Special	241,420
Other	10,401
Support Services	
General administration	101,134
Student services	9,064
Curricular/staff development	10,581
Pupil transportation	4,478,013
Operations	54,557
Maintenance	53,266
Central business services	377,867
Food service	<u>18,459</u>
Total depreciation expense	<u>\$19,606,700</u>

Note 8 - Contingent liabilities

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

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

Note 9 - Employee retirement systems and pension plans

A. Virginia Retirement System

Plan description:

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

All full-time salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service, payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning (limited to 5% per year) in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing VRS at PO Box 2500, Richmond, Virginia 23218-2500 or by download from their website at <http://www.varetire.org/About/Financial/Index.html>.

Funding policy and annual pension cost:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950) to contribute 5% of their annual reported salary to the VRS. PWCPS has assumed this member contribution for both the professional and non-professional groups. Additionally, PWCPS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The non-professional contribution rate for the fiscal year ended 2006 was 11.50% of annual covered payroll. The professional, employer, and employee contributions to the VRS for the three years ended June 30, 2006, 2005, and 2004 were \$39,420,849, \$38,674,044, and \$26,221,956, respectively, and were equal to the required contributions for each year. The contribution rates for the professional group were; 5% employee, 6.62% employer, 5% employee, 6.03% employer and, 5% employee, 3.77% employer, respectively for the years 2006, 2005, and 2004.

The required contributions for PWCPS (professional and non-professional) were determined as part of an actuarial valuation performed as of June 30, 2005, using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 8.0% investment rate of return, (b) projected salary increases that range between 4.0% and 7.0%, depending on the member's service and classification, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PWCPS' assets is equal to the modified market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis within a period of 30 years or less.

Trend information:

The following illustration summarizes the required three-year trend information for the PWCPS non-professional agent multiple-employer retirement plan :

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation (NPO)
	Employer Portion	Employee Portion paid by employer		
June 30, 2004	\$ 352,907	\$ 1,764,536	100%	\$ 0
June 30, 2005	2,513,812	1,933,702	100%	0
June 30, 2006	2,878,017	2,143,859	100%	0

B. Supplemental retirement

PWCPS also offers, to all except substitute and temporary employees, a tax deferred compensation plan (TDC). PWCPS contributes money on the employee's behalf to purchase annuities after the employee has completed three (3) years of service with PWCPS. The School Board's contribution increases each time an employee has completed five (5), ten (10), and fifteen (15) years of service. At the end of the current year the cap on the employer contribution was \$3,281 per employee. The total employer contribution for fiscal year 2006 was \$7,451,781. Substitutes and temporary employees who participate in the TDC plan are not eligible to receive the employer matching contribution.

Note 10 - Postemployment benefits

PWCPS provides limited postretirement health and dental benefits, as provided for in Virginia state law, to retirees who have 15 or more years of creditable VRS service. Retirees are granted the option to participate by paying 100% of their monthly health insurance premium to PWCPS' plan or to the carrier of their choice less a maximum credit of \$75. As of the end of the current fiscal year, there were 1,276 retirees receiving these benefits. The plan is financed by payments from Prince William County Public Schools to the VRS. For fiscal year ended June 30, 2006, the contribution made by PWCPS was \$2,206,975. The surplus funds are not considered advance funded because PWCPS, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Note 11 - Construction Fund restatement

Prince William County Public Schools has not disclosed retainage payable amounts withheld from payments for its construction contracts in the past. In fiscal year 2005 expenditures were understated by \$5,846,769 in the Construction Fund and as a result ending fund balance was overstated by that same amount. Additionally, this same amount was not disclosed as a liability for retainage payable or as an increase to the asset value for the construction in progress and building accounts.

During fiscal year 2006 PWPCS changed its accounting procedures to comply with GAAP. The fiscal year 2005 financial statements have been restated to record the retainage payable at June 30, 2005. This restatement resulted in the following changes to the fiscal year 2005 ending balances.

	Balance June 30, 2005 (as previously reported)	Adjustment	Balance June 30, 2005 (as restated)
Assets:			
Construction in progress	\$ 47,802,629	1,861,790	49,664,419
Building and improvements	663,567,543	3,984,979	667,552,522
Liabilities:			
Retainage payable	-	5,846,769	5,846,769
Net Assets:			
Invested in capital assets	633,276,051	5,846,769	639,122,820
Unrestricted	69,701,411	(5,846,769)	63,854,642

Ending fund balance in the Construction Fund at June 30, 2005 was restated as follows:

Construction Fund	
Balance June 30, 2005 (as reported)	\$ 120,347,981
Retainage adjustment	5,846,769)
Balance June 30, 2005 (as restated)	<u>\$ 114,501,212</u>

Note 12 - Pronouncements issued, not yet effective

The GASB has issued several pronouncements prior to June 30, 2006, that have effective dates that may impact future financial presentations. Management is in the process of collecting and analyzing information that will help determine what, if any, impact implementation of the following statements may have on the financial statements of PWPCS.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of expenses/expenditures and related liabilities (assets), note disclosures and if applicable, required supplementary information in the financial reports of state and local governmental employers on other postemployment benefits (OPEB). The statement is effective for fiscal periods beginning after December 15, 2006 for PWPCS.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This Statement requires financial statements prepared on the accrual basis of accounting to recognize a liability and expense for voluntary termination benefits when the offer of termination benefits is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the entity to the plan, the plan has been communicated to employees, and the amount can be estimated. This statement is effective concurrently with Statement No. 45.

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Required Supplementary Information

(Unaudited)

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

Virginia Retirement System
Schedule of Funding Progress for PWCPS

Actuarial Valuation Date June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2000	\$ 57,514,006	\$ 45,450,123	\$ (12,063,883)	126.5%	\$ 22,124,753	(54.53)%
2001	63,165,383	51,837,593	(11,327,790)	121.9%	24,992,804	(45.32)%
2002	65,439,864	59,481,428	(5,958,436)	110.0%	28,150,039	(21.17)%
2003	67,150,184	67,302,413	152,229	99.77%	32,863,934	.46%
2004	68,955,014	76,461,317	7,506,303	90.18%	36,584,066	20.52%
2005	73,434,081	89,566,018	16,131,937	81.99%	40,599,997	39.73%

Supplementary Information

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Other Governmental Funds

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

Facilities Use Fund – The Facilities Use Fund accounts for the use, by external organizations, of PWCCPS 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, 2006

Schedule 1

	Food Services Fund	Facilities Use Fund	Total Other Governmental Funds
ASSETS			
Equity in cash and pooled investments	\$ 1,985,760	1,401,431	3,387,191
Accounts receivable	13,266	83,788	97,054
Due from other governmental units	1,547,267	-	1,547,267
Inventory	1,112,877	-	1,112,877
<i>Total assets</i>	<u>\$ 4,659,170</u>	<u>1,485,219</u>	<u>6,144,389</u>
LIABILITIES and FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 348,484	4,585	353,069
Salaries payable and withholdings	454,503	32,628	487,131
Unearned revenue	862,019	-	862,019
<i>Total liabilities</i>	<u>1,665,006</u>	<u>37,213</u>	<u>1,702,219</u>
Fund Balances:			
Reserved for:			
Inventory	1,112,877	-	1,112,877
Unreserved:			
Designated for future years' expenditures	93,057	24,719	117,776
Designated for encumbrances	58,810	-	58,810
Undesignated	1,729,420	1,423,287	3,152,707
<i>Total fund balances</i>	<u>2,994,164</u>	<u>1,448,006</u>	<u>4,442,170</u>
<i>Total liabilities and fund balances</i>	<u>\$ 4,659,170</u>	<u>1,485,219</u>	<u>6,144,389</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, 2006

Schedule 2

	<u>Food Services Fund</u>	<u>Facilities Use Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES:			
Use of money and property:			
Use of money - interest	\$ 60,188	41,955	102,143
Use of property	-	804,137	804,137
Charges for services	15,196,247	83,864	15,280,111
Intergovernmental revenue:			
Federal	9,431,085	-	9,431,085
State	348,843	-	348,843
Miscellaneous revenue	48,551	-	48,551
<i>Total revenues</i>	<u>25,084,914</u>	<u>929,956</u>	<u>26,014,870</u>
EXPENDITURES:			
Current:			
Community service operations	-	649,021	649,021
Food services	<u>23,161,852</u>	<u>-</u>	<u>23,161,852</u>
<i>Total expenditures</i>	<u>23,161,852</u>	<u>649,021</u>	<u>23,810,873</u>
Excess of revenues over expenditures	<u>1,923,062</u>	<u>280,935</u>	<u>2,203,997</u>
FUND BALANCES, beginning of year	1,071,102	1,167,071	2,238,173
FUND BALANCES, end of year	<u><u>\$ 2,994,164</u></u>	<u><u>1,448,006</u></u>	<u><u>4,442,170</u></u>

Prince William County Public Schools
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Food Services Fund
 For the Year Ended June 30, 2006

