

Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2008



Prince William County
PUBLIC SCHOOLS
Providing A World-Class Education

A Component Unit of Prince William County, Virginia



Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

Prince William County Public Schools
A Component Unit of Prince William County, Virginia
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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Vice Chairman
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Superintendent of Schools*

Dr. Steven L. Walts

Superintendent's Staff*

Ms. Rae Darlington - Deputy Superintendent

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Mr. R. Todd Erikson - Associate Superintendent for Central Elementary Schools

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

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

Ms. Diana Lambert-Aikens - Associate Superintendent for Eastern Elementary Schools

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

Mrs. Alison Nourse-Miller - Associate Superintendent for Western Elementary Schools

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

* as of December 10, 2008

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

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Introductory Section

Letter of Transmittal

List of Elected and Appointed Officials

Organizational Chart



Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

December 10, 2008

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

We are pleased to present the Comprehensive Annual Financial Report of the Prince William County Public Schools (PWCS), a component unit of Prince William County, Virginia, for the year ended June 30, 2008.

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

PWCS' financial statements have been audited by 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 PWCS for the fiscal year ended June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the PWCS' financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

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

PWCS is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The eight members of the School Board are elected by the citizens of the County to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCS is organized to focus on meeting the needs of its 72,654 students while managing the 53 elementary schools, 15 middle schools, 10 high schools, 4 special education schools, 2 alternative schools, and 2 traditional schools.

Local Economy

The Prince William County economy is an important segment of the Washington, D.C. metropolitan area economy, arguably one of the most dynamic in the world. The area's economy has proved more resilient than many other parts of the country over the last year, despite deepening troubles of the housing market. 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. Expectations are for continued growth that outpaces the national rate, but with slowed momentum. After several years of double-digit annual increases in home values, the local real estate housing market has entered a serious correction, in which home values are declining, though sales have improved steadily through the first half of calendar year 2008. In addition, the nation-wide crisis in sub-prime credit markets has been reflected locally in the form of increased delinquent and defaulted homes. In calendar year 2006, for example, less than 300 homes were reported in foreclosure. This increased nearly ten fold in 2007 to more than 2,800 foreclosed properties. The number has continued to grow, with more than 3,700 homes in foreclosure in the first six months of 2008—more than were reported in all of 2007. These factors adding to an inflated inventory of unsold homes on the market have increased pressure towards price depreciation. Troubles in the real estate market have rippled into other segments of the local economy, such as retail spending, and will continue to pose a challenge to the County's revenue sources. Indications are that the number of sales in Prince William County has begun to increase as prices continue to slide—the result of market driven home buying at the lower priced side of real estate. This could well signal the first signs that the bottom (and eventual turn around) of the current situation is at hand but it is far too early to tell.

Prince William County's population, when factoring in the abnormally high number of foreclosures in the County is currently estimated at 360,411. This estimate represents an increase of 2 percent over the past year. This is a slower pace than growth rates in recent years, in which annual increases approached 5 percent; nevertheless, the County will continue to expand its population base, particularly when the real estate market recovers. The Metropolitan Washington Council of Governments predicts the County's population will grow by more than 275,000 people or an increase of 98 percent between the years 2000 and 2030, while the rest of the region is expected to grow by only 45 percent. The County continues to be a young, family-oriented community, with more than one-third of its households married with children. Despite progress in attracting jobs to the County, Prince William continues to export roughly half of its labor force to jobs outside the County, accounting for the eighth longest commute in the United States. According to 2007 Census data, Metropolitan Washington ranked second in the United States for median household income, with 10 of the region's counties in the top 20 nationwide. The region's median household income of \$83,200 is 64 percent above the national average of \$50,740. Prince William County had the 13th highest median household income in the United States at \$87,423. This ranking further underscores Prince William County's continued status as a premier community.

Employment in the County grew rapidly in recent years, but has moderated in the last year -- largely the result of significant job losses in construction and other sectors related to real estate. In the five-year period from 4th quarter 2001 to 4th quarter 2006, Prince William County businesses increased by 27 percent, with Financial, Professional/Business Services and Construction the fastest growing sectors. In the same period, employment in the County grew from 84,569 to 104,578, an increase of 24 percent. The fastest growing sectors for employment growth were Education/Health Services, Professional/Business Services and Construction. However, in the last year (2006 to 2007), while businesses continued to grow by nearly 4 percent, jobs declined by .8 percent. Construction jobs decreased by 1,605 from 2006 to 2007, a decline of 11 percent. By contrast, employment in Professional and Technical Services, among the highest paid workers in the County, increased during the same period by 9 percent. Clearly, businesses and jobs in Construction and real estate-related services were high growth sectors during the recent booming real estate market. As that market slipped, those sectors closely associated with it were negatively impacted. Prince William County's unemployment rate was 3.7 percent in July 2008, a significant increase from July 2007 when it stood at 2.5%, but well below the statewide rate of 4.4 percent and the national rate of 6.0 percent in July 2008.

Despite the current housing market situation, the County's population growth over the long term and its position as part of the Northern Virginia economy will eventually translate into housing growth and a return to some stability in real estate values. In the near term, however, the residential market in the County has taken a major downturn. Residential building permit activity, a leading indicator for housing construction, experienced a six-year boom from 2000 to 2005 in which more than 4,300 total residential permits were issued per year. Since 2005, however, the number of permits has steadily declined. In 2007, a total of 2,451 total residential permits were issued, including 1,305 single family detached and 580 townhouse permits. This represents a 15 percent decline in total permits from the previous year and a 48 percent decrease from 2005. In 2008 (January to June), this decline has continued, as a total of 862 permits were issued, including 547 single family and 142 townhouses. This serious reversal in the housing market in Prince William County is reflected in the home sales numbers as reported by the Metropolitan Regional Information System (MRIS).

In July 2008, the average sales price for homes in Prince William County was \$255,185 compared to \$407,363 for the same period in 2007, a decline of 33 percent. Single family detached home sales averaged \$304,095 in July 2008, compared to \$485,977 in July 2007, a decline of 37 percent. The total number of units sold in July 2008 was 866, a healthy increase over the first three months of 2008, when total sales hovered around 300 per month. The ratio of listings to sale in July 2008 was 6.0 in the County, significantly down from July 2007 when the ratio of homes on the market to homes sold was 13.5. By comparison, in November 2004, during the heyday of the most recent housing boom, the ratio of homes on the market to sales was less than 0.8. The continued drop in average sale prices coupled with increases in sales volume indicates that homes at the lower price range are making up the majority of sales activity in the County.

About 85 percent of the County's real estate tax base consists of residential housing, with approximately 14 percent comprised of commercial, industrial and public service properties and 1 percent undeveloped land. As values of homes and people's investment in the community increased, the Board of County Supervisors was responsive in adjusting the real estate tax rate dramatically, reducing the real estate tax rate from \$1.36 in fiscal year 2000 to \$0.758 per \$100 of assessed value for fiscal year 2007. In fiscal year 2008, in response to revenue shortfalls and expectations of continuation of vital County services, Prince William County adopted a real estate tax rate of \$0.97 effective for fiscal year 2009. With declining values and assessments expected across the board over the next several years, the County's ability to provide services will be challenged.

One of Prince William County's strategic goals is to maintain an economic development climate that will attract and foster the expansion of industries that create 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 1997, 277 new and expanding companies have announced their intention to invest more than \$2.87 billion and their expectation of adding approximately 13,600 jobs to the Prince William County economy.

The Potomac Communities, which includes the stretch of Prince William County from the Potomac River to I-95, is proving to be a significant economic development asset, bringing renewed vitality to the eastern end of Prince William County. Recent federal government 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. BRAC will also 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, as well as a golf course overlooking the Occoquan River. With a new clubhouse now complete and many upgrades to the golf club, Belmont Bay is becoming a focal point for the Potomac Communities in northern Prince William County along Route 1. Though still in the initial planning stages, two hotels, as well as the Belmont Bay Science Center, new retail shopping and restaurants, and up to 300,000 square feet of office space will be key features in this growing waterfront development.

The Harbor Station development is centrally located on the Cherry Hill Peninsula. At Harbor Station, a Jack Nicklaus Signature Golf Course is expected to be completed in the fall of 2008. Future plans include the development of a 270,000-square-foot luxury hotel and conference center, which will be the anchor of a planned town center. With plans for a secure employment campus, an office complex and a multi-level Virginia Railway Station (VRE) station, Harbor Station has the potential to be a significant anchor for economic development activity in the region.

Near Quantico, the U.S. Marine Corps (USMC) Heritage Museum is a profound landmark with stunning architecture that provides the County with a magnificent southern gateway that reaches above the horizon of I-95. At nearby Quantico Center, two 52,000-square-foot office buildings and three flex office buildings have been constructed with plans for a third office building that will provide an additional 100,000-square-feet of office space. Future plans include a restaurant franchise and retail space, as well as development of the 11 remaining acres of land. Similarly, Quantico Gateway has two 40,000-square-foot office buildings complete and a third in the planning stages. These two mixed-use developments are an ideal location for defense contracting given their proximity to the Base, easy access to major transportation routes and availability of Class-A office space.

The Potomac Communities initiative was implemented in 2003; since that time, 25 projects have announced their intent to invest \$450.8 million and add 1,046 new jobs in these development nodes.

Innovation@Prince William is a 1,500-acre business and technology park targeting biotechnology, life science, and supporting industries. Anchored by George Mason University's life science campus, Innovation has grown since its inception in 1992 to become home to biotech industry leaders. This unique public-private partnership has evolved into a unique "university-centered" model for economic development within Prince William County, resulting in the creation of nearly 3,000 new jobs and a total investment in the county of some \$726 million. According to CoreNet Global, the world's premier association for corporate real estate and related professions, Innovation@Prince William has emerged as a model for one of the most innovative economic development strategies, employed to attract and retain business. In recognition of Prince William County's and George Mason University's (GMU) 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. Current tenants at Innovation@Prince William include:

- o American Type Culture Collection (ATCC)
- o Applied Materials
- o Asset Management, Inc
- o Baker Energy & Engineering
- o Brown & Brown Insurance
- o Covance Laboratories, Inc.
- o Christopher Consultants, Inc.
- o Comcast
- o ECS Mid-Atlantic, LLC
- o EnviroSolutions, Inc.
- o Federal Bureau of Investigation (FBI)
Northern Virginia Resident Agency
- o Logis Tech, Inc.
- o Log Sec Corporation
- o Mediatech, Inc.
- o Metris
- o NCS Technologies
- o Northern Virginia Forensics Lab
- o Power Loft, LLC
- o Progeny Systems, Inc
- o ProLogic, Inc.
- o Zestron America

Recent events and announcements at Innovation include:

- Mediatech, a leading manufacturer of life science products, completed a 100,000-square-foot project in 2007 valued at more than \$10 million and providing more than 200 full-time jobs.
- Assett Office Building, LLC reached an agreement in November 2004 to purchase 3.5 acres of land in Innovation. Assett completed a three-story, 45,000-square-foot office building on the site in 2006. The initial tenant, Assett Management, Inc., an engineering technology business serving the defense industry plans to hire 65 employees by 2009. Total investment for this project is more than \$7 million.
- The U.S. General Services Administration (GSA) recently completed construction of a 199,110-square-foot Class “A” office building on 15 acres of land at Innovation to house the FBI’s Northern Virginia Resident Agency. The estimated investment value of the project is \$32.6 million, and the FBI will employ more than 300 people at the facility beginning in 2008.
- George Mason University was awarded \$25 million from the National Institute of Allergy and Infectious Diseases, part of the National Institutes of Health, for construction of a Regional Biocontainment Laboratory at its Prince William Campus at Innovation, one of only 13 of its kind nationwide. This is the largest research award in the University’s history. The 53,000-square-foot Regional Biocontainment Laboratory will cost \$42 million to construct and will create approximately 30 jobs. The laboratory is expected to be open in 2010.
- The Virginia Department of Forensic Science (DSF) purchased 10 acres of land for the construction of a new 110,000-square-foot Northern Virginia Forensics lab at Innovation, an announced investment of \$63 million. The DSF is a nationally accredited forensic laboratory system serving all state and local law enforcement agencies, medical examiners and Commonwealth Attorneys in Virginia. The facility will be located adjacent to the GMU-National Institutes of Health (NIH) Regional Bio-containment Laboratory and will be open in 2009.
- Covance Laboratories agreed to terms with Eli Lilly and Company and announced its acquisition and intent to transform the partially constructed 300,000-square-foot insulin manufacturing facility into a 410,000-square-foot state-of-the-art laboratory. Covance intends to complete construction by January 2011, relocate approximately 450 current Virginia-based employees to this facility by the end of 2011, and hire an additional 100 employees by the year 2014. Planned investment for this project is approximately \$175 million.
- In May 2008, construction began on the new Hylton Performing Arts Center, an 86,000-square-foot facility that will provide a state-of-the-art venue for major touring artists and local

performers. The project is the centerpiece of a planned town center at Innovation Technology Business Park. The center is expected to be completed in the spring of 2010. The land around the performing arts center remains available for mixed-use development. The comprehensive plan includes opportunities for retail centers, office complexes and residential communities.

Other companies that have or plan to relocate or expand within Prince William County's borders include:

- ABF Freight
- Advion Biosciences, LLC
- Broad Run Construction Waste Recycling
- Computer Sciences Corporation
- Creating Results
- The Engineering Groupe
- Genesys Conferencing
- GS Engineering
- ICI Services, LLC
- Interior Building Systems Corporation
- Jacobs Sverdrup
- Log.Sec Corporation
- Martin-Brower
- Marine Corps Heritage Foundation
- Marine Toys For Tots Foundation
- MCI
- MCL Systems
- McLane Food Service
- MTC Technologies
- N to N Fiber
- Net Base Corporation
- Owens Corning Basement Finishing Systems
- ProChain Solutions
- The Regus Group
- SAIC
- Singer Associates
- Smith Barney
- Stanley Associates
- SURVICE Engineering
- The American Public University System (APUS)
- US Foodservice
- The Washington Post
- Wegmans
- WestStar Mortgage

Prince William County's close proximity to the federal government and affiliated contractor industries has largely insulated it from the severity of normal business cycle troughs. While the County is by no means immune to economic downturns, their depth and duration tend to be ameliorated by the fairly constant uptrend in federal spending and procurement. The County depends heavily on residential housing and consumer spending to maintain its prosperity and levels of local government services. These two sectors have fared extraordinarily well during the previous housing boom, but recent trends point to moderated consumer spending and continued negative housing price performance in the short term.

In spite of the County's good economic outlook in the long term, there are challenges ahead. The recent sharp decline of the housing sector will reduce the velocity of the real estate tax income and result in moderating retail sales growth. The County has taken steps to structurally position itself to maintain its AAA bond rating through fiscal prudence involving accurate forecasting, effective management of public programs and constant vigilance.

As Prince William County enters fiscal year 2009, the local economy continues to outperform the national economy but significant economic restructuring is underway. During the most recent real estate boom, the dramatic increase in housing values created wealth, which in turn led to dramatic increases in consumer spending. Nowhere was this more apparent than in Northern Virginia and Prince William County, major recipients of this good fortune. Dramatic increases in real estate assessments allowed for reduced tax rates; and overall, the County practiced fiscal prudence that elevated it to the top tier of communities in the eyes of the nation's bond raters. The real estate downturn, however, is serious and has rippled into other segments of the economy. To date, the County continues to enjoy relatively low unemployment rates and jobs are still being added regionally. The County's proximity to the nation's capital and its enviable participation in the Northern Virginia economy give it a resiliency to withstand challenges from other sectors. Expectations going forward are for moderated growth, muted momentum in commercial and retail sectors and a declining real estate market in the near-term; longer-term prospects provide a more optimistic scenario.

Long-term Financial Planning

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

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

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

Relevant Financial Policies

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

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

Major Initiatives

PWCS is the second largest of 136 school divisions in Virginia and among the top 50th largest school divisions in the country. The school division provides services to over six percent of the State student enrollment. During the next five years, student membership is projected to increase by an annual rate of over two percent. This will result in more than 7,100 additional students by the 2013-2014 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 \$71.0 million.

Providing quality educational facilities is important in providing quality education. PWCS' Capital Program identifies nineteen schools for new construction or additions over the next five years. PWCS endeavors to spend, as is recommended by the National Building Research Board, between 2% and 4% of the total replacement value of buildings on an annual basis on maintenance of existing school facilities. PWCS facilities were constructed between 1918 and 2008, with the oldest school being Dumfries Elementary School constructed 89 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, 2007. This was the sixth 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, 2007. This was the sixth consecutive year the School Board has received this prestigious award. ASBO sponsors this Certificate of Excellence in Financial Reporting program to foster excellence in the preparation and issuance of school system annual financial reports. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. We believe that our current CAFR conforms also to the ASBO Certificate of Excellence program requirements, and we are submitting it to the ASBO to determine the School Board's eligibility for another certificate award.

In addition to the awards for excellence in financial reporting, PWCS has earned the Meritorious Budget Award from the ASBO and the Distinguished Budget Presentation Award from the GFOA for the fiscal year ended June 30, 2008. 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 2009 to determine the School Board's eligibility for another certificate award.

Acknowledgments

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

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

Respectfully,



Steven L. Walts
Division Superintendent



David S. Cline
Associate Superintendent
Finance & Support Services



John Wallingford
Director, Financial Services

Certificate of Achievement For Excellence In Financial Reporting

Presented to

Prince William County
Public Schools, Virginia

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

ASSOCIATION OF SCHOOL BUSINESSES OFFICIALS
INTERNATIONAL



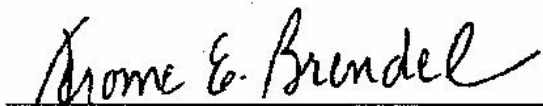
This Certificate of Excellence in Financial Reporting is presented to

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

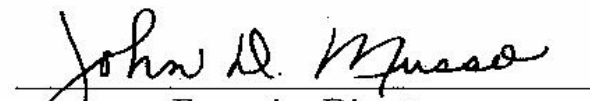
For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2007

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



President



Executive Director

Organization of Prince William County Schools

The Prince William County School Board*

Milton C. Johns, Chairperson *At-Large*

Grant Lattin, Vice Chairman, *Occoquan District*

Betty D. Covington, *Dumfries District*

Julie C. Lucas, *Neabsco District*

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

Denita S. Ramirez, *Woodbridge District*

Don Richardson, *Gainesville District*

Gil Trenum, *Brentsville District*

School Division Administration*

Steven L. Walts
Superintendent of Schools

Rae Darlington
Deputy Superintendent

Keith A. Imon
Associate Superintendent
Communications and Technology Services

Keith J. Johnson
Associate Superintendent
Human Resources

Pamela K. Gauch
Associate Superintendent
Student Learning and Accountability

David S. Cline
Associate Superintendent
Finance and Support Services

Alison Nourse-Miller
Associate Superintendent
Western Elementary Schools

Catherine P. Puttre
Middle Schools

R. Todd Erikson
Associate Superintendent
Central Elementary Schools


Diana Lambert-Aikens
Associate Superintendent
Eastern Elementary Schools

Michael A. Mulgrew
Associate Superintendent
High Schools

John M. Wallingford
Director of Financial Services

Susann Graham
Supervisor of Fiscal Operations

* as of December 10, 2008



2008 - 09
Organizational Chart

PWCS_OrgChart_2008_v1 In.vsd August 11, 2008 12:57 PM

Prince William County School Board

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

Superintendent
Steven L. Walts

Clerk
Eva Thorpe

Deputy Clerk
Cynthia Halsey

Deputy Superintendent
Rae Darlington

Associate Superintendent for Finance and Support Services
David Cline

Associate Superintendent for Western Elementary Schools
Alison Nourse-Miller

Western Elementary Schools	
Alvey ES	Mullen ES
Bennett ES	Nokesville ES
Bristow Run ES	Signal Hill ES
Buckland Mills ES	Sinclair ES
Cedar Point ES	Sudley ES
Ellis ES	Tyler ES
Gravelly ES	Victory ES
Loch Lomond ES	West Gate ES
Mountain View ES	Yorkshire ES

Associate Superintendent for Eastern Elementary Schools
Diana Lambert-Aikens

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

Associate Superintendent for Central Elementary Schools
R. Todd Erickson

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

Associate Superintendent for Middle Schools
Catherine P. Puttre

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

Associate Superintendent for High Schools
Michael Mulgrew

High Schools	
Battlefield HS	Osborn Park HS
Brentsville HS	New Directions Alt
Forest Park HS	PACE West SE
Freedom HS	Potomac HS
Gar-Field HS	Stonewall Jackson HS
Hylton HS	Woodbridge HS
Independent Hill SE / PACE East SE	

Director of Student Learning and Professional Development
Elizabeth Martinez

Curriculum Supervisors
*Carol Bass
Kenneth Bassett
W. Jason Calhoun
Reba Greer
Carol Knight
Fred Milbert
Sarah Hopwood
Joyce Zsembery*

Curriculum Supervisor Career & Technical Education
David Eshelman

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

Associate Superintendent for Student Learning and Accountability
Pamela Gauch

Director of Accountability
Holly Hess

Supervisor of Testing
Raymond Diroll

Supervisor of Program Evaluation
Jennifer Cassata

Director of Special Education
Jane Lawson

Supervisors of Special Education
*Kathy Aux
Morphoula Daoulas
Cary Dougher
Frank Finn
Lynn Galgano
Teresa Hopkins
David Lyon
Cathy Radford
Cylvia Toy*

Director of OSMAP
Pam Brown

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
Deborah Ransom

Supervisor of Student Assistance and Prevention Programs
Doreen Dauer

Supervisor of School Health
Teresa Polk

Director of Information Technology Services
Jim Hite

Supervisor of Student Applications
Susan Dooley

Supervisor of Business Applications
Vincent Bess

Supervisor of Information Systems Support
Susan Moser

Supervisor of Network Services & Central Ops
Robert Sansone

Imaging Center
Danny Armstrong

Associate Superintendent for Communications and Technology Services
Keith Imon

Director of Communications Services
Ken Blackstone

Supervisor of Community Relations
Irene Cromer

Supervisor of Media Production Services
Ben Swecker

Supervisor of Community & Business Engagement
Sharon Henry

Associate Superintendent for Human Resources
Keith Johnson

Director of Human Resources
Amy White

Supervisor of Elementary Staffing Personnel
Michael Mondak

Supervisor of Middle School Staffing Personnel
Paulajane Hancock

Supervisor of High School Staffing Personnel
Tony Jones

Supervisor of Classified Personnel
Dina Mize

Supervisor of Recruiting & Specialty Prgms
Darlene Faltz

Director of Benefit Services
Deborah Sparks

Compliance Officer
Bill Reid

Director of Risk Management & Security Services
Donald Mercer

Director of Transportation Services
Edward Bishop

Supervisor of Bus Operations
Charles Engelberger

Supervisor of Transportation Planning
Scott Withee

Director of Facilities Services
Randy Dasher

Supervisor of Facilities Engineering
Wayne French

Supervisor of Construction
Dee Thompson

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

Director of Financial Services
Vacant

Supervisor of Budget
Bob Horwath

Supervisor of Financial Services
Niki Howell

Supervisor of Fiscal Operations
Susann Graham

Supervisor of Purchasing
Willie Frazier

Supervisor of Supply Services
Charles Wheeler

Director of School Food and Nutrition Services
Serena Suthers

Supervisor of Facilities Management
Paul O'Connor

Supervisor of Planning and Financial Services
Dave Beavers

Supervisor of Planning
Vacant

Supervisor of Land Acquisition & CIP Planning
Maureen Hannan

Employee Investigations

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 ("PWPCS"), a component unit of the County of Prince William, Virginia as of and for the year ended June 30, 2008, which collectively comprise the PWPCS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PWPCS' 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 10% 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 opinions.

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 PWPCS, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008 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 considered 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 15 through 27 and pages 60 through 61, 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 combining and individual fund financial statements and schedules 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 the *"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.

McGladrey & Pullen, LLP

Greensboro, North Carolina
December 10, 2008

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

This section of the Prince William County Public Schools' (PWCS) annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year ended June 30, 2008 (FY 2008). 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 \$777,501 or 86% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$121,519 or 14% of total revenues of \$899,020.
- The school division had \$854,175 in expenses related to governmental activities of which \$121,519 was offset by program specific charges, grants, or contributions. General revenues, primarily County and Commonwealth (State) of Virginia, were adequate to fund the remaining expenses.
- Net assets increased by \$44,845 to a total of \$1,024,598. The value of net assets reflects the financial health of the school division and includes certain assets procured with debt. The school division is a component unit of and is fiscally dependent on Prince William County (the County). As such, all debt related to school division assets are shown on the County's Statement of Net Assets.
- On September 30, 2007 (FY 2008) student membership was 72,654, an increase of 1,931 students, or 2.7% greater than the FY 2007 Approved budget. The student membership was also 418 students more than projected for FY 2008.
- In past years, the school division has received additional County revenue for PWCS' share of revenues that exceeded the original revenue projections. These funds were used to support the local cost of the additional students and to fund capital projects. However, at the end of FY 2007, County revenues were less than anticipated and the school division returned \$9,114.
- Wentworth Green Middle School was opened in September 2007.

Using this Comprehensive Annual Financial Report

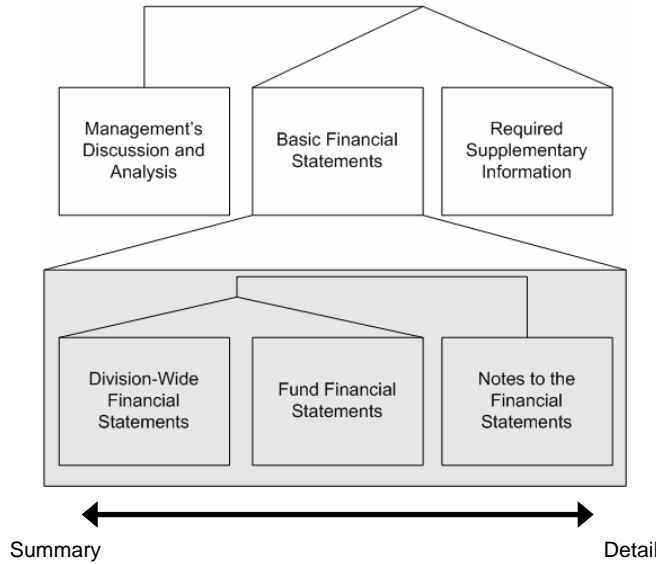
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school division.

- 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, 2008

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 revenues, expenditures, and changes in fund net assets •Statement of cash flows 	<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, 2008

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 PWCS to provide programs and activities, the view of PWCS, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2008?" 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 PWCS' *net assets* and how they have changed. Net assets – the difference between PWCS' assets and liabilities – are one way to measure the division's financial health or position.

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

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

Fund Financial Statements

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

PWCS has three types of funds:

- **Governmental Funds:** Most of PWCS' 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 PWCS' general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the 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. PWCS uses internal service funds (one kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. PWCS 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, 2008

- **Fiduciary Funds:** PWCS 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 PWCS' division-wide statements because PWCS cannot use these assets to finance its operation. The student activity monies are also accounted for in an agency fund.

Financial Analysis of PWCS as a Whole

Net Assets

The condensed statement of net assets describes the financial position of PWCS on June 30, 2008. The largest portion of PWCS net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 84.0% of the total net assets and have increased by \$82,738 since June 30, 2007. 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, PWCS does not have the authority to issue debt. All debt is issued by the County and, therefore, shown as a liability on their Statement of

Condensed Statement of Net Assets			
(amounts expressed in thousands)			
	Governmental Activities		
	2008	2007	Percent Change
Current and other assets	\$ 306,353	\$ 330,167	(7.2)%
Capital assets	860,721	777,983	10.6
Total assets	<u>1,167,074</u>	<u>1,108,150</u>	5.3
Current liabilities	108,650	99,222	9.5
Long-term liabilities	33,826	29,175	15.9
Total liabilities	<u>142,476</u>	<u>128,397</u>	11.0
Net assets:			
Invested in capital assets	860,721	777,983	10.6
Restricted	86,387	106,607	(19.0)
Unrestricted	77,490	95,163	(18.6)
Total net assets	<u>\$ 1,024,598</u>	<u>\$ 979,753</u>	4.6

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

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Restricted net assets decreased by \$20,220 during the current fiscal year reflecting a decrease in PWCS' resources restricted for specific construction projects. Unrestricted net assets are those resources that may be used to meet the obligations placed on PWCS by its creditors and to pay for ongoing operations of the school division. At the end of the fiscal year unrestricted net assets amounted to \$77,490, a decrease of \$17,673. 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, 2008

Changes in Net Assets

(amounts expressed in thousands)

	Governmental Activities		Percent Change
	2008	2007	
Program revenues:			
Charges for services	\$ 22,098	\$ 20,096	10.0%
Operating grants and contributions	98,392	93,536	5.2
Capital grants and contributions	1,029	990	4.0
General revenues:			
Federal	915	708	29.2
State	303,777	290,303	4.6
County	464,369	473,073	(1.8)
Unrestricted investment earnings	6,665	6,712	(.7)
Miscellaneous revenues	1,775	4,302	(58.7)
Total revenues	<u>899,020</u>	<u>889,720</u>	1.1
Expenses:			
Instructional:			
Regular	416,988	392,821	6.2
Special	95,345	90,322	5.6
Other	9,521	9,151	4.0
Instructional leadership	51,412	48,346	6.3
Support services:			
General administration	7,622	6,856	11.2
Student services	10,604	9,892	7.2
Curricular/staff development	13,353	12,735	4.9
Pupil transportation	49,304	45,570	8.2
Operations	21,172	20,120	5.2
Utilities	23,682	21,448	10.4
Maintenance	23,707	23,284	1.8
Central business services	45,996	37,801	21.7
Reimbursement to County for debt service	57,493	52,929	8.6
Food service	27,191	25,492	6.7
Community service operations	785	698	12.5
Total expenses	<u>854,175</u>	<u>797,465</u>	7.1
Change in net assets	44,845	92,255	(51.4)
Net assets, beginning of year	979,753	887,498	10.4
Net assets, end of year	<u>\$ 1,024,598</u>	<u>\$ 979,753</u>	4.6

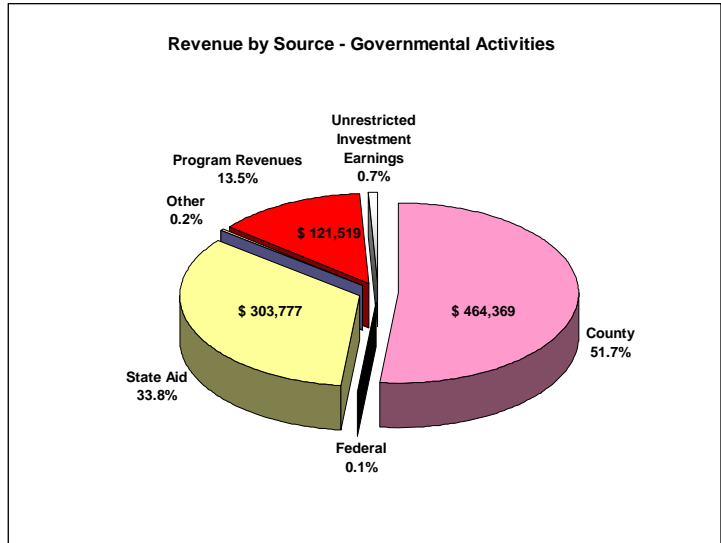
Prince William County Public Schools
Management's Discussion and Analysis
 For the Year Ended June 30, 2008

Changes in Net Assets

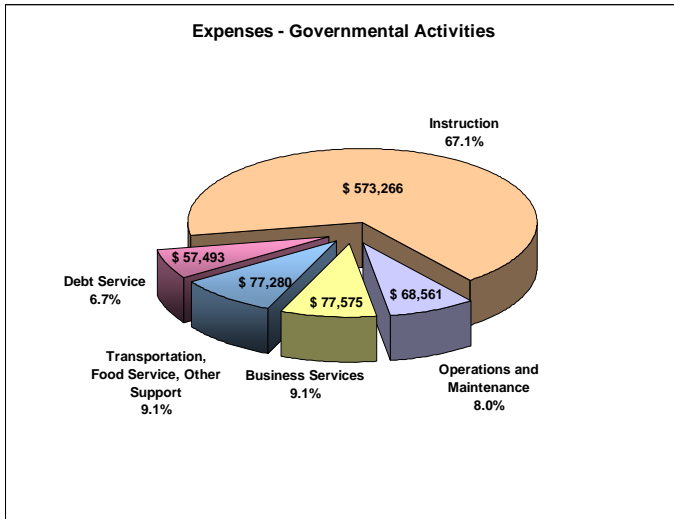
Total revenues increased by \$9,300 for a 1.1% increase over fiscal year 2007. This is primarily the result of increase in state aid.