Schedule 3

	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	60,188	25,188
Charges for services	16,128,224	16,128,224	15,196,247	(931,977)
Intergovernmental revenue:				
Federal	7,412,524	7,412,524	9,431,085	2,018,561
State	351,000	351,000	348,843	(2,157)
Miscellaneous revenue	-	-	48,551	48,551
<i>Total revenues</i>	<u>23,926,748</u>	<u>23,926,748</u>	<u>25,084,914</u>	<u>1,158,166</u>
EXPENDITURES:				
Current:				
Food services	24,683,323	24,624,513	23,161,852	1,462,661
<i>Total expenditures</i>	<u>24,683,323</u>	<u>24,624,513</u>	<u>23,161,852</u>	<u>1,462,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(756,575)</u>	<u>(697,765)</u>	<u>1,923,062</u>	<u>2,620,827</u>
FUND BALANCES, beginning of year	1,071,102	1,071,102	1,071,102	-
FUND BALANCES, end of year	<u>\$ 314,527</u>	<u>373,337</u>	<u>2,994,164</u>	<u>2,620,827</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, 2006

Schedule 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 15,000	15,000	41,955	26,955
Use of property	450,000	450,000	804,137	354,137
Charges for services	74,697	74,697	83,864	9,167
<i>Total revenues</i>	<u>539,697</u>	<u>539,697</u>	<u>929,956</u>	<u>390,259</u>
EXPENDITURES:				
Current:				
Community service operations	546,425	610,425	649,021	(38,596)
<i>Total expenditures</i>	<u>546,425</u>	<u>610,425</u>	<u>649,021</u>	<u>(38,596)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,728)</u>	<u>(70,728)</u>	280,935	351,663
FUND BALANCES, beginning of year	1,167,071	1,167,071	1,167,071	-
FUND BALANCES, end of year	<u>\$ 1,160,343</u>	<u>1,096,343</u>	<u>1,448,006</u>	<u>351,663</u>

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Internal Service Funds

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

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

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

Prince William County Public Schools
 Combining Statement of Fund Net Assets
 Proprietary Funds - Internal Service Funds
 As of June 30, 2006

Schedule 5

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ 22	9,277,646	16,520,522	25,798,190
Accounts receivable and other current assets	2,010	50,063	256,875	308,948
Inventory	1,039,078	-	-	1,039,078
Total current assets	<u>1,041,110</u>	<u>9,327,709</u>	<u>16,777,397</u>	<u>27,146,216</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	338,350	66,559	26	404,935
Salaries payable and withholdings	-	13,429	-	13,429
Unearned revenue	-	-	4,036,716	4,036,716
Due to other funds	111,664	-	-	111,664
Incurred but not reported claims	-	432,222	3,992,296	4,424,518
Total current liabilities	<u>450,014</u>	<u>512,210</u>	<u>8,029,038</u>	<u>8,991,262</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	536,205	-	536,205
Total liabilities	<u>450,014</u>	<u>1,048,415</u>	<u>8,029,038</u>	<u>9,527,467</u>
NET ASSETS				
Unrestricted	<u>\$ 591,096</u>	<u>8,279,294</u>	<u>8,748,359</u>	<u>17,618,749</u>

Prince William County Public Schools
 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2006

Schedule 6

	Warehouse Fund	Self- Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Operating Revenues:				
Charges for services	\$ 4,142,119	3,680,890	44,828,818	52,651,827
Total operating revenues	<u>4,142,119</u>	<u>3,680,890</u>	<u>44,828,818</u>	<u>52,651,827</u>
Operating Expenses:				
Personnel services	-	481,149	441,729	922,878
Materials/supplies	-	72,540	13,408	85,948
Administrative costs	-	-	3,642,101	3,642,101
Premiums	-	1,674,042	2,909,474	4,583,516
Claims and benefits paid	-	-	37,432,459	37,432,459
Losses and unallocated loss adjustment	-	780,144	-	780,144
Cost of goods sold	4,074,801	-	-	4,074,801
Total operating expenses	<u>4,074,801</u>	<u>3,007,875</u>	<u>44,439,171</u>	<u>51,521,847</u>
Operating income	<u>67,318</u>	<u>673,015</u>	<u>389,647</u>	<u>1,129,980</u>
Non-Operating Revenues:				
Interest and miscellaneous	-	337,683	540,076	877,759
Change in net assets	67,318	1,010,698	929,723	2,007,739
Net Assets, beginning of year	<u>523,778</u>	<u>7,268,596</u>	<u>7,818,636</u>	<u>15,611,010</u>
Net Assets, end of year	<u>\$ 591,096</u>	<u>8,279,294</u>	<u>8,748,359</u>	<u>17,618,749</u>

Prince William County Public Schools
Combining Statement of Cash Flows
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2006

Schedule 7

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Receipts from customers and users	\$ -	3,678,921	45,158,461	48,837,382
Receipts from interfund services provided	4,140,797	-	-	4,140,797
Payments to suppliers for goods and services	(4,136,831)	(2,546,850)	(44,043,661)	(50,727,342)
Payments to employees	-	(478,421)	(441,729)	(920,150)
Net cash provided by operating activities	<u>3,966</u>	<u>653,650</u>	<u>673,071</u>	<u>1,330,687</u>
Cash Flows from Non-capital Financing Activities:				
Transfers to other funds	(4,143)	-	-	(4,143)
Cash Flows from Investing Activities:				
Interest received from investments	199	327,866	526,262	854,327
Net increase in equity in cash and pooled investments	22	981,516	1,199,333	2,180,871
Equity in cash and pooled investments, beginning of year	-	8,296,130	15,321,189	23,617,319
Equity in cash and pooled investments, end of year	<u>\$ 22</u>	<u>9,277,646</u>	<u>16,520,522</u>	<u>25,798,190</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 67,318	673,015	389,647	1,129,980
Adjustments to reconcile operating income to net cash provided by operating activities				
Change in assets and liabilities:				
(Increase) in accounts receivable	(1,322)	(1,969)	(181,469)	(184,760)
Decrease in inventories	29,216	-	-	29,216
Decrease in prepaids	-	111,544	-	111,544
Increase in deferred revenue	-	-	511,112	511,112
(Decrease) in accounts payable and accrued liabilities	(91,246)	(1,986)	(383,430)	(476,662)
Increase in salaries payable and withholdings	-	2,728	-	2,728
Increase (decrease) in incurred, but not reported claims	-	(129,682)	337,211	207,529
Net cash provided by operating activities	<u>\$ 3,966</u>	<u>653,650</u>	<u>673,071</u>	<u>1,330,687</u>

Fiduciary Funds

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

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

Prince William County Public Schools
Combining Statement of Assets and Liabilities
Agency Funds
As of June 30, 2006

Schedule 8

	Northern Virginia Special Education Regional Program	Student Activitiy Funds	Total Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and pooled investments	\$ 2,738,710	5,241,789	7,980,499
Due from other governmental units	<u>1,848,457</u>	<u>-</u>	<u>1,848,457</u>
Total assets	<u>\$ 4,587,167</u>	<u>5,241,789</u>	<u>9,828,956</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 4,587,167</u>	<u>5,241,789</u>	<u>9,828,956</u>

Prince William County Public Schools
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2006

Schedule 9

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
Northern Virginia Special Education Regional Program				
Assets				
Cash and pooled investments	\$ 2,114,148	24,131,102	23,506,540	2,738,710
Due from other governmental units	1,707,741	1,848,457	1,707,741	1,848,457
Total assets	<u>\$ 3,821,889</u>	<u>25,979,559</u>	<u>25,214,281</u>	<u>4,587,167</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 3,821,889</u>	<u>25,979,559</u>	<u>25,214,281</u>	<u>4,587,167</u>
Student Activity Funds				
Assets				
Cash and pooled investments	\$ 4,670,262	11,862,526	11,290,999	5,241,789
Total assets	<u>\$ 4,670,262</u>	<u>11,862,526</u>	<u>11,290,999</u>	<u>5,241,789</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 4,670,262</u>	<u>11,862,526</u>	<u>11,290,999</u>	<u>5,241,789</u>
Total Agency Funds				
Assets				
Cash and pooled investments	\$ 6,784,410	35,993,628	34,797,539	7,980,499
Due from other governmental units	1,707,741	1,848,457	1,707,741	1,848,457
Total assets	<u>\$ 8,492,151</u>	<u>37,842,085</u>	<u>36,505,280</u>	<u>9,828,956</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 8,492,151</u>	<u>37,842,085</u>	<u>36,505,280</u>	<u>9,828,956</u>

Statistical Section

(unaudited)

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Statistical Section

This section of the Prince William County Public Schools' (PWPCS) 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 PWPCS' revenue is from federal, state, and county sources, PWPCS discloses no own source revenue. PWPCS 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 PWPCS.

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 PWPCS' operations and resources to assist readers in using financial statement information to understand and assess the divisions' economic condition.