51.7% of PWCS' revenue comes from the primary government (the County), 33.8% from the state, 13.5% in the form of program revenues (charges for services, operating and capital grants and contributions), and 1% from other categories. The funds PWCS receives from the County are comprised, primarily, of two components; 56.75% of all county general revenues, and amounts provided to PWCS that are the result of bonds sold by the County to fund schools capital projects.

The component of PWCS' "county revenue" that is a function of bond sales decreased from fiscal year 2007 by \$18,909 or 27.7% while all other components of "county revenue" increased by \$10,205 or 2.5%. For fiscal year 2008 there was a 1.8% decrease of all components of "county revenue" or \$8,704. This decrease is primarily a function of the reduction in bond sales. "Other revenue" displayed on the statement of activities decreased by \$2,367 relative to FY 2007 "other revenue".



State revenue increased \$13,474 or 4.6% 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 7.1% to \$854,175 in fiscal year 2008. 76.2% of the division's expenses are related to the instruction of and caring for the needs of students (instruction, transportation, student services, and food service). The division's business and administrative activities accounted for 9.1% of total costs while operations and maintenance amounted to 8.0% of total cost. Reimbursements to the County for debt service totaled 6.7% of fiscal year 2008 costs. For the fiscal year 2008, revenues exceeded expenses by a total of \$44,845. A substantial portion of this excess is the recognition of revenues associated with capital outlay related to PWCS continued expansion of facilities.

Governmental Activities

The two primary sources of revenue for the school division are from Prince William County and the Commonwealth of Virginia. Funding from the County is provided through a revenue sharing agreement whereby the school division receives 56.75% of general county revenue. The budget is developed based upon projected revenue for that year. In the following fiscal year, revenues are adjusted to reflect the difference between projected and actual revenues (plus or minus). There was no additional funding from Prince William County in FY 2008 related to additional recognized revenues from FY 2007. Instead, County revenues were less than anticipated and the school division returned \$9,114 during FY 2007.

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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 2008 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 2007 as a result of the state funding their share of the SOQ cost of the additional 1,931 students in the school division; an increase in student population of 2.7%.

The FY 2008 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)						
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2008	2007	Percent Change	2008	2007	Percent Change
Instruction						
Regular	\$ 416,988	\$ 392,821	6.2%	\$ 375,720	\$ 355,158	5.8%
Special	95,345	90,322	5.6	52,241	48,245	8.3
Other	9,521	9,151	4.0	4,825	4,243	13.7
Instructional leadership	51,412	48,346	6.3	51,411	48,346	6.3
Total instruction	<u>573,266</u>	<u>540,640</u>	6.0	<u>484,197</u>	<u>455,992</u>	6.2
Support services						
General administration	7,622	6,856	11.2	7,622	6,856	11.2
Student services	10,604	9,892	7.2	10,547	9,892	6.6
Curricular/staff development	13,353	12,735	4.9	13,225	12,585	5.1
Pupil transportation	49,304	45,570	8.2	49,186	45,440	8.2
Operations	21,172	20,120	5.2	21,086	20,085	5.0
Utilities	23,682	21,448	10.4	23,682	21,448	10.4
Maintenance	23,707	23,284	1.8	23,707	23,284	1.8
Central business services	45,996	37,801	21.7	44,973	36,900	21.9
Reimbursement to County for debt	57,493	52,929	8.6	57,493	52,929	8.6
Food service	27,191	25,492	6.7	(2,808)	(2,381)	17.9
Community service operations	785	698	12.5	(254)	(187)	35.8
Total support services	<u>280,909</u>	<u>256,825</u>	9.4	<u>248,459</u>	<u>226,851</u>	9.5
Total expenses	<u>\$ 854,175</u>	<u>\$ 797,465</u>	7.1	<u>\$ 732,656</u>	<u>\$ 682,843</u>	7.3

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Governmental Activities (continued)

- The cost of all governmental activities was \$854,175.
- The net cost of governmental activities was \$732,656.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$464,369.
- The Commonwealth of Virginia contributed general revenue of \$303,777.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$22,098.
 - Total Grants and Contributions: \$99,421.
 - Other payments: \$9,355.
- There are several significant activity changes in the net cost of services:
 - General administration costs increased for changes in the FY 2008 Approved budget as well as additional staffing. Costs also increased with the opening of one new middle school, and the staffing and startup costs associated with this school.
 - Transportation costs have increased with the addition of a new school.
 - Utility costs have increased with the opening of a new school as well as increased prices for heating and bus fuels.
 - 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 PWCS' major funds begins on page 33. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$899,020 and expenditures of \$932,583. The net change in fund balance was most significant in the Construction Fund amounting to a decrease of \$33,949. This decrease is due, primarily, to timing differences between the sale of bonds and the expenditures for the construction of the associated projects.

The General Fund net change in fund balance of (\$3,061) reflects a decrease resulting from General Fund activities of \$2,422 and a decrease related to PWCS' funds used to repay the County for debt they incur on behalf of PWCS of \$639. The change in the General Fund's fund balance is primarily a result of less than anticipated County revenue receipts which resulted in the return of \$3,498 at the end of the year. The increase in fund balance in Other Governmental Funds of \$3,447 is primarily attributable to concerted operational efforts to control costs and new reimbursement amounts with regard to some federal revenues.

General Fund Budgetary Highlights

The PWCS' budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, PWCS amended its General Fund budget as follows:

- Amended appropriation of \$25,431 to reflect the carryover of encumbrances from Fiscal Year 2007 to Fiscal Year 2008.
- Amended appropriation of \$19,777 to reflect the carryover of encumbrances from Fiscal Year 2008 to Fiscal Year 2009.

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

- Other supplemental appropriations totaling \$6,939 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.

PWCS' final budget for the General Fund anticipated that expenses, including transfers, would exceed revenues by roughly \$21,077. The actual results for the year show a deficit of \$3,061. The \$3,061 deficit is primarily a result of less than anticipated receipts of County revenue.

Capital Assets

At the end of fiscal year 2008, PWCS had \$860,721 invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table shows fiscal year 2008 balances, net of accumulated depreciation. Readers interested in more detailed information on capital assets should refer to the Capital assets note in the Notes to the Financial Statements.

	Governmental Activities		Percent Change
	2008	2007	
	<u>2008</u>	<u>2007</u>	
Land	\$ 54,697	\$ 53,993	1.3%
Construction in progress	58,191	75,842	(23.3)
Depreciable capital assets	747,833	648,148	15.4
Total	<u>\$ 860,721</u>	<u>\$ 777,983</u>	10.6

Major capital asset additions for FY 2008 included:

- Completion of construction and opening of Gainesville Middle School (Wentworth) on Limestone Drive, Gainesville, opened September 2007.
- Continued construction of the Edward L. Kelly Leadership Center on Bristow Road, Manassas, opening September 2008.
- Continued construction of Fannie W. Fitzgerald Elementary School (Brightwood) located on 15500 Benita Fitzgerald Drive, Woodbridge and Samuel L. Gravely Jr. Elementary School located on 4670 Waverly Farm Drive, Haymarket, opening September 2008.
- Additional land acquisition at 13809 Dumfries Road for the future construction of the 12th High School.
- Commenced construction of the replacement for Yorkshire Elementary School.
- Room additions at:
 - Ashland Elementary School
 - Bel Air Elementary School
 - Montclair Elementary School

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

- Major renovations at:
 - Coles Elementary School
 - Sinclair Elementary School
- Purchase of 69 school buses.
- Replacement of 11 trucks and other vehicles.

The following major capital projects are included in PWCS' fiscal year 2009 capital budget:

- Four room addition to Marumsco Hills Elementary,
- Four room addition to Potomac View Elementary,
- Seven room addition to Rockledge Elementary,
- Nine room addition to Vaughan Elementary and,
- Continual implementation of an institutional technology network, I-Net.

Funding for the FY 2009 capital projects includes a general fund transfer of \$17,752 and \$75,953 to be financed by the County through the sale of General Obligation bonds to the Virginia Public School Authority (VPSA) in the spring of 2009.

Outstanding Long-Term Debt

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

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

The following information is provided to acknowledge the portion of long-term debt that is incurred by the County at the request of the School Board and funded by the school district. At June 30, 2008, the County is liable for \$519,610 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2008, outstanding long-term debt increased by a net \$12,637 consisting of:

- \$33,253 in debt principal retired during the fiscal year;
- \$45,890 new debt issued during FY 2008:
 - \$45,890 in sale of general obligation bonds to the Virginia Public School Authority (VPSA);
 - In addition, a bond premium of \$3,343 was realized on the sale of the VPSA bonds. (Bringing the total funds available from the sale to \$49,233);

The FY 2009 Approved School Board budget provides funding for \$59,939 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$75,953 in new bonds to support school capital projects, as detailed in the FY2009 – 2018 Capital Improvements Program. Readers interested in more detailed information for long-term debt activity should refer to the Long-term debt note in the Notes to the Financial Statements.

Prince William County Public Schools
Management's Discussion and Analysis
 For the Year Ended June 30, 2008

Outstanding Long-Term Debt			
(Incurred by Prince William County on behalf of PWCS) (amounts expressed in thousands)			
	Total School Division		
	2008	2007	Percent Change
General obligation bonds *	\$ 515,487	\$ 502,453	2.6%
Literary loans	4,123	4,520	(8.8)
Total	\$ 519,610	\$ 506,973	2.5

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

Bond Ratings

The County's general obligation bonds continue to maintain a "AAA" rating by Fitch Ratings. 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. Also, the County received an "Aa1" by Moody's Investors Service.

Factors influencing future budgets:

The FY 2009 budget provides funding for the following significant costs:

- A step increase and pay adjustment averaging 4.85%.
- Funding for current programs to support an increase of 1,003 students.
- Funding to support the capital projects included in the FY 2009 – 2013 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, 2008 was 73,657. This represents an increase of 1,003 students for a growth rate in excess of 1.4%. The student membership was 336 students above the 73,321 projected in the FY 2009 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.
- In past fiscal years actual revenues have exceeded the budgeted revenue resulting in surpluses to the schools. In fiscal year 2008 there was no actual revenue in excess of budget and therefore no additional funding. The County has indicated that FY 2009 revenues are currently tracking with budgets. Changes in the local economy, particularly the value of residential real estate, will likely result in reduced revenues for FY 2010.
- 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 expenditures to meet those needs.