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

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Financial Trends

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 1 - Net Assets by Component

Last Five Fiscal Years ⁽¹⁾

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets	\$ 406,747	475,548	560,972	633,276	718,755
Restricted	75,502	108,257	97,055	89,379	91,598
Unrestricted	<u>26,243</u>	<u>42,757</u>	<u>36,817</u>	<u>69,701</u>	<u>77,145</u>
Total government net assets	<u>\$ 508,492</u>	<u>626,562</u>	<u>694,844</u>	<u>792,356</u>	<u>887,498</u>

⁽¹⁾ This table discloses financial information based on the accrual basis of accounting. PWCPS implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 2 - Changes in Net Assets
Last Five Fiscal Years ⁽¹⁾
(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
Instruction:					
Regular	\$ 222,940	248,579	268,483	309,172	331,903
Special	51,884	58,980	65,759	72,039	83,794
Other	5,945	6,122	6,694	7,995	8,657
Instructional leadership	30,166	33,494	36,898	40,212	43,389
Support services:					
General administration	3,290	3,950	5,028	4,960	6,045
Student services	4,876	5,659	7,238	7,808	8,820
Curricular/staff development	8,735	8,979	10,046	10,606	12,036
Pupil transportation	26,796	27,121	29,348	35,292	40,152
Operations	14,705	16,908	17,605	20,024	21,618
Utilities	11,865	14,590	14,665	16,889	19,586
Maintenance	11,960	13,334	13,308	15,892	19,547
Central business services	25,189	28,298	30,047	35,235	42,117
Supply services ⁽²⁾	3,249	3,414	-	-	-
Reimbursement to County for debt service	28,462	33,682	41,823	47,582	48,220
Food service	16,813	18,427	21,232	23,629	23,163
Community service operations	392	449	489	499	649
Total government expenses	<u>467,267</u>	<u>521,986</u>	<u>568,663</u>	<u>647,834</u>	<u>709,696</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction	2,718	1,842	1,823	2,118	2,189
Food services	11,342	11,515	12,691	14,243	15,326
Community service operations	434	473	577	640	804
Supply services ⁽²⁾	3,242	3,264	-	-	-
Pupil transportation	123	97	88	85	146
Central business services ⁽³⁾	1,726	1,956	9	7	6
Other activities	64	67	68	48	58
Operating grants and contributions	56,136	58,089	66,695	77,713	84,723
Capital grants and contributions	1,653	881	902	904	961
Total government program revenues	<u>77,438</u>	<u>78,184</u>	<u>82,853</u>	<u>95,758</u>	<u>104,213</u>
Net Expense					
Total government net expense	<u>\$ (389,829)</u>	<u>(443,802)</u>	<u>(485,810)</u>	<u>(552,076)</u>	<u>(605,483)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Unrestricted grants and contributions	\$ 469,899	548,078	552,169	643,416	691,987
Unrestricted investment earnings	3,076	2,013	1,518	2,499	5,409
Miscellaneous revenues	2,958	3,373	3,067	3,673	3,229
Gain on sale of capital assets ⁽⁴⁾	-	8,407	-	-	-
Total government general revenues	<u>475,933</u>	<u>561,871</u>	<u>556,754</u>	<u>649,588</u>	<u>700,625</u>
Change in Net Assets					
Total government	<u>\$ 86,104</u>	<u>118,069</u>	<u>70,944</u>	<u>97,512</u>	<u>95,142</u>

⁽¹⁾ This table discloses financial information based on the accrual basis of accounting. PWCPSS implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.

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

⁽³⁾ The decrease in central business services program revenues is a result of a change in the method of recognizing certain revenues.

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 3 - Fund Balances, Governmental Funds
Last Five Fiscal Years ⁽¹⁾

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved for:					
Inventory	\$ 466	499	567	681	814
Encumbrances ⁽²⁾	16,786	18,557	15,951	14,890	-
Unreserved					
Designated for encumbrances ⁽²⁾	-	-	-	-	20,048
Designated for future years' expenditures	6,959	7,648	9,925	11,179	12,736
Undesignated	3,749	2,067	7,988	11,363	6,904
Total General Fund	<u>27,960</u>	<u>28,771</u>	<u>34,431</u>	<u>38,113</u>	<u>40,502</u>
All Other Governmental Funds:					
Capital Projects					
Reserved for:					
Encumbrances ⁽²⁾	104,637	96,799	80,945	91,739	-
Unreserved					
Designated for encumbrances ⁽²⁾	-	-	-	-	48,134
Designated for future years' expenditures	-	-	16,985	28,609	76,858
Designated for payments to PWC for arbitrage rebate ⁽³⁾	-	-	-	-	402
Undesignated reported in capital projects fund	(29,668)	22,585	9,556	-	-
Nonmajor Special Revenue Funds					
Reserved for:					
Inventory	1,508	1,530	686	935	1,113
Encumbrances ⁽²⁾	899	705	27	24	-
Unreserved					
Designated for encumbrances ⁽²⁾	-	-	-	-	59
Designated for future years' expenditures	781	1,028	812	120	118
Undesignated reported in special revenue funds	1,291	519	926	1,160	3,152
Total all other governmental funds	<u>\$ 79,448</u>	<u>123,166</u>	<u>109,937</u>	<u>122,587</u>	<u>129,836</u>

⁽¹⁾ This table reports financial information based on the modified accrual basis of accounting. PWCCPS' first year producing a CAFR was fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.

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

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 4 - Changes in Fund Balances, Governmental Fund
Last Five Fiscal Years ⁽¹⁾
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Federal sources:					
Food services	\$ 5,816	5,927	7,288	8,631	9,431
Other federal sources	14,273	16,970	21,095	23,085	24,660
Total federal sources	<u>20,089</u>	<u>22,897</u>	<u>28,383</u>	<u>31,716</u>	<u>34,091</u>
State sources:					
Basic aid	111,694	128,214	136,549	161,357	165,957
Food services	274	298	298	322	349
Lottery proceeds	9,071	8,740	8,363	9,014	9,502
Regional school program	7,806	8,868	10,063	11,486	11,646
Sales tax	33,604	36,699	42,068	49,470	58,257
Special education SOQ ⁽⁴⁾	8,417	8,753	9,086	13,314	16,485
Other state sources	34,375	29,973	34,977	39,388	43,539
Total state sources	<u>205,241</u>	<u>221,545</u>	<u>241,404</u>	<u>284,351</u>	<u>305,735</u>
County sources:					
County bond sale transfer	64,925	93,324	52,321	66,161	63,958
County general transfer ⁽²⁾	233,019	261,541	296,998	326,284	362,035
County proffer transfer	4,259	2,250	3,500	9,660	10,906
	<u>302,203</u>	<u>357,115</u>	<u>352,819</u>	<u>402,105</u>	<u>436,899</u>
Local sources:					
Charges for services	6,467	6,718	4,125	6,171	5,468
Food service sales	11,271	11,457	12,618	14,137	15,196
Interest and other income	3,076	2,195	2,593	3,222	6,922
Use of property	451	473	577	640	804
Other local sources	1,790	10,290	313	43	48
Total local sources	<u>23,055</u>	<u>31,133</u>	<u>20,226</u>	<u>24,213</u>	<u>28,438</u>
Total revenues	<u>550,588</u>	<u>632,690</u>	<u>642,832</u>	<u>742,385</u>	<u>805,163</u>
Expenditures					
Instruction:					
Regular	215,203	239,060	256,882	302,094	322,684
Special	51,935	58,647	65,205	73,042	83,897
Other	5,981	6,102	6,632	8,103	8,673
Instructional leadership	30,270	33,397	36,557	40,212	43,389
Support services:					
General administration	3,243	3,871	5,018	5,394	6,077
Student services	4,884	5,633	7,162	7,891	8,826
Curricular/staff development	8,761	8,976	9,960	10,691	12,060
Pupil transportation	31,650	33,699	37,724	41,874	37,656
Operations	14,750	16,845	17,790	20,310	21,641
Utilities	11,865	14,655	14,665	16,889	19,586
Maintenance	11,940	13,277	13,808	15,971	19,520
Central business services	25,250	28,625	33,298	38,900	43,192
Community service operations	393	448	485	500	649
Supply services ⁽³⁾	3,249	3,429	-	-	-
Reimbursement to County for debt service	28,462	33,833	38,431	43,685	47,977
Food service	16,925	18,420	21,140	23,608	23,162
Capital Outlay	69,544	69,244	84,974	76,889	90,689
Total expenditures	<u>534,305</u>	<u>588,161</u>	<u>649,731</u>	<u>726,053</u>	<u>789,678</u>
Excess (deficiency) of revenues over (under) expenditures	16,283	44,529	(6,899)	16,332	15,485
Other Financing Sources (Uses):					
Transfers in:					
Construction fund	1,000	1,000	1,000	1,000	1,000
General fund	8,395	13,638	15,859	18,204	23,606
Transfers out:					
Construction fund	(8,395)	(13,638)	(15,859)	(18,204)	(23,606)
General fund	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>16,283</u>	<u>44,529</u>	<u>(6,899)</u>	<u>16,332</u>	<u>15,485</u>

⁽¹⁾ This table discloses financial information based on the modified accrual basis of accounting. PWPCS' first year of producing a CAFR was FY2002. Therefore, ten years of data is not available but will be accumulated over time.

⁽²⁾ The county general transfer is reduced at year end by the amount of interest income earned in the General Fund during the fiscal year.

⁽³⁾ The decrease in supply services expenses and revenues resulted from the reclassification of the Warehouse Fund from a special revenue fund to an internal service fund.

⁽⁴⁾ Standards of Quality

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Revenue Capacity

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

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

Fiscal Year	Taxes ⁽²⁾	Licenses, Fees & Permits	Fines & Forfeitures	Use of Money & Property	Charges for Services	Inter-Governmental ⁽²⁾			Total
						PPTRA	All Others	Miscellaneous	
1997	\$ 292,158	\$ 9,019	\$ 1,517	\$ 12,830	\$ 18,476	\$ --	\$ 193,554	\$ 4,412	\$ 531,966
1998	308,176	10,701	1,705	14,549	19,569	--	205,709	3,361	563,770
1999	319,432	11,776	1,964	13,309	19,944	--	236,575	6,901	609,901
2000	337,727	14,900	2,023	15,371	19,768	12,976	257,782	4,665	665,212
2001	356,677	16,608	2,044	21,933	23,811	26,814	280,942	8,548	737,377
2002	384,431	19,123	2,020	12,399	27,854	41,144	311,322	11,015	809,308
2003	438,410	21,552	1,880	9,774	29,581	45,426	372,902	16,563	936,088
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	495,695	26,463	1,287,101
Change									
1997 - 2006	117.26%	131.85%	75.56%	101.20%	120.85%	100.00%	174.41%	681.22%	152.97%

Source: County of Prince William, Virginia.

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

⁽²⁾ Beginning with fiscal year 2000, the State reimbursed the County for personal property tax for non-business use vehicles under the Personal Property Tax Relief Act (PPTRA). The State reimbursement is classified as inter-governmental revenue. The PPTRA reimbursement rates were 27.5% for fiscal year 2000, 47.5% for fiscal year 2001 and 70.0% for fiscal years 2002, 2003, 2004, 2005, and 2006.

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 Property Taxes			BPOL Tax	All Other	Total
				Sales Tax	Utility Taxes				
1997	\$ 179,013	\$ 48,933	\$ 11,826	\$ 239,772	\$ 23,496	\$ 13,780	\$ 7,251	\$ 7,859	\$ 292,158
1998	187,663	53,156	11,931	252,750	24,570	14,171	7,953	8,732	308,176
1999	194,884	52,433	12,493	259,810	26,499	14,702	8,594	9,827	319,432
2000	208,124	46,847	12,559	267,530	29,257	16,211	10,284	14,445	337,727
2001	223,922	42,636	12,452	279,010	31,603	17,806	11,806	16,452	356,677
2002	248,430	38,675	12,286	299,391	33,444	19,247	13,385	18,964	384,431
2003	287,517	45,739	11,757	345,013	35,224	20,257	14,836	23,080	438,410
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	409,127	59,075	12,131	480,333	46,649	26,295	23,071	42,663	619,011
Change									
1997 - 2006	128.55%	20.73%	2.58%	100.33%	98.54%	90.82%	218.18%	442.86%	111.88%

Source: County of Prince William, Virginia.

⁽¹⁾ Starting in fiscal year 2000, the personal property tax revenues exclude reimbursements from the Commonwealth under the Personal Property Tax Relief Act. See Note "2" of Table 9 for a complete listing of the amounts received each year from the Commonwealth.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 6 - Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(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
1997	\$9,485,587	\$529,799	\$1,953,576	\$825,729	\$515,215	\$13,309,906	\$1	\$14,587,495	91.24%
1998	9,860,168	549,715	2,012,227	830,431	541,820	13,794,361	1	14,925,539	92.42%
1999	10,369,910	617,459	2,160,784	866,814	468,799	14,483,766	1	15,737,732	92.03%
2000	11,098,694	643,009	2,257,216	871,897	421,488	15,292,304	1	16,774,388	91.16%
2001	12,227,393	665,512	2,473,855	877,768	378,120	16,622,648	1	18,945,065	87.74%
2002	13,995,425	770,902	2,797,878	887,526	337,530	18,789,261	1	23,421,267	80.22%
2003	17,609,310	895,236	3,135,552	901,202	249,277	22,790,577	1	28,546,061	79.84%
2004	22,066,665	1,036,502	3,279,611	945,931	227,277	27,555,986	1	33,944,803	81.18%
2005	27,573,301	1,190,201	3,868,984	1,249,775	257,786	34,140,047	1	45,539,610	74.97%
2006	36,143,674	1,338,215	4,721,938	1,253,506	282,495	43,739,828	1	46,314,834	94.44%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

1997 - \$1,388,769	2002 - \$1,529,681
1998 - \$1,410,548	2003 - \$1,646,501
1999 - \$1,438,236	2004 - \$1,695,543
2000 - \$1,443,971	2005 - \$2,223,993
2001 - \$1,466,410	2006 - \$2,567,585

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

TABLE 6A - Commercial to Total Assessment Ratio, Construction and Bank Deposits
Last Ten Fiscal Years
(dollars expressed in millions)

Fiscal Year	Commercial to Total	Commercial & Public Service to Total	New Construction ⁽¹⁾				Bank Deposits ⁽²⁾
			Residential		Non-Residential		
			Permits	Value	Permits	Value	
1997	14.7%	20.9%	2,464	\$ 250	56	\$ 68	\$ 939
1998	14.6%	20.6%	2,412	\$ 245	37	\$ 50	\$ 1,009
1999	14.9%	20.9%	3,207	\$ 323	75	\$ 171	\$ 1,126
2000	14.8%	20.5%	3,404	\$ 381	66	\$ 88	\$ 1,240
2001	14.9%	20.2%	4,049	\$ 469	65	\$ 160	\$ 1,285
2002	14.9%	19.6%	4,528	\$ 502	83	\$ 132	\$ 1,433
2003	13.8%	17.7%	5,141	\$ 723	200	\$ 495	\$ 1,694
2004	11.9%	15.3%	4,938	\$ 654	217	\$ 320	\$ 2,007
2005	11.3%	15.0%	5,249	\$ 718	219	\$ 477	\$ 2,319
2006	10.8%	13.7%	3,871	\$ 552	299	\$ 576	*

Source: County of Prince William, Virginia.

* Not available.

⁽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. 1997-2005, 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 Property Tax Rates
Last Ten Fiscal Years
(tax rate per \$100 of assessed value)

Type of Tax	1997	1998	1999	2000	2001
PRINCE WILLIAM COUNTY					
<i>Countywide Tax Levies:</i>					
Real Estate - General Fund	\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.34000
Fire and Rescue Levy (Countywide)	--	--	--	--	--
Gypsy Moth Levy (Countywide)	\$ 0.00330	\$ 0.00280	\$ 0.00280	\$ 0.00280	\$ 0.00280
Total Direct Tax Rate	\$ 1.36330	\$ 1.36280	\$ 1.36280	\$ 1.36280	\$ 1.34280
Personal Property -					
General Class	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000
Heavy Equipment and Machinery	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000
Computer Equipment	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 1.50000	\$ 1.50000
Farmers Machinery and Tools	\$ 0.70000	\$ 0.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Aircraft (small scheduled)	\$ 0.70000	\$ 0.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Aircraft (all other aircraft)	\$ 1.30000	\$ 1.30000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Mining & Manufacturing Tools	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000
Mobile Homes	\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.36000	\$ 1.34000
Research & Development	\$ 2.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000
Van Pool Vans	\$ 0.35000	\$ 0.35000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Emergency Volunteer Vehicles	\$ 0.35000	\$ 0.35000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Auxiliary Volunteer Fire Vehicles	\$ 3.70000	\$ 3.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Vehicles Modified for Disabled	\$ 0.35000	\$ 0.35000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Watercraft-Recreation Use Only	\$ 3.70000	\$ 3.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Watercraft-Weighing 5 tons or more	\$ 3.70000	\$ 3.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001
Camping Trailers and Motor Homes	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 0.00001	\$ 0.00001
Owned by Certain Elderly and Handicapped Persons	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 0.00001	\$ 0.00001
<i>Special District Levies⁽¹⁾:</i>					
Fire and Rescue Levies -					
Dumfries (Fire)	\$ 0.03810	\$ 0.04000	\$ 0.04000	\$ 0.04000	\$ 0.04000
Dumfries (Rescue)	\$ 0.02630	\$ 0.02860	\$ 0.03000	\$ 0.03000	\$ 0.03000
Occoquan	\$ 0.04500	\$ 0.05440	\$ 0.05770	\$ 0.05770	\$ 0.05770
Neabsco	\$ 0.05730	\$ 0.06220	\$ 0.07410	\$ 0.07410	\$ 0.07410
Stonewall Jackson	\$ 0.03200	\$ 0.03560	\$ 0.03870	\$ 0.03870	\$ 0.03870
Coles	\$ 0.08000	\$ 0.08580	\$ 0.09250	\$ 0.09250	\$ 0.09250
Yorkshire	\$ 0.08000	\$ 0.08690	\$ 0.10000	\$ 0.10000	\$ 0.10000
Lake Jackson	\$ 0.08000	\$ 0.08510	\$ 0.09210	\$ 0.09210	\$ 0.09210
Gainesville	\$ 0.05270	\$ 0.05630	\$ 0.06070	\$ 0.06070	\$ 0.06070
Evergreen	\$ 0.06500	\$ 0.06990	\$ 0.07860	\$ 0.07860	\$ 0.07860
Nokesville	\$ 0.08000	\$ 0.08480	\$ 0.09840	\$ 0.09840	\$ 0.09840
Buckhall	\$ 0.08000	\$ 0.08910	\$ 0.09630	\$ 0.09630	\$ 0.09630
Wellington	\$ 0.07000	\$ 0.09800	\$ 0.09800	\$ 0.09800	\$ 0.09800
Sanitary District Levy					
Bull Run	\$ 0.18000	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Occoquan Forest	\$ 0.16000	\$ 0.16000	\$ 0.16000	\$ 0.16000	\$ 0.16000
Service District Levies -					
Bull Run	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000
Lake Jackson	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000
Circuit Court	--	--	--	--	--
Transportation District Levies -					
Prince William Parkway	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000
234-Bypass	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000
Foremost Court Service	--	--	\$ 0.23000	\$ 0.23000	\$ 0.23000
Woodbine Forest Service	--	--	\$ 0.14000	\$ 0.14000	\$ 0.14000
OVERLAPPING GOVERNMENTS					
<i>Real Estate Tax Levy:</i>					
Town of Dumfries	\$ 0.13000	\$ 0.13000	\$ 0.13000	\$ 0.13000	\$ 0.12420
Town of Haymarket	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000
Town of Occoquan	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000
Town of Quantico	\$ 0.25000	\$ 0.25000	\$ 0.25000	\$ 0.25000	\$ 0.20000