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

- The school division continues to receive information and assess the potential impact and associated costs of the federal No Child Left Behind legislation (NCLB). 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. The coming change in the administration at the federal level may have impacts on NCLB and change NCLB funding levels.
- During FY 2008 the school division experienced fuel (natural gas, heating fuel, vehicle fuels) costs that have continued to increase substantially. The FY 2009 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 6% - 8% per year. The costs continue to increase even in the face of a declining residential housing market. This will continue to challenge the school division in its procurement of construction contracts as funding becomes scarcer and the demand for increased space continues to keep pace at current levels.
- During the seven year period prior to fiscal year 2007, the growth in real estate values had 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. In fiscal year 2007 the tax rate was increased to \$0.787 per \$100 of assessed value and in 2008 the rate was again raised to \$0.97 to fund FY 2009. The decline in the value of residential real estate that have been expected for the past few years have begun to materialize. During the current calendar year the value of housing has decreased, on average, thirty percent. This decrease will have substantial impacts on operating and capital budgets in fiscal year 2010.
- The school division has finished its assessment of 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 school division has earmarked funds for the implementation year of GASB 45 and currently plans on continuing to fund this post employment liability. The county and school division are currently in the process of creating a joint trust into which these earmarked funds will be placed. The expectation is that this trust will be created and funded sometime during the 2009 fiscal year.
- Fiscal year 2009 is the first year of the biennial budget process for the Commonwealth of Virginia. The budget for Fiscal year 2009 may be impacted by a number of significant changes including:
 - Updated student enrollment projections,
 - Continued updating of rates for the Virginia Retirement System, and
 - Programmatic changes are not likely to be significant in the second year of the biennium.
- The change in the local composite index (LCI) for the coming biennium is going to have an impact on funding provided to Prince William County Schools by the state. Prince William County Public Schools' LCI will go from .4287 for the 2006-2008 biennium to .4441 for the 2008-2010 biennium. This increase in the LCI represents the state's expectation that the locality has the ability to bear a larger burden of the funding of education and, therefore, a reduction in share of state education dollars.

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Contacting the Prince William County Public Schools' Financial Management

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

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Basic Financial Statements

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Prince William County Public Schools
Statement of Net Assets
As of June 30, 2008

Exhibit 1

	Governmental Activities
	<hr/>
ASSETS	
Equity in cash and pooled investments	\$ 191,607,364
Accounts receivable and other current assets	1,858,917
Due from other governmental units	22,887,651
Inventory	3,555,563
Prepays	56,328
Restricted assets:	
Restricted cash	86,387,323
Capital assets:	
Land	54,696,969
Construction in progress	58,191,545
Depreciable capital assets	992,194,383
Less: accumulated depreciation	(244,361,837)
<i>Total assets</i>	<hr/> <hr/> 1,167,074,206
LIABILITIES	
Accounts payable and accrued liabilities	13,075,319
Salaries payable and withholdings	83,310,075
Due to other governmental units	1,255,624
Retainage	4,466,729
Unearned revenue	6,542,714
Long-term liabilities:	
Due within one year	13,864,771
Due in more than one year	19,961,088
<i>Total liabilities</i>	<hr/> <hr/> 142,476,320
NET ASSETS	
Invested in capital assets	860,721,060
Restricted for:	
Capital projects	86,387,323
Unrestricted	77,489,503
<i>Total net assets</i>	<hr/> <hr/> <hr/> \$ 1,024,597,886

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

Prince William County Public Schools
Statement of Activities
For the Year Ended June 30, 2008

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	\$ 416,988,440	1,332,155	39,819,993	116,405	(375,719,887)
Special	95,344,917	47,429	43,056,531	-	(52,240,957)
Other	9,521,360	1,618,496	3,078,191	-	(4,824,673)
Instructional leadership	51,411,624	-	-	-	(51,411,624)
Total instruction	573,266,342	2,998,080	85,954,715	116,405	(484,197,142)
Support services:					
General administration	7,622,273	-	-	-	(7,622,273)
Student services	10,603,547	-	57,006	-	(10,546,541)
Curricular/staff development	13,352,840	6,075	121,699	-	(13,225,066)
Pupil transportation	49,304,268	117,948	-	-	(49,186,320)
Operations	21,172,089	85,726	-	-	(21,086,363)
Utilities	23,682,294	-	-	-	(23,682,294)
Maintenance	23,706,666	-	-	-	(23,706,666)
Central business services	45,995,615	109,661	-	912,759	(44,973,195)
Reimbursement to County for debt service	57,492,866	-	-	-	(57,492,866)
Food service	27,190,586	17,740,894	12,258,382	-	2,808,690
Community service operations	785,191	1,039,491	-	-	254,300
Total support services	280,908,234	19,099,795	12,437,087	912,759	(248,458,593)
Total governmental activities	\$ 854,174,576	22,097,875	98,391,802	1,029,164	(732,655,735)

General revenues:

Grants and contributions not restricted to specific programs:

Federal	914,759
State	303,777,576
County	464,368,783
Unrestricted investment earnings	6,665,232
Miscellaneous revenues	1,774,746
Total general revenues	777,501,096

Change in net assets 44,845,361

Net assets, beginning of year 979,752,525
Net assets, end of year \$ 1,024,597,886

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

Prince William County Public Schools
 Balance Sheet
 Governmental Funds
 As of June 30, 2008

Exhibit 3

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in cash and pooled investments	\$ 108,612,481	42,936,070	9,370,109	160,918,660
Restricted cash	-	86,387,323	-	86,387,323
Accounts receivable	447,078	372,364	349,143	1,168,585
Due from other funds	121,860	-	-	121,860
Due from other governmental units	21,159,375	-	1,728,276	22,887,651
Inventory	807,558	-	1,706,323	2,513,881
Prepaid Items	56,328	-	-	56,328
Total assets	<u>\$ 131,204,680</u>	<u>129,695,757</u>	<u>13,153,851</u>	<u>274,054,288</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,611,304	6,513,632	289,170	12,414,106
Salaries payable and withholdings	82,537,943	24,197	738,969	83,301,109
Retainage payable	-	4,466,729	-	4,466,729
Unearned revenue	442,095	-	1,495,282	1,937,377
Total liabilities	<u>88,591,342</u>	<u>11,004,558</u>	<u>2,523,421</u>	<u>102,119,321</u>
Fund balances:				
Reserved for:				
Inventory	807,558	-	1,706,323	2,513,881
Prepays	56,328	-	-	56,328
Unreserved, reported in:				
General Fund:				
Designated for encumbrances	19,777,186	-	-	19,777,186
Designated for future years' expenditures	8,516,303	-	-	8,516,303
Designated for grants and special projects	73,725	-	-	73,725
Undesignated	13,382,238	-	-	13,382,238
Capital Projects:				
Designated for encumbrances	-	77,098,831	-	77,098,831
Designated for future years' expenditures	-	40,336,744	-	40,336,744
Designated for payments to PWC for arbitrage rebate	-	1,255,624	-	1,255,624
Nonmajor Special Revenue Funds:				
Designated for encumbrances	-	-	523,527	523,527
Designated for future years' expenditures	-	-	340,067	340,067
Undesignated	-	-	8,060,513	8,060,513
Total fund balances	<u>42,613,338</u>	<u>118,691,199</u>	<u>10,630,430</u>	<u>171,934,967</u>
Total liabilities and fund balances	<u>\$ 131,204,680</u>	<u>129,695,757</u>	<u>13,153,851</u>	<u>274,054,288</u>

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

Prince William County Public Schools
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Assets
 As of June 30, 2008

Exhibit 4

Total fund balances - governmental funds \$ 171,934,967

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	\$ 54,696,969	
Construction in progress	58,191,545	
Library books	3,695,679	
Buildings and improvements	895,230,624	
Equipment	23,030,195	
Vehicles	<u>70,237,885</u>	
Total capital assets	1,105,082,897	
Accumulated depreciation	<u>(244,361,837)</u>	860,721,060

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

Compensated absences	(24,245,196)	
Other post employment benefits	(1,677,000)	
Other liabilities	<u>(1,255,624)</u>	(27,177,820)

Net Assets of internal service funds. 19,119,679

Net assets - governmental activities \$ 1,024,597,886

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit 5

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 3,570,344	6,413,122	391,810	10,375,276
Use of property	-	-	1,039,491	1,039,491
Charges for services	3,316,697	-	17,700,504	21,017,201
Intergovernmental:				
Federal	26,960,365	-	11,570,004	38,530,369
State	364,738,638	-	410,019	365,148,657
County	404,322,305	56,336,435	-	460,658,740
Miscellaneous	1,921,860	9,594	318,749	2,250,203
Total revenues	<u>804,830,209</u>	<u>62,759,151</u>	<u>31,430,577</u>	<u>899,019,937</u>
EXPENDITURES:				
Current:				
Regular instruction	393,736,640	7,222,583	-	400,959,223
Special instruction	94,645,100	-	-	94,645,100
Other instruction	9,461,438	-	-	9,461,438
Instructional leadership	51,411,624	-	-	51,411,624
General administration	7,234,885	-	-	7,234,885
Student services	10,533,151	-	-	10,533,151
Curricular/staff development	13,280,367	-	-	13,280,367
Pupil transportation	50,403,205	-	-	50,403,205
Operations	21,000,278	-	-	21,000,278
Utilities	23,682,294	-	-	23,682,294
Maintenance	23,591,921	-	-	23,591,921
Central business services	46,159,153	-	-	46,159,153
Community service operations	-	-	785,191	785,191
Food services	-	-	27,198,397	27,198,397
Reimbursement to the County for debt service	53,657,143	3,391,372	-	57,048,515
Capital outlay	-	95,188,278	-	95,188,278
Total expenditures	<u>798,797,199</u>	<u>105,802,233</u>	<u>27,983,588</u>	<u>932,583,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,033,010</u>	<u>(43,043,082)</u>	<u>3,446,989</u>	<u>(33,563,083)</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
General fund	-	11,094,372	-	11,094,372
Construction fund	2,000,000	-	-	2,000,000
TRANSFERS OUT:				
General fund	-	(2,000,000)	-	(2,000,000)
Construction fund	(11,094,372)	-	-	(11,094,372)
Total other financing sources (uses), net	<u>(9,094,372)</u>	<u>9,094,372</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,061,362)	(33,948,710)	3,446,989	(33,563,083)
FUND BALANCES, beginning of year	<u>45,674,700</u>	<u>152,639,909</u>	<u>7,183,441</u>	<u>205,498,050</u>
FUND BALANCES, end of year	<u>\$ 42,613,338</u>	<u>118,691,199</u>	<u>10,630,430</u>	<u>171,934,967</u>

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

**Prince William County Public Schools
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2008**

Exhibit 6

Total net change in fund balances - total governmental funds	\$ (33,563,083)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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	\$ 107,858,232
Depreciation expense	<u>(23,756,256)</u>
	84,101,976
The net effect of various transactions including disposal of capital assets.	(1,363,674)
Some expenses reported in the Statement of Activities, such as compensated absences and other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(3,308,960)
Activities of Internal Service Funds that serve governmental activities	<u>(1,020,898)</u>
Change in net assets of governmental activities	<u>\$ 44,845,361</u>