Source: County of Prince William, Virginia

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

2002	2003	2004	2005	2006	Type of Tax
PRINCE WILLIAM COUNTY					
<i>Countywide Tax Levies:</i>					
\$ 1.30000	\$ 1.23000	\$ 1.16000	\$ 1.07000	\$ 0.91000	Real Estate - General Fund
\$ 0.07280	\$ 0.07280	\$ 0.07280	\$ 0.06600	\$ 0.05600	Fire and Rescue Levy (Countywide)
\$ 0.00400	\$ 0.00400	\$ 0.00400	\$ 0.00400	\$ 0.00250	Gypsy Moth Levy (Countywide)
\$ 1.37680	\$ 1.30680	\$ 1.23680	\$ 1.14000	\$ 0.96850	Total Direct Tax Rate
\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	Personal Property - General Class
\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	Heavy Equipment and Machinery
\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000	Computer Equipment
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Farmers Machinery and Tools
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Aircraft (small scheduled)
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Aircraft (all other aircraft)
\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	Mining & Manufacturing Tools
\$ 1.30000	\$ 1.23000	\$ 1.16000	\$ 1.07000	\$ 0.91000	Mobile Homes
\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	Research & Development
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Van Pool Vans
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Emergency Volunteer Vehicles
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Auxiliary Volunteer Fire Vehicles
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Vehicles Modified for Disabled
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Watercraft-Recreation Use Only
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Watercraft-Weighing 5 tons or more
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Camping Trailers and Motor Homes
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Owned by Certain Elderly and Handicapped Persons
<i>Special District Levies⁽¹⁾:</i>					
--	--	--	--	--	Fire and Rescue Levies -
--	--	--	--	--	Dumfries (Fire)
--	--	--	--	--	Dumfries (Rescue)
--	--	--	--	--	Occoquan
--	--	--	--	--	Neabsco
--	--	--	--	--	Stonewall Jackson
--	--	--	--	--	Coles
--	--	--	--	--	Yorkshire
--	--	--	--	--	Lake Jackson
--	--	--	--	--	Gainesville
--	--	--	--	--	Evergreen
--	--	--	--	--	Nokesville
--	--	--	--	--	Buckhall
--	--	--	--	--	Wellington
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Sanitary District Levy
\$ 0.16000	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Bull Run
\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000	Occoquan Forest
\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	Service District Levies -
--	--	\$ 0.28000	\$ 0.28000	\$ 0.23000	Bull Run
\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	Lake Jackson
\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	Circuit Court
\$ 0.23000	\$ 0.23000	\$ 0.23000	\$ 0.22000	--	Transportation District Levies -
\$ 0.14000	\$ 0.07000	--	--	--	Prince William Parkway
					234-Bypass
					Foremost Court Service
					Woodbine Forest Service
OVERLAPPING GOVERNMENTS					
<i>Real Estate Tax Levy:</i>					
\$ 0.12420	\$ 0.12420	\$ 0.12420	\$ 0.12420	\$ 0.13000	Town of Dumfries
\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	Town of Haymarket
\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000	Town of Occoquan
\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.15000	Town of Quantico

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

Taxpayer	2006			1997		
	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	\$ 657,482	1	1.50%	\$ 420,668	1	3.16%
Potomac Mills Phase III Ltd. Ptnshp.	368,806	2	0.84%	124,149	4	0.93%
Northern Virginia Electric Co-op	210,073	3	0.48%	136,655	2	1.03%
Dominion Country Club LP	189,506	4	0.43%	-	-	-
Verizon South Inc	156,600	5	0.36%	-	-	-
Brookfield Braemar II LLC	102,853	6	0.24%	-	-	-
Manassas Mall LLC	93,029	7	0.21%	-	-	-
America Online Inc.	91,565	8	0.21%	-	-	-
Washington Gas & Light Company	83,125	9	0.19%	45,338	8	0.34%
WNH Limited Partnership	81,936	10	0.19%	55,252	7	0.42%
T/A GTE South, Inc.	-	-	-	136,004	3	1.02%
Hylton Enterprises Virginia, Inc.	-	-	-	90,264	5	0.68%
Interstate Properties	-	-	-	56,793	6	0.43%
Rollingbrook Village Apartments Corp.	-	-	-	35,245	9	0.26%
Smoketown Road Assoc. Ltd. Ptnshp.	-	-	-	35,074	10	0.26%
	<u>\$ 2,034,975</u>		<u>4.65%</u>	<u>\$ 1,135,442</u>		<u>8.53%</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 - 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	Penalties on Taxes Collected	Total Collections to Date		Unpaid Delinquent Taxes ⁽³⁾	Unpaid Delinquent Taxes as a Percent of Total Tax
		Amount ⁽²⁾	Percentage of Levy			Amount	Percentage of Levy		
1997	\$ 240,193	\$ 231,047	96.2%	\$ 6,160	\$ 1,948	\$ 239,155	99.6%	\$ 25,365	10.6%
1998	249,353	240,756	96.6%	6,126	2,149	249,031	99.9%	24,989	10.0%
1999	262,964	249,885	95.0%	6,787	1,394	258,066	98.1%	28,670	10.9%
2000	281,542	270,486	96.1%	10,726	2,092	283,304	100.6%	26,274	9.3%
2001	306,300	297,000	97.0%	9,468	2,220	308,688	100.8%	23,517	7.7%
2002	340,289	333,639	98.0%	8,633	2,492	344,764	101.3%	20,830	6.1%
2003	389,745	382,887	98.2%	8,711	2,676	394,274	101.2%	17,103	4.4%
2004	441,740	434,901	98.5%	7,320	2,791	445,012	100.7%	16,586	3.8%
2005	491,858	485,905	98.8%	7,161	2,904	495,970	100.8%	15,067	3.1%
2006	538,957	534,078	99.1%	6,746	3,488	544,312	101.0%	12,203	2.3%

Source: County of Prince William, Virginia

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

⁽²⁾ Current tax collections include collection of current tax less refunds for adjustments to tax due made after payment. For fiscal years 2000 to 2006, the current tax collections also include reimbursement from the Commonwealth under the Personal Property Tax Relief Act. The Personal Property Tax Relief Act amount received for fiscal years 2000 to 2006 are as follows:

- Fiscal year 2000 = \$12,976
- Fiscal year 2001 = \$26,814
- Fiscal year 2002 = \$41,144
- Fiscal year 2003 = \$45,426
- Fiscal year 2004 = \$50,625
- Fiscal year 2005 = \$52,350
- Fiscal year 2006 = \$59,994

⁽³⁾ Includes penalties due on unpaid delinquent taxes. Fiscal years 1995 and forward exclude unpaid taxes which are not yet due under the County's tax deferral program for the elderly and disabled.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 10 - Assessed and Estimated Market Value of Taxable Property⁽¹⁾

Last Ten Fiscal Years

(amounts expressed in thousands)

-----Real Property-----					-----Personal Property ⁽⁴⁾ -----			-----Grand Total-----	
Fiscal Year	Locally Assessed	Public Service ⁽²⁾	Total Assessed Value	Estimated Market Value ⁽³⁾	Ratio of Assessed to Estimated Market Value	Locally Assessed	Public Service ⁽²⁾	Assessed Value	Market Value
1997	\$ 12,484,177	\$ 825,729	\$ 13,309,906	\$ 14,587,495	91.2%	\$ 1,470,444	\$ 2,407	\$ 14,782,757	\$ 16,060,346
1998	\$ 12,963,930	\$ 830,431	\$ 13,794,361	\$ 14,925,539	92.4%	\$ 1,535,033	\$ 2,414	\$ 15,331,808	\$ 16,462,986
1999	\$ 13,616,952	\$ 866,814	\$ 14,483,766	\$ 15,737,732	92.0%	\$ 1,753,134	\$ 2,912	\$ 16,239,812	\$ 17,493,778
2000	\$ 14,420,407	\$ 871,897	\$ 15,292,304	\$ 16,774,388	91.2%	\$ 1,820,491	\$ 2,453	\$ 17,115,248	\$ 18,597,332
2001	\$ 15,744,880	\$ 877,768	\$ 16,622,648	\$ 18,945,065	87.7%	\$ 2,044,228	\$ 1,980	\$ 18,668,856	\$ 20,991,273
2002	\$ 17,901,735	\$ 887,526	\$ 18,789,261	\$ 23,421,267	80.2%	\$ 2,410,777	\$ 2,113	\$ 21,202,151	\$ 25,834,157
2003	\$ 21,889,375	\$ 901,202	\$ 22,790,577	\$ 28,546,061	79.8%	\$ 2,758,620	\$ 2,599	\$ 25,551,796	\$ 31,307,280
2004	\$ 26,610,055	\$ 945,931	\$ 27,555,986	\$ 33,944,803	81.2%	\$ 2,939,510	\$ 3,329	\$ 30,498,825	\$ 36,887,642
2005	\$ 32,890,272	\$ 1,249,775	\$ 34,140,047	\$ 45,539,610	75.0%	\$ 2,997,032	\$ 1,358	\$ 37,138,437	\$ 48,538,000
2006	\$ 42,486,322	\$ 1,253,506	\$ 43,739,828	\$ 46,314,834	94.4%	\$ 3,419,461	\$ 1,257	\$ 47,160,546	\$ 49,735,552

Source: County of Prince William, Virginia

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

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

⁽³⁾ The estimated market value of real property (including public service) is calculated by dividing the assessed value by the County's assessment-to-sales price ratio.

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

Debt Capacity

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PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 11 - Ratios of Outstanding Debt by Type, Primary Government and Component Units
Last Ten Fiscal Years
(amounts expressed in thousands, except percentage and per capita)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 104,514	\$ 115,044	\$ 108,711	\$ 103,064	\$ 100,205	\$ 92,272	\$ 96,668	\$ 108,292	\$ 140,039	\$ 128,525
School Board-Related	129,370	132,816	163,564	209,017	257,943	305,091	367,341	395,333	432,562	467,363
Park Authority-Related	143	348	101	80	3,060	2,888	9,699	9,531	7,000	6,267
IDA Lease Revenue Bonds	15,305	15,305	14,865	14,405	13,920	13,410	12,875	12,315	11,970	11,140
Literary Fund Loans	4,004	3,514	3,103	2,692	6,452	6,093	6,209	5,713	5,316	4,918
Real Property Capital Leases										
General Government	33,248	31,490	29,740	27,990	26,140	55,245	78,590	80,645	79,025	132,825
Adult Detention Center	2,340	1,560	780	--	--	--	--	--	--	--
Commuter Rail Capital Leases	4,889	4,661	4,421	4,167	3,895	3,608	3,301	2,977	2,629	2,258
Equipment Capital Leases	--	--	--	--	--	--	562	527	381	228
Installment Notes Payable	--	--	--	1,400	1,264	1,158	1,045	924	795	657
Internal Service Funds Leases and Notes	95	22	--	--	35	24	12	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds	\$ 25,368	\$ 24,218	\$ 25,068	\$ 23,253	\$ 21,885	\$ 20,119	\$ 18,327	\$ 17,179	\$ 13,920	\$ 12,550
Sanitary District Bonds	580	560	535	510	480	--	--	--	--	--
Landfill Capital Lease Obligations	--	240	120	--	--	--	--	--	--	--
Taxable Revenue Notes	8,500	8,100	7,000	5,800	5,100	1,100	250	250	250	3,250
Total Primary Government	\$ 328,356	\$ 337,878	\$ 358,008	\$ 392,378	\$ 440,379	\$ 501,008	\$ 594,879	\$ 633,686	\$ 693,887	\$ 769,981
Percentage of Personal Income ⁽²⁾	4.19%	4.09%	4.01%	3.84%	4.01%	4.34%	4.87%	4.67%	*	*
Per Capita ⁽²⁾	1,098	1,100	1,129	1,191	1,279	1,398	1,599	1,643	*	*
Component Units										
Park Authority Component Unit ⁽³⁾ :										
Series 1994 Revenue Bonds	\$ 21,190	\$ 20,615	\$ 20,010	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Series 1999 Revenue Bonds	--	--	--	21,415	21,120	20,780	20,425	19,112	18,795	18,459
Equipment Capital Leases	507	487	366	766	549	527	2,003	1,833	1,353	2,249
Installment Notes Payable ⁽⁴⁾	193	206	158	308	210	2,087	1,718	1,023	904	780
Total Component Units	21,890	21,308	20,534	22,489	21,879	23,394	24,146	21,968	21,052	21,488
Total Reporting Entity Outstanding Debt	350,246	359,186	378,542	414,867	462,258	524,402	619,025	655,654	714,939	791,469
Less: Self-Supporting Revenue and Other Bonds	52,220	50,577	50,678	50,419	48,139	47,121	45,774	42,124	37,601	36,296
Net Tax-Supported Debt	\$ 298,026	\$ 308,609	\$ 327,864	\$ 364,448	\$ 414,119	\$ 477,281	\$ 573,251	\$ 613,530	\$ 677,338	\$ 755,173

Source: County of Prince William, Virginia

* Not available

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

⁽²⁾ See Table 16 for personal income and population data.

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

⁽⁴⁾ Restated in FY 2003.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 12 - 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	Sanitary District Bonds	Total	Percentage of Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
1997	\$ 234,027	\$ 15,305	\$ 25,368	\$ 580	\$ 275,280	1.89%	\$ 921
1998	\$ 248,208	15,305	24,218	560	288,291	1.93%	939
1999	\$ 272,376	14,865	25,068	535	312,844	1.99%	986
2000	\$ 312,161	14,405	23,253	510	350,329	2.09%	1,063
2001	\$ 361,208	13,920	21,885	480	397,493	2.10%	1,154
2002	\$ 400,251	13,410	20,119	--	433,780	1.85%	1,210
2003	\$ 473,708	12,875	18,327	--	504,910	1.77%	1,358
2004	\$ 513,156	12,315	17,179	--	542,650	1.60%	1,407
2005	\$ 579,601	11,970	13,920	--	605,491	1.33%	*
2006	\$ 602,155	11,140	12,550	--	625,845	1.35%	*

Source: County of Prince William, Virginia

⁽¹⁾ Includes general obligation bonds associated with School Board-Related and Park Authority-Related Debt; see Table 11.

⁽²⁾ See Table 6 for property value data.

⁽³⁾ See Table 16 for population data.

* Not available

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 13 - Direct and Overlapping Governmental Activities Debt
As of June 30, 2006
(amounts expressed in thousands)

	Outstanding on 6/30/2006	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 755,173	100.00%	\$ 755,173	1.7265%
Overlapping:				
Town of Dumfries	\$ 2,600	100.00%	2,600	0.0059%
Town of Quantico	\$ 286	100.00%	286	0.0007%
Town of Haymarket	\$ 2,678	100.00%	2,678	0.0061%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	\$ 4,228	100.00%	4,228	0.0097%
Virginia Gateway Community Development Authority Special Assessment Bond Series 1999 and 2003 B	\$ 13,455	100.00%	13,455	0.0308%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	\$ 90,767	39.347%	35,714	
Upper Occoquan Sewage Authority (UOSA) ⁽³⁾	\$ 152,356	4.20%	6,405	
			\$ 820,539	1.8760%

Source: County of Prince William, Virginia

⁽¹⁾ From Table 11.

⁽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 14 - 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 \$47,150 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2006. These authorized bonds are for the construction of roads and road improvements.

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.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government ⁽¹⁾										
Principal	\$ 20,154	\$ 20,357	\$ 22,407	\$ 23,836	\$ 25,370	\$ 26,892	\$ 30,929	\$ 35,165	\$ 39,975	\$ 47,584
Interest ⁽²⁾	14,094	15,469	15,924	16,699	18,195	20,035	23,959	25,247	29,849	32,995
Internal Service Fund Debt Service ⁽³⁾	244	76	24	6	24	11	12	12	--	--
Debt Service on Net Tax-Supported Debt	34,492	35,902	38,355	40,541	43,589	46,938	54,900	60,424	69,824	80,579
Total Government Expenditures ⁽⁴⁾	497,039	536,617	572,800	619,665	672,002	744,959	845,342	925,866	1,033,382	1,126,060
Ratio of Debt Service to Expenditures	6.9%	6.7%	6.7%	6.5%	6.5%	6.3%	6.5%	6.5%	6.8%	7.2%
Total Revenues ⁽⁵⁾	515,869	549,340	587,032	646,920	716,538	775,222	820,465	956,529	1,089,605	1,188,917
Ratio of Debt Service to Revenues	6.7%	6.5%	6.5%	6.3%	6.1%	6.1%	6.7%	6.3%	6.4%	6.8%
Net Tax-Supported Debt ⁽⁶⁾	298,026	308,609	327,864	364,448	414,119	477,281	573,251	613,530	677,338	755,173
Assessed Value of Taxable Property ⁽⁷⁾	14,782,757	15,331,808	16,239,812	17,115,248	18,668,856	21,202,151	25,551,796	30,498,825	37,138,437	47,160,546
Ratio of Net Tax-Supported Debt to Assessed Value	2.0%	2.0%	2.0%	2.1%	2.2%	2.3%	2.2%	2.0%	1.8%	1.6%

Source: County of Prince William, Virginia

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

⁽²⁾ Excludes bond issuance and other costs.

⁽³⁾ Debt Service 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 FY 2006 CAFR.

⁽⁵⁾ Includes revenues of the General Fund, Special Revenue Funds (excluding the Fire & Rescue Levy Fund) and the School Board and Adult Detention Center Component Units for all years through fiscal year 2002. Beginning in fiscal year 2003 the Fire & Rescue Levy Fund is included.

⁽⁶⁾ From Table 11.

⁽⁷⁾ From Table 10.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 15 - 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⁾			Coverage ⁽⁶⁾
					Principal ⁽⁵⁾	Interest	Total	
1997	\$ 7,687	\$ 4,605	\$ 212	\$ 2,870	\$ 1,100	\$ 1,385	\$ 2,485	1.15
1998	\$ 11,120	\$ 6,754	\$ 1,192	\$ 3,174	\$ 1,150	\$ 1,298	\$ 2,448	1.30
1999	\$ 12,042	\$ 6,046	\$ 1,432	\$ 4,564	\$ 1,280	\$ 1,387	\$ 2,667	1.71
2000	\$ 12,011	\$ 6,359	\$ 1,158	\$ 4,494	\$ 1,935	\$ 1,303	\$ 3,238	1.39
2001	\$ 13,042	\$ 7,454	\$ 912	\$ 4,676	\$ 1,368	\$ 1,636	\$ 3,004	1.56
2002	\$ 11,622	\$ 6,893	\$ --	\$ 4,729	\$ 1,766	\$ 1,222	\$ 2,988	1.58
2003	\$ 12,724	\$ 8,027	\$ 1,244	\$ 3,453	\$ 1,793	\$ 1,187	\$ 2,980	1.16
2004	\$ 13,606	\$ 7,013	\$ 1,798	\$ 4,795	\$ 1,148	\$ 1,162	\$ 2,310	2.08
2005	\$ 14,715	\$ 10,090	\$ 1,752	\$ 2,873	\$ 1,323	\$ 1,114	\$ 2,437	1.18
2006	\$ 14,653	\$ 9,615	\$ 2,594	\$ 2,444	\$ 1,370	\$ 501	\$ 1,871	1.31

Source: County of Prince William, Virginia.