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

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	3,570,336	3,570,344	8
Charges for services	1,780,128	3,226,847	3,316,697	89,850
Intergovernmental:				
Federal	24,765,542	28,431,066	26,960,365	(1,470,701)
State	366,180,190	364,170,364	364,738,638	568,274
County	410,598,965	407,833,333	404,322,305	(3,511,028)
Miscellaneous	30,044	1,534,653	1,921,860	387,207
Total revenues	<u>803,354,869</u>	<u>808,766,599</u>	<u>804,830,209</u>	<u>(3,936,390)</u>
EXPENDITURES:				
Current:				
Regular instruction	410,215,413	403,744,145	393,736,640	10,007,505
Special instruction	94,226,316	99,019,846	94,645,100	4,374,746
Other instruction	7,834,443	9,494,051	9,461,438	32,613
Instructional leadership	52,992,812	53,449,444	51,411,624	2,037,820
General administration	7,646,712	7,072,092	7,234,885	(162,793)
Student services	10,155,069	10,122,496	10,533,151	(410,655)
Curricular/staff development	12,889,984	12,798,045	13,280,367	(482,322)
Pupil transportation	52,948,976	50,982,227	50,403,205	579,022
Operations	19,684,898	19,545,077	21,000,278	(1,455,201)
Utilities	32,041,209	29,398,923	23,682,294	5,716,629
Maintenance	25,158,947	23,950,940	23,591,921	359,019
Central business services	56,782,998	47,454,752	46,159,153	1,295,599
Reimbursement to the County for debt service	57,108,860	57,108,860	53,657,143	3,451,717
Total expenditures	<u>839,686,637</u>	<u>824,140,898</u>	<u>798,797,199</u>	<u>25,343,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,331,768)</u>	<u>(15,374,299)</u>	<u>6,033,010</u>	<u>21,407,309</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Construction fund	2,000,000	2,000,000	2,000,000	-
TRANSFERS OUT:				
Construction fund	<u>(4,995,000)</u>	<u>(7,703,000)</u>	<u>(11,094,372)</u>	<u>(3,391,372)</u>
Total other financing uses, net	<u>(2,995,000)</u>	<u>(5,703,000)</u>	<u>(9,094,372)</u>	<u>(3,391,372)</u>
Net change in fund balance	<u>(39,326,768)</u>	<u>(21,077,299)</u>	<u>(3,061,362)</u>	<u>18,015,937</u>
FUND BALANCE, beginning of year	<u>45,674,700</u>	<u>45,674,700</u>	<u>45,674,700</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 6,347,932</u>	<u>24,597,401</u>	<u>42,613,338</u>	<u>18,015,937</u>

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

Prince William County Public Schools
Statement of Fund Net Assets
Proprietary Funds - Internal Service Funds
As of June 30, 2008

Exhibit 8

	Internal Service Funds
ASSETS	
Current assets:	
Equity in cash and pooled investments	\$ 30,688,704
Accounts receivable and other current assets	690,332
Inventory	<u>1,041,682</u>
Total current assets	<u>32,420,718</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	661,213
Salaries payable and withholdings	8,966
Unearned revenue	4,605,337
Due to other funds	121,860
Incurred but not reported claims	<u>6,752,289</u>
Total current liabilities	<u>12,149,665</u>
Noncurrent liabilities:	
Incurred but not reported claims	<u>1,151,374</u>
Total liabilities	<u>13,301,039</u>
NET ASSETS	
Unrestricted	<u>\$ 19,119,679</u>

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

**Prince William County Public Schools
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2008**

Exhibit 9

	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 61,252,579
Total operating revenues	<u>61,252,579</u>
Operating Expenses:	
Personnel services	1,059,808
Materials/supplies	48,818
Administrative costs	3,570,967
Premiums	5,362,770
Claims and benefits paid	47,116,429
Losses and unallocated loss adjustment	2,130,813
Cost of goods sold	4,650,521
Total operating expenses	<u>63,940,126</u>
Operating loss	<u>(2,687,547)</u>
Non-Operating Revenues:	
Interest and miscellaneous	<u>1,666,649</u>
Change in net assets	(1,020,898)
Net Assets, beginning of year	<u>20,140,577</u>
Net Assets, end of year	<u>\$ 19,119,679</u>

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

Prince William County Public Schools
Statement of Cash Flows
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2008

Exhibit 10

	Internal Service Funds
	<u> </u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 61,127,791
Payments to suppliers for goods and services	(61,189,287)
Payments to employees	<u>(1,060,193)</u>
Net cash used in operating activities	<u>(1,121,689)</u>
 Cash Flows from Non-capital Financing Activities:	
Transfers to other funds	<u>121,860</u>
 Cash Flows from Investing Activities:	
Interest received from investments	<u>1,616,844</u>
 Net increase in equity in cash and pooled investments	617,015
 Equity in cash and pooled investments, beginning of year	<u>30,071,689</u>
 Equity in cash and pooled investments, end of year	<u><u>\$ 30,688,704</u></u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	<u>\$ (2,687,547)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Change in assets and liabilities:	
Increase in accounts receivable	(456,425)
Increase in inventories	(144,773)
Increase in unearned revenue	331,637
Increase in accounts payable and accrued liabilities	49,718
Decrease in salaries payable and withholdings	(385)
Increase in incurred but not reported claims	<u>1,786,086</u>
Net cash used in operating activities	<u><u>\$ (1,121,689)</u></u>

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

**Prince William County Public Schools
Statement of Assets and Liabilities
Agency Funds
As of June 30, 2008**

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 7,401,981
Due from other governmental units	<u>2,238,484</u>
Total assets	<u><u>\$ 9,640,465</u></u>
Liabilities	
Accounts payable and accrued liabilities	<u><u>\$ 9,640,465</u></u>

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

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Prince William County Public Schools
Notes to the Financial Statements
June 30, 2008

NOTE 1 – Summary of significant accounting policies

A. Financial reporting entity

Prince William County Public Schools (PWCS) is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The eight members of the School Board are elected by the citizens of Prince William County (the County) to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCS is organized to focus on meeting the needs of its 72,654 students while managing 86 schools and centers. The mission of PWCS is to provide a world-class education. PWCS receives funding from taxes collected and allocated by the County; tuition and fees; and state and federal aid. School construction projects are funded by the proceeds of general obligation bonds issued by the County and approved by the County voters. Other sources of PWCS school construction funding are Virginia Public School Authority (VPSA) bonds, Literary Fund loans, and cash funding. Accounting principles generally accepted in the United States of America establish PWCS as a component unit of the County.

B. Division-wide and fund financial statements

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

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

The basic financial statements include both division-wide statements where the focus is on the division as a whole and fund financial statements where the focus is on the major individual funds. PWCS does not engage in business-type activities and, therefore, issues single column division-wide financial statements. In the division-wide statement of net assets, assets and liabilities are (a) presented on a consolidated basis and (b) reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of net assets - The statement of net assets is designed to display the financial position of the primary government. PWCS 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 PWCS 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 PWCS 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. PWCS 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 PWCS supply function and other functions of PWCS. 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 PWCS are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The 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.

PWCS' fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of PWCS, these funds are not incorporated into the 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, PWCS has chosen to make its budgetary comparison statement of the General Fund part of the basic financial statements. PWCS and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

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

The 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 PWCS either gives or receives value without directly receiving or giving equal value in exchange. Revenues from general-purpose grants are recognized in the period for which they are earned.

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

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

PWCS reports the following major funds:

Governmental Funds:

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

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

Proprietary Funds:

Internal service funds account for warehouse services, self-insurance, and health insurance provided to departments of PWCS 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.

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.

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

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

Fiduciary Funds:

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

D. Assets, liabilities, and net assets or equity

Deposits and investments

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

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

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

Deposits

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

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

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

Restricted cash of \$86,387,323 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., bankers' acceptances, repurchase agreements, money market mutual funds, the State Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP). PWCS' pro rata share of the County's pooled investments was approximately 32.7% at June 30, 2008. The investments contained in the County's pool of investments are subject to investment rate and custodial credit risk.

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

Receivables and payables

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

Inventory

Inventory in the Warehouse and Food Services funds consists of expendable supplies held for consumption. PWCS values the inventory at cost and utilizes the consumption method of recording inventories. With the consumption method, the cost is recorded as an expenditure at the time individual inventory items are consumed. In the fund statements, 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 Services 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 PWCS 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.

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

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

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

Capital assets are depreciated 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 PWCS' 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 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, 2008 PWCS had contractual commitments of \$77,098,831 in the Construction fund for construction of various projects.

E. Governmental Accounting Standards Board (GASB) Pronouncements

GASB has issued several statements with effective implementation dates later than June 30, 2008. The statements deemed to have a future impact on PWCS are as follows:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement establishes a framework for the recognition and measurement of pollution remediation liabilities. A pollution remediation obligation addresses the current or potential detrimental effects of existing pollution by participation in pollution remediation activities. This statement is effective for fiscal periods beginning after December 15, 2007. Management is in the process of completing their assessment of this GASB statement and is prepared to implement this statement during the next fiscal year.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Guidance is provided relating to the accounting and financial reporting for intangible assets to reduce inconsistencies in reporting and improve comparability among the state and local governments. This statement is effective for periods beginning after June 15, 2009. Management is in the process of completing their assessment of this GASB statement and has not implemented this statement.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement requires governments to report the changes in fair value as investment income. It also requires them to disclose the methods and significant assumptions employed to determine fair value, and to provide other information they currently present for other investments reported at fair value. This statement is effective for periods beginning after June 15, 2008. PWCS is in the process of completing their assessment of GASB Statement No. 52, and does not believe the implementation will have a material impact on the financial statements of the Schools. PWCS is prepared to implement this statement during the next fiscal year.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirements. This statement is effective for periods beginning after June 15, 2009. PWCS is in the process of completing their assessment of GASB Statement No. 53, and does not believe the implementation will have a material impact on the financial statements of the Schools. PWCS has not implemented this statement.

Note 2 - Stewardship, compliance, and accountability

A. Budgetary information

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

Annual budgets are adopted for all funds except for the student activity fund. Project length financial plans are adopted for all capital projects in the Construction Fund. PWCS uses the modified accrual basis of accounting in budgeting for governmental funds. The budgets are on a basis consistent with 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 School Board and County Board of Supervisors.

B. Excess of expenditures over appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the General Fund for General Administration, Student Services, Curricular/Staff Development, and Operations. Excess budget in other functions covered the shortfall in the aforementioned functional areas.

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

Receivables and due from other governments at June 30, 2008 for PWCS' individual major funds, non major, 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	\$ 447,078	372,364	349,143	690,332	-	1,858,917
Federal	7,311,310	-	1,728,276	-	-	9,039,586
State	13,848,065	-	-	-	26,000	13,874,065
Other localities	-	-	-	-	2,212,484	2,212,484
Total	\$ 21,606,453	372,364	2,077,419	690,332	2,238,484	26,985,052

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 and train and recruit teachers 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 PWCS. The Virginia Retail Sales and Use Tax Act requires one and one eighth out of every five cents collected in state sales tax to be distributed to school divisions.

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. Internal service funds also defer revenue recognition in connection with resources received but not earned. At the

end of the current fiscal year, the various components of unearned revenue reported in the governmental and internal service funds were as follows:

	Unearned
Food Service	\$ 1,495,282
General Fund	442,095
Governmental Funds	<u>1,937,377</u>
Health Insurance Fund (internal service fund)	4,605,337
Total	<u>\$ 6,542,714</u>

Note 4 - Interfund transfers

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

Transfer In:		
	General Fund	Construction Fund
Transfer Out:		
General Fund	\$ -	11,094,372
Construction Fund	<u>2,000,000</u>	<u>-</u>
Total	<u>\$2,000,000</u>	<u>11,094,372</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$11,094,372 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications.

Note 5 – Long-term debt

A. Long-term debt

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

B. Compensated absences

Employees of PWCS are granted annual and sick leave based on their length of service, and may accrue compensatory leave for hours worked in excess of their scheduled hours. Unused annual and compensatory leave 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, 2008 is that amount of the liability that is expected to be paid within one year. The current and long-term portion of accrued compensated absences is included in long-term liabilities in the government-wide statement of net assets. Liabilities for compensated absences are liquidated by the General Fund and the Food Services Fund.

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

Compensated absences	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	\$ 23,057,587	8,004,223	(6,816,614)	24,245,196	7,112,482

Note 6 – Self-Insurance

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

PWCS participates in a Consortium Group Health Insurance Program made up of employers who provide health insurance to their employees and dependents under one program. Each participant in the program is separately rated and has separate accounting. Anthem Blue Cross/Blue Shield is the plan administrator. Delta Dental Plan of Virginia, Inc. (Delta Dental) is the dental insurance carrier. All full-time and part-time employees who are working at least 17½ hours per week are eligible to enroll in the health insurance program. There are three (3) plans offered through the PWCS insurance program. An employee may choose either the HMO plan called “*Healthkeepers 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, 2008 PWCS incurred \$47,116,429 in 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. PWCS Self-Insurance, covering the risks of loss, has \$350,000 per occurrence retention and purchases excess insurance coverage which covers individual claims with a \$25,000,000 limit. There have been no significant reductions in insurance coverage in the prior year, and settlements have not exceeded coverage for each of the past three fiscal years.

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

Changes in aggregate liabilities for claims are as follows:

	Health Insurance	Risk Management
Unpaid Claims June 30, 2006	\$ 3,992,296	968,427
Incurred Claims	42,701,261	1,932,504
Claims Paid	(42,196,539)	(1,280,372)
Unpaid Claims June 30, 2007	4,497,018	1,620,559
Incurred Claims	47,116,429	2,130,813
Claims Paid	(45,816,004)	(1,645,152)
Unpaid Claims June 30, 2008	\$ 5,797,443	2,106,220

Unpaid claims, compensated absences and other postemployment benefits (see Note 10) reconcile to the statement of net assets as follows:

	Health Insurance Fund	Self- Insurance Fund	Compensated Absences	Other Post- Employment Benefits	Total
Due within one year	\$5,797,443	954,846	7,112,482	-	13,864,771
Due in more than one year	-	1,151,374	17,132,714	1,677,000	19,961,088
Total	<u>\$5,797,443</u>	<u>2,106,220</u>	<u>24,245,196</u>	<u>1,677,000</u>	<u>33,825,859</u>

Note 7 - Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 53,992,969	704,000	-	54,696,969
Construction in Progress	<u>75,841,671</u>	<u>96,696,164</u>	<u>(114,346,290)</u>	<u>58,191,545</u>
Total capital assets, not being depreciated	<u>129,834,640</u>	<u>97,400,164</u>	<u>(114,346,290)</u>	<u>112,888,514</u>
Capital assets, being depreciated:				
Buildings and improvements	782,144,128	113,086,496	-	895,230,624
Library books	3,551,012	679,891	(535,224)	3,695,679
Equipment	20,339,931	2,937,859	(247,595)	23,030,195
Vehicles	<u>64,773,254</u>	<u>6,840,316</u>	<u>(1,375,685)</u>	<u>70,237,885</u>
Total capital assets being depreciated	<u>870,808,325</u>	<u>123,544,562</u>	<u>(2,158,504)</u>	<u>992,194,383</u>
Less accumulated depreciation for:				
Buildings and improvements	187,248,413	15,981,562	-	203,229,975
Library books	2,004,177	739,136	(535,224)	2,208,089
Equipment	6,301,111	1,738,344	(143,717)	7,895,738
Vehicles	<u>27,106,506</u>	<u>5,297,214</u>	<u>(1,375,685)</u>	<u>31,028,035</u>
Total accumulated depreciation	<u>222,660,207</u>	<u>23,756,256</u>	<u>(2,054,626)</u>	<u>244,361,837</u>
Total capital assets, being depreciated, net	<u>648,148,118</u>			<u>747,832,546</u>
Capital assets, net	<u>\$777,982,758</u>			<u>860,721,060</u>

Depreciation expense was charged to functions/programs as follows:

Instruction	
Regular	\$16,766,573
Special	178,336
Other	9,797
Support Services	
General administration	106,134
Student services	9,780
Curricular/staff development	13,412
Pupil transportation	5,523,788
Operations	54,467
Maintenance	66,268
Central business services	1,004,547
Food service	<u>23,154</u>
Total depreciation expense	<u>\$23,756,256</u>

Note 8 - Contingent liabilities

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

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

Note 9 - Employee retirement systems and pension plans

A. Virginia Retirement System

Plan description:

PWCS contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. 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 P.O. Box 2500, Richmond, Virginia 23218-2500 or by download from their website at <http://www.varetire.org>.

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. PWCS has assumed this member contribution for both the professional and non-professional groups. Additionally, PWCS is required to contribute the remaining amounts necessary to fund its participation in 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 2008 was 13.17% of annual covered payroll. The professional employer and employee contributions to the VRS for the three years ended June 30, 2008, 2007, and 2006 were \$60,555,320, \$52,878,600, and \$39,420,849, respectively, and were equal to the required contributions for each year. The contribution rates for the professional group were; 5% employee, 10.30% employer, 5% employee, 9.2% employer and, 5% employee, 6.62% employer, respectively for the years 2008, 2007, and 2006.

The required contributions for PWCS (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 at June 30, 2007 included (a) a 7.50% investment rate of return, (b) projected salary increases that range between 3.75% and 5.60%, depending on the member's service and classification, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.50%. The actuarial value of PWCS' 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 over a period of 20 years.

Trend information:

The following illustration summarizes the required three-year trend information for the PWCS 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, 2006	\$ 2,787,017	\$ 2,143,859	100%	\$ -
June 30, 2007	3,789,941	2,319,425	100%	-
June 30, 2008	4,012,420	2,455,582	100%	-

Funding Status and Funding Progress:

As of June 30, 2007, the most recent actuarial valuation date, the pension plan was 85.1% funded. The actuarial accrued liability for benefits was \$109,664,238 and the actuarial value of assets was \$93,336,253, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,327,985. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal year ended June 30, 2007 was \$48,077,577, and the ratio of the UAAL to covered payroll was 33.96%.

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

B. VRS Health Insurance Credit

Plan Description:

Retirees who have 15 or more years of creditable VRS service are granted the option to participate in the VRS Health Insurance Credit Program by paying 100 percent of their monthly health insurance premium less a \$1.50 per month per year of service for a maximum health insurance credit of \$45.00 from the VRS. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend the benefit provisions to the General Assembly of Virginia. As of the end of the current fiscal year, there were 1,775 retirees receiving health insurance credits from the VRS. The health insurance credit program is financed by payments from Prince William County Public Schools for all active employees to the VRS. For fiscal year ended June 30, 2008, the contribution made by PWCS was \$5,102,228. The surplus funds are not considered advance funded because PWCS, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits.

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

Funding Policy and Annual Benefit Contribution:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute an actuarial percentage of their annual reported compensation to the VRS for the retiree health insurance credit. PWCS has assumed this contribution. In addition, PWCS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. PWCS’ required contribution rate for the fiscal year ended June 30, 2008 was .43% of annual covered payroll (annual payroll of non-professional active employees covered by the plan).

Actuarial Methods and Assumptions:

The required contributions for the County 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 at June 30, 2007 included (a) 7.50% investment rate of return, and (b) a projected payroll growth rate of 2.50%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PWCS' assets is equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 29 years.

Trend Information:

The School Board's annual benefit cost (ABC), the percentage of annual benefit cost contributed to the plan, and the net benefit obligation for the year ended June 30, 2008 were as follows:

Fiscal Year Ending	Annual Benefit Cost (ABC) – Employer Portion	Percentage of ABC Contributed	Net Benefit Obligation
June 30, 2006	\$ 2,206,975	100%	\$ -
June 30, 2007	1,992,147	100%	-
June 30, 2008	5,102,228	100%	-

Funding Status and Funding Progress:

As of June 30, 2007, the most recent actuarial valuation date, the VRS health insurance credit program was 12.8% funded. The actuarial accrued liability for benefits was \$2,269,438 and the actuarial value of assets was \$291,434, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,978,004. The covered payroll for the fiscal year ended June 30, 2007 was 49,111,630, and the ratio of the UAAL to covered payroll was 4.0%.

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

C. Supplemental pension plan

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

PWCS contributes money on the eligible employee's behalf to purchase annuities after the employee has completed one (1) year of service with PWCS. The School Board's contribution increases each time an employee has completed three (3), five (5), ten (10), and fifteen (15) years of service. At the end of the current year, the cap on the employer contribution was \$3,447 per employee. The total employer contribution for fiscal year 2008 was \$8,357,475. Substitutes and temporary employees who participate in the TDC plan are not eligible to receive the employer matching contribution.

Note 10 - Other Postemployment benefits

Plan Description:

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

The PWCS single-employer self-insurance medical plan allows retirees under age 65 to remain in the same medical and dental plan as active employees. Current membership is 455.

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

The School Board will pay between 25 to 100 percent of the amount contributed by retirees who enrolled in the school division's post-retirement medical plan depending on the number of sick leave days exchanged. The plan became effective on July 1, 2000. Current membership is 177.

Summary of Significant Accounting Policies:

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

Funding Policy:

The School Board establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The School Board has chosen to fund the healthcare benefits on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$1,865,000 for fiscal year 2008. The annual employer contributions for fiscal year 2008 were \$2,953,201. The annual benefit cost for fiscal year 2008 was \$5,950,188.

The School Board has elected not to pre-fund OPEB liabilities. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 3,542,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>3,542,000</u>
Estimated Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	<u>(1,865,000)</u>
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 1,677,000</u>

Trend Information:

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 3,542,000	52.6 %	\$1,677,000

Funded Status and Funding Progress:

As of July 1, 2006, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$32,965,000, and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,965,000. For the fiscal year ended June 30, 2008, the covered payroll (annual payroll of active employees covered by the plan) was \$501,845,363, and the ratio of the UAAL to the covered payroll was 6.6 percent.

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

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 5.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after nine years. Both rates include a 2.5 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a percentage of projected payroll of 2.5 percent based on a zero population growth assumption. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2006, was 30 years.