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

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

⁽³⁾ There is no provision for FY2002 closure payment due to revised engineering estimate increasing the capacity because of changes in slope design.

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

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

⁽⁶⁾ Required coverage is 1.15.

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Demographic and Economic Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 16- Demographic and Economic Statistics
Last Ten Years

Year	Population ⁽¹⁾	Personal Income ⁽¹⁾ (in thousands)	Per Capita Income ⁽¹⁾	Fall School Enrollment ⁽²⁾	Average Civilian Labor Force ⁽³⁾	Average Unemployment Rate ⁽³⁾
1997	298,916	\$7,829,447	\$26,193	48,333	130,234	2.7%
1998	307,105	\$8,269,655	\$26,928	49,905	134,985	2.0%
1999	317,240	\$8,928,784	\$28,145	51,028	137,586	2.0%
2000	329,542	\$10,228,409	\$31,038	52,551	148,618	1.5%
2001	344,334	\$10,983,002	\$31,896	54,646	152,086	2.4%
2002	358,380	\$11,539,117	\$32,198	57,397	154,545	3.3%
2003	371,936	\$12,217,847	\$32,849	60,541	167,865	3.6%
2004	385,620	\$13,572,956	\$35,198	62,691	174,247	2.6%
2005	*	*	*	66,093	187,926	2.6%
2006	*	*	*	68,225	193,561	2.3%

* Not available

⁽¹⁾ Bureau of Economic Analysis, U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of April, 2006).

⁽²⁾ Superintendent's Annual Report, Virginia Department of Education; Prince William County Public Schools, as of September 30th, 2005.

⁽³⁾ Virginia Employment Commission, LAUS data (data are annual averages with the exception of the most recent monthly data)

TABLE 16A - Comparative Demographic Statistics
1990 & 2000 U.S. Census

	1990 Census	2000 Census			
	Prince William County	Prince William County	Washington MSA	Virginia	United States
Population:					
Median Age	29.0	31.9	34.9	35.7	35.3
Percent School Age	21.2%	24.4%	20.8%	20.8%	21.8%
Percent Working Age	65.1%	62.3%	63.7%	61.5%	58.9%
Percent 65 and over	3.0%	4.8%	9.1%	11.2%	12.4%
Education:					
High School or Higher	87.8%	88.8%	*	81.5%	80.4%
Bachelor's Degree or Higher	27.6%	31.5%	*	29.5%	24.4%
Income:					
Median Family Income	\$52,078	\$71,622	*	*	*
Percent Below Poverty Level	3.2%	4.4%	*	9.6%	12.4%
Housing:					
Number Persons / Household	3.0	2.9	2.6	2.5	2.6
Percent Owner Occupied	71.0%	71.0%	64.0%	68.1%	66.2%
Owner Occupied Median Value	\$138,500	\$149,600	*	\$125,400	\$119,600

Source: County of Prince William, Virginia

* Not available

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 17 - Principal Employers
Current Year and Nine Years Ago

Employer ⁽¹⁾	2006			1997		
	Estimated Employees	Rank	Percentage of Total County Employment	Estimated Employees	Rank	Percentage of Total County Employment
Federal Government	13,600	1	7.03%	9,050	1	6.95%
Prince William Public Schools	9,511	2	5.06%	6,732	2	5.17%
Prince William County	3,393	3	1.81%	2,469	3	1.90%
Potomac Hospital Corporation	1,200	4	0.64%	812	6	0.62%
S.W. Rogers Company	1,000	5	0.53%	477	8	0.37%
Minnieland Private Day School, Inc.	854	6	0.45%	--		
General Dynamics Land Systems	558	7	0.30%	--		
Northern Virginia Community College	523	8	0.28%	609	7	0.47%
Wm. T. Hazel	472	9	0.25%	--		
Alliant/Atlantic Food Services, Inc.	428	10	0.23%	--		
Lockheed Martin	--		--	1,600	4	1.23%
Prince William Hospital	--		--	900	5	0.69%
AT&T	--		--	434	9	0.33%
U.S. Postal Service	--		--	364	10	0.28%
	<u>31,539</u>		<u>16.58%</u>	<u>23,447</u>		<u>18.01%</u>

Source: County of Prince William, Virginia

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Operating Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

**TABLE 18 - Full-time-Equivalent School Employees by Positions
Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
School -Based Positions										
Teachers ⁽¹⁾										
Classroom teachers	3,168	3,317	3,384	3,425	3,599	3,776	4,014	-	-	-
Regular classroom teachers	-	-	-	-	-	-	-	2,926	3,193	3,290
Special education teachers	-	-	-	-	-	-	-	621	661	759
Vocational education teachers	-	-	-	-	-	-	-	201	210	212
Speech therapists	-	-	-	-	-	-	-	68	69	72
Physical therapists	-	-	-	-	-	-	-	20	21	8
Guidance counselors	-	-	-	-	-	-	-	146	171	166
Librarians	-	-	-	-	-	-	-	83	88	92
Physical education	-	-	-	-	-	-	-	165	190	201
Technology teachers	-	-	-	-	-	-	-	-	-	76
Other	-	-	-	-	-	-	-	-	-	74
School-Based Administrators										
Principals	66	67	68	69	71	73	76	79	82	84
Assistant principals	60	59	63	69	74	81	70	88	108	122
Guidance directors	-	18	18	18	20	20	21	21	23	23
Student activity directors	-	7	7	7	8	8	8	8	10	10
Other	24	-	-	74	77	73	69	71	79	-
Education Specialist										
Education specialist	-	56	65	60	74	83	94	-	-	-
School-based curriculum specialists	-	-	-	-	-	-	-	8	10	8
Program specialists	-	-	-	-	-	-	-	15	86	19
Social workers	-	-	-	-	-	-	-	34	39	39
Psychologists	-	-	-	-	-	-	-	35	35	40
Instructional Assistants	373	460	479	421	442	481	505	534	551	599
Other Positions										
School office assistant staff	321	340	306	323	355	370	384	399	421	461
Custodial staff	294	301	301	312	333	348	362	366	410	425
Other	98	-	80	57	69	126	-	-	-	-
Noninstructional specialists	-	-	-	-	-	-	97	85	89	-
Security	-	-	-	-	-	-	31	41	49	64
School nurse	-	-	-	-	-	-	32	51	55	60
Total School-Based Positions	4,404	4,625	4,771	4,835	5,122	5,439	5,763	6,065	6,650	6,904
Nonschool-Based Positions										
Technical support	69	47	88	87	62	67	70	121	139	244
Management	57	62	67	76	102	109	110	96	127	138
Education specialist	57	57	58	81	63	52	32	32	48	33
Office assistants	99	110	110	126	122	131	115	119	136	122
Custodial/maintenance	218	221	217	180	224	230	240	252	220	230
Leadership team	7	7	7	7	8	8	8	8	8	10
Bus drivers	413	431	447	372	391	453	489	511	565	645
Bus drivers' aides	91	97	102	83	87	92	98	97	119	135
Cafeteria staff	436	448	465	488	527	376	393	406	441	518
Other	111	8	8	8	8	13	34	35	37	62
Total Nonschool Based Positions	1,558	1,488	1,569	1,508	1,594	1,531	1,589	1,677	1,840	2,137
Total	5,962	6,113	6,340	6,343	6,716	6,970	7,352	7,742	8,490	9,041

Source: School Board Budget Office

⁽¹⁾ Detailed information was not available prior to FY2004.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 19 - Student Enrollment
Last Ten Fiscal Years

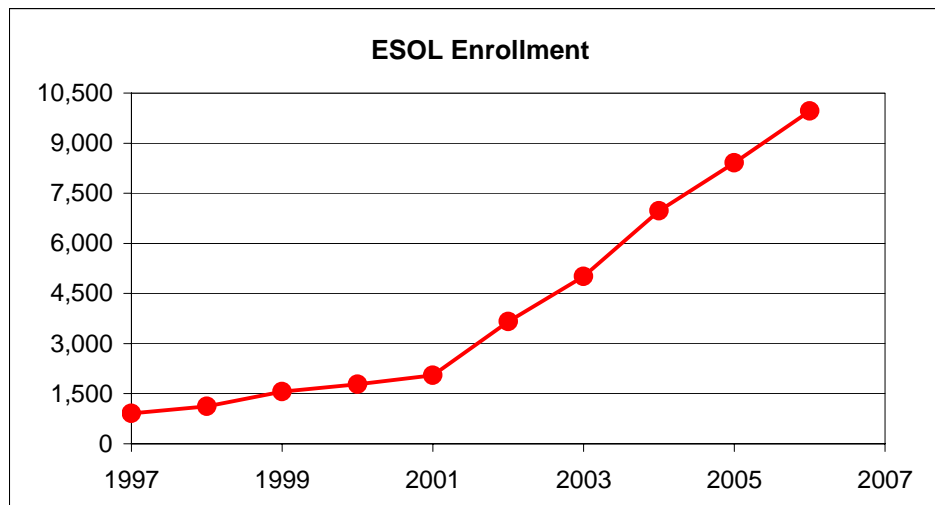
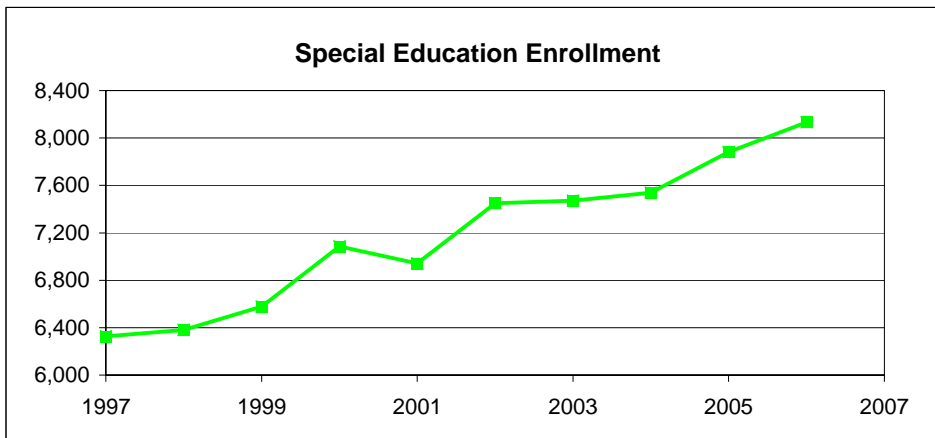
Fiscal Year	Total Student Enrollment ⁽¹⁾	Special Education Enrollment ⁽²⁾	ESOL Enrollment ⁽³⁾
1997	48,333	6,328	912
1998	49,905	6,382	1,121
1999	51,028	6,579	1,561
2000	52,551	7,086	1,781
2001	54,646	6,943	2,050
2002	57,397	7,450	3,657
2003	60,541	7,471	5,014
2004	62,691	7,540	6,979
2005	66,093	7,883	8,415
2006	68,225	8,134	9,963

Note: Student Enrollments are at September 30th for each fiscal year.

⁽¹⁾ Source: School Board Financial Services.

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

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



PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 20 - Operating Statistics
Last Five Fiscal Years

<u>Fiscal Year</u>	<u>Student Enrollment ⁽¹⁾</u>	<u>Operating Expenditures ⁽²⁾</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Expenses</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff ⁽³⁾</u>	<u>Pupil-Teacher Ratio</u>
2002	57,397	\$ 421,779,000	\$ 7,348	**	\$ 467,267,000	\$ 8,141	**	**	**
2003	60,541	470,595,054	7,773	5.8%	521,985,921	8,622	5.9%	**	**
2004	62,691	515,766,698	8,227	5.8%	568,663,297	9,071	5.2%	3,748	16.7
2005	66,093	592,505,238	8,965	9.0%	647,834,147	9,802	8.1%	4,064	16.3
2006	68,225	646,400,810	9,475	5.7%	709,695,642	10,402	6.1%	4,261	16.0

** Data not available.

Notes: PWCPS' first year producing a CAFR was fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.

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

⁽²⁾ Operating expenditures are total expenditures and transfers out for capital projects less 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: School Board Budget Office.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 21- 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>
1997	\$ 28,368	\$ 40,173	\$ 39,405	\$ 56,176
1998	29,005	40,365	41,273	57,260
1999	29,184	41,569	40,414	57,564
2000	30,328	41,389	41,829	59,509
2001	31,777	43,046	43,620	61,973
2002	33,115	44,798	46,205	66,038
2003	34,423	46,155	48,234	69,684
2004	35,455	47,963	50,460	74,519
2005	36,519	50,215	51,974	76,754
2006	37,615	51,607	53,533	83,548

Source: School Board Budget Office.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 22 - Food and Nutrition Services Program
Last Ten Fiscal Years

Fiscal Year	Number of Lunches Served Daily	Student Lunch Price			Lunch Sites	Number of Breakfasts Served Daily	Student Breakfast Price	Breakfast Sites	Free and Reduced Eligibility	Adult Breakfast ⁽¹⁾	Adult Lunch ⁽¹⁾
		Elementary	Middle School	High School							
1997	22,860	\$ 1.40	\$ 1.45	\$ 1.45	**	3,250	\$ 0.90	**	10,343	\$ 0.90	\$ 1.80
1998	23,537	1.40	1.45	1.45	**	3,503	0.90	**	11,015	1.00	2.00
1999	25,470	1.45	1.50	1.50	**	4,252	0.90	**	**	1.00	2.00
2000	26,841	1.45	1.50	1.50	69	3,960	0.90	63	11,057	1.00	2.00
2001	28,553	1.50	1.55	1.55	71	5,180	1.00	67	11,701	1.10	2.05
2002	30,243	1.55	1.60	1.60	73	4,948	1.00	68	13,007	1.10	2.10
2003	32,479	1.60	1.65	1.65	75	5,578	1.00	70	15,756	1.10	2.15
2004	35,241	1.70	1.75	1.75	75	6,459	1.10	69	16,512	1.20	2.25
2005	39,062	1.70	1.85	1.85	82	7,211	1.10	79	18,640	1.20	2.25
2006	41,057	1.85	1.90	1.90	82	8,210	1.10	78	19,166	1.35	2.40

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

** Data not available at time of compilation.

(1) Source: School Board Budget Office.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 23 - School Building Information
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Elementary Schools</u>					<u>Middle Schools</u>					<u>High Schools</u>				
	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>
1997	40	2,143,810	22,202	183	623.5	10	1,285,730	10,960	7	357.5	7	2,012,253	15,125	6	515.5
1998	40	2,143,810	22,202	183	623.5	10	1,285,730	10,960	7	357.5	7	2,012,253	15,125	6	515.5
1999	42	2,291,810	23,680	186	660.2	10	1,285,730	10,960	7	357.5	7	2,012,253	15,125	6	515.5
2000	42	2,291,810	23,680	186	660.2	10	1,285,730	10,960	7	357.5	7	2,012,253	15,125	6	515.5
2001	43	2,372,810	24,460	188	685.5	11	1,420,340	12,193	7	392.1	8	2,288,253	17,178	6	594.7
2002	45	2,532,618	25,938	191	719.5	11	1,420,340	12,193	7	392.1	8	2,288,253	17,178	6	594.7
2003	46	2,615,702	26,790	191	737.6	13	1,690,958	14,659	27	452	8	2,288,253	17,178	6	594.7
2004	47	2,699,786	27,642	191	757.6	13	1,690,958	14,659	27	452	8	2,288,253	17,178	6	594.7
2005	49	2,859,570	29,048	191	901.2	13	1,690,958	14,659	27	452	10	2,844,241	21,284	9	719.5
2006	51	3,030,766	30,824	191	939.1	13	1,690,958	14,659	27	452	10	2,844,241	21,284	9	719.5

<u>Fiscal Year</u>	<u>Alternative Schools</u>					<u>Special Schools</u>					<u>Traditional Schools</u>				
	<u>Buildings⁽¹⁾</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>
1997	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
1998	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
1999	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
2000	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
2001	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
2002	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
2003	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
2004	1	14,749	**	0	9.3	4	284,724	**	5	61.3	1	56,330	648	2	15
2005	2	14,749	**	0	9.3	4	284,724	**	5	61.3	2	127,575	1,320	2	31.9
2006	2	14,749	**	0	9.3	4	284,724	**	5	61.3	2	127,575	1,320	2	31.9

<u>Fiscal Year</u>	<u>Total School Buildings</u>				
	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>
1997	63	5,797,596	48,935	203	1,582.0
1998	63	5,797,596	48,935	203	1,582.0
1999	65	5,945,596	50,413	206	1,618.7
2000	65	5,945,596	50,413	206	1,618.7
2001	68	6,437,206	54,479	208	1,759.9
2002	70	6,597,014	55,957	211	1,791.9
2003	73	6,950,716	59,275	231	1,869.8
2004	74	7,034,800	60,127	231	1,889.8
2005	80	7,821,817	66,311	234	2,175.2
2006	82	7,993,013	68,087	234	2,213.1

Source: School Board Construction and Planning Office.

** Data not available.

(1) The building added in FY 2005 is leased, therefore, the square footage and acreage did not increase.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 24- Miscellaneous Statistical Data
June 30, 2006

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	376
Number of volunteers	1,026
Police protection:	
Number of police officers	517
Public Safety Communications:	
Number of employees	95
Services not included in the Primary Government:	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	72
Number of public high schools	10
Membership as of September 30, 2005 (FY06)	68,225
Number of personnel (full-time equivalent)	9,511
Recreation (Park Authority Component Unit):	
Acres developed or reserved for County parks	3,238
Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	402
Capacity of work-release center	65
Number of personnel (full-time equivalent)	262
Other statistical data:	
Elections:	
Registered voters at last general election	187,958
Number of votes cast in last general election	67,020
Percent voting in last general election	36%
Water and Wastewater Treatment (provided by Prince William County Service Authority):	
Miles of water mains	880
Miles of sanitary sewer mains	916

Source: County of Prince William, Virginia.

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



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