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Required Supplementary Information

(Unaudited)

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

Virginia Retirement System
Schedule of Funding Progress for PWCS

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
2002	\$ 65,439,864	\$ 59,481,428	\$ (5,958,436)	110.02%	\$ 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%
2006	80,602,356	94,242,745	13,640,389	85.53%	44,148,347	30.90%
2007	93,336,253	109,664,238	16,327,985	85.11%	48,077,577	33.96%

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

Virginia Retirement System Health Insurance Credit Program
Schedule of Funding Progress for PWCS

Actuarial Valuation Date June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	\$291,434	\$2,269,438	\$1,978,004	12.8%	\$49,111,630	4.0%

A schedule of funding progress and a schedule of employer contributions for the Post-retirement Medical and the Retiree Health Insurance Premium Contribution plan are provided in the illustrations below:

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

Actuarial Valuation Date June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2006	\$0	\$32,965,000	\$32,965,000	0%	\$501,845,363	6.6%

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

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$3,542,000	52.6%

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Supplementary Information

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Other Governmental Funds

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

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

Prince William County Public Schools
 Combining Balance Sheet
 Other Governmental Funds - Special Revenue Funds
 As of June 30, 2008

Schedule 1

	Food Services Fund	Facilities Use Fund	Total Other Governmental Funds
ASSETS			
Equity in cash and pooled investments	\$ 7,312,449	2,057,660	9,370,109
Accounts receivable	227,000	122,143	349,143
Due from other governmental units	1,728,276	-	1,728,276
Inventory	1,706,323	-	1,706,323
<i>Total assets</i>	<u>\$ 10,974,048</u>	<u>2,179,803</u>	<u>13,153,851</u>
LIABILITIES and FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 283,586	5,584	289,170
Salaries payable and withholdings	693,362	45,607	738,969
Unearned revenue	1,495,282	-	1,495,282
<i>Total liabilities</i>	<u>2,472,230</u>	<u>51,191</u>	<u>2,523,421</u>
Fund Balances:			
Reserved for:			
Inventory	1,706,323	-	1,706,323
Unreserved:			
Designated for future years' expenditures	340,067	-	340,067
Designated for encumbrances	227,015	296,512	523,527
Undesignated	6,228,413	1,832,100	8,060,513
<i>Total fund balances</i>	<u>8,501,818</u>	<u>2,128,612</u>	<u>10,630,430</u>
<i>Total liabilities and fund balances</i>	<u>\$ 10,974,048</u>	<u>2,179,803</u>	<u>13,153,851</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, 2008

Schedule 2

	Food Services Fund	Facilities Use Fund	Total Other Governmental Funds
REVENUES:			
Use of money and property:			
Use of money - interest	\$ 293,725	98,085	391,810
Use of property	-	1,039,491	1,039,491
Charges for services	17,621,674	78,830	17,700,504
Intergovernmental:			
Federal	11,570,004	-	11,570,004
State	410,019	-	410,019
Miscellaneous	318,749	-	318,749
<i>Total revenues</i>	<u>30,214,171</u>	<u>1,216,406</u>	<u>31,430,577</u>
EXPENDITURES:			
Current:			
Community service operations	-	785,191	785,191
Food services	27,198,397	-	27,198,397
<i>Total expenditures</i>	<u>27,198,397</u>	<u>785,191</u>	<u>27,983,588</u>
Excess of revenues over expenditures	<u>3,015,774</u>	<u>431,215</u>	<u>3,446,989</u>
FUND BALANCES, beginning of year	5,486,044	1,697,397	7,183,441
FUND BALANCES, end of year	<u>\$ 8,501,818</u>	<u>2,128,612</u>	<u>10,630,430</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, 2008

Schedule 3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 60,000	60,000	293,725	233,725
Charges for services	17,403,810	17,403,810	17,621,674	217,864
Intergovernmental:				
Federal	9,203,375	9,203,375	11,570,004	2,366,629
State	366,566	366,566	410,019	43,453
Miscellaneous	20,000	20,000	318,749	298,749
<i>Total revenues</i>	<u>27,053,751</u>	<u>27,053,751</u>	<u>30,214,171</u>	<u>3,160,420</u>
EXPENDITURES:				
Current:				
Food services	<u>27,800,928</u>	<u>27,573,913</u>	<u>27,198,397</u>	<u>375,516</u>
<i>Total expenditures</i>	<u>27,800,928</u>	<u>27,573,913</u>	<u>27,198,397</u>	<u>375,516</u>
Excess (deficiency) of revenues over (under) expenditures	(747,177)	(520,162)	3,015,774	3,535,936
FUND BALANCES, beginning of year	5,486,044	5,486,044	5,486,044	-
FUND BALANCES, end of year	<u>\$ 4,738,867</u>	<u>4,965,882</u>	<u>8,501,818</u>	<u>3,535,936</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, 2008

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	98,085	83,085
Use of property	600,000	600,000	1,039,491	439,491
Charges for services	88,893	88,893	78,830	(10,063)
<i>Total revenues</i>	<u>703,893</u>	<u>703,893</u>	<u>1,216,406</u>	<u>512,513</u>
EXPENDITURES:				
Current:				
Community service operations	710,305	828,793	785,191	43,602
<i>Total expenditures</i>	<u>710,305</u>	<u>828,793</u>	<u>785,191</u>	<u>43,602</u>
Excess (deficiency) of revenues over (under) expenditures	(6,412)	(124,900)	431,215	556,115
FUND BALANCES, beginning of year	1,697,397	1,697,397	1,697,397	-
FUND BALANCES, end of year	<u>\$ 1,690,985</u>	<u>1,572,497</u>	<u>2,128,612</u>	<u>556,115</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 Fund – The Self-Insurance Fund accounts for the self-insured workers compensation program. Other insurance costs are also accounted for in this fund. Revenues are derived from “premiums” charged to the other funds.

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

Prince William County Public Schools
 Combining Statement of Fund Net Assets
 Proprietary Funds - Internal Service Funds
 As of June 30, 2008

Schedule 5

	<u>Warehouse Fund</u>	<u>Self-Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ -	9,632,143	21,056,561	30,688,704
Accounts receivable and other current assets	1,095	79,607	609,630	690,332
Inventory	<u>1,041,682</u>	<u>-</u>	<u>-</u>	<u>1,041,682</u>
Total current assets	<u>1,042,777</u>	<u>9,711,750</u>	<u>21,666,191</u>	<u>32,420,718</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	356,079	298,274	6,860	661,213
Salaries payable and withholdings	-	8,966	-	8,966
Unearned revenue	-	-	4,605,337	4,605,337
Due to other funds	121,860	-	-	121,860
Incurred but not reported claims	<u>-</u>	<u>954,846</u>	<u>5,797,443</u>	<u>6,752,289</u>
Total current liabilities	<u>477,939</u>	<u>1,262,086</u>	<u>10,409,640</u>	<u>12,149,665</u>
Noncurrent liabilities:				
Incurred but not reported claims	<u>-</u>	<u>1,151,374</u>	<u>-</u>	<u>1,151,374</u>
Total liabilities	<u>477,939</u>	<u>2,413,460</u>	<u>10,409,640</u>	<u>13,301,039</u>
NET ASSETS				
Unrestricted	<u>\$ 564,838</u>	<u>7,298,290</u>	<u>11,256,551</u>	<u>19,119,679</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, 2008

Schedule 6

	<u>Warehouse Fund</u>	<u>Self-Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
Operating Revenues:				
Charges for services	\$ 4,635,740	2,984,115	53,632,724	61,252,579
Total operating revenues	<u>4,635,740</u>	<u>2,984,115</u>	<u>53,632,724</u>	<u>61,252,579</u>
Operating Expenses:				
Personnel services	-	574,752	485,056	1,059,808
Materials/supplies	-	18,988	29,830	48,818
Administrative costs	-	-	3,570,967	3,570,967
Premiums	-	1,886,188	3,476,582	5,362,770
Claims and benefits paid	-	-	47,116,429	47,116,429
Losses and unallocated loss adjustment	-	2,130,813	-	2,130,813
Cost of goods sold	4,650,521	-	-	4,650,521
Total operating expenses	<u>4,650,521</u>	<u>4,610,741</u>	<u>54,678,864</u>	<u>63,940,126</u>
Operating loss	<u>(14,781)</u>	<u>(1,626,626)</u>	<u>(1,046,140)</u>	<u>(2,687,547)</u>
Non-Operating Revenues:				
Interest and miscellaneous	-	580,848	1,085,801	1,666,649
Change in net assets	(14,781)	(1,045,778)	39,661	(1,020,898)
Net Assets, beginning of year	<u>579,619</u>	<u>8,344,068</u>	<u>11,216,890</u>	<u>20,140,577</u>
Net Assets, end of year	<u>\$ 564,838</u>	<u>7,298,290</u>	<u>11,256,551</u>	<u>19,119,679</u>

Prince William County Public Schools
 Combining Statement of Cash Flows
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2008

Schedule 7

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Receipts from customers and users	\$ 4,636,535	2,986,255	53,505,001	61,127,791
Payments to suppliers for goods and services	(4,786,916)	(3,426,792)	(52,975,579)	(61,189,287)
Payments to employees	-	(574,629)	(485,564)	(1,060,193)
Net cash provided by (used in) operating activities	<u>(150,381)</u>	<u>(1,015,166)</u>	<u>43,858</u>	<u>(1,121,689)</u>
Cash Flows from Non-capital Financing Activities:				
Transfers to other funds	<u>121,860</u>	<u>-</u>	<u>-</u>	<u>121,860</u>
Cash Flows from Investing Activities:				
Interest received from investments	<u>-</u>	<u>568,648</u>	<u>1,048,196</u>	<u>1,616,844</u>
Net increase (decrease) in equity in cash and pooled investments	(28,521)	(446,518)	1,092,054	617,015
Equity in cash and pooled investments, beginning of year	<u>28,521</u>	<u>10,078,661</u>	<u>19,964,507</u>	<u>30,071,689</u>
Equity in cash and pooled investments, end of year	<u>\$ -</u>	<u>9,632,143</u>	<u>21,056,561</u>	<u>30,688,704</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating loss	\$ (14,781)	(1,626,626)	(1,046,140)	(2,687,547)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	795	2,140	(459,360)	(456,425)
Increase in inventories	(144,773)	-	-	(144,773)
Increase in unearned revenue	-	-	331,637	331,637
Increase (decrease) in accounts payable and accrued liabilities	8,378	123,536	(82,196)	49,718
Increase (decrease) in salaries payable and withholdings	-	123	(508)	(385)
Increase in incurred, but not reported claims	-	485,661	1,300,425	1,786,086
Net cash provided by (used in) operating activities	<u>\$ (150,381)</u>	<u>(1,015,166)</u>	<u>43,858</u>	<u>(1,121,689)</u>

Fiduciary Funds

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

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

Prince William County Public Schools
Combining Statement of Assets and Liabilities
Agency Funds
As of June 30, 2008

Schedule 8

	Regional School Fund	Student Activity Fund	Total Agency Funds
	<hr/>	<hr/>	<hr/>
Assets			
Cash and pooled investments	\$ 1,576,532	5,825,449	7,401,981
Due from other governmental units	<u>2,238,484</u>	<u>-</u>	<u>2,238,484</u>
Total assets	<u><u>\$ 3,815,016</u></u>	<u><u>5,825,449</u></u>	<u><u>9,640,465</u></u>
Liabilities			
Accounts payable and accrued liabilities	<u><u>\$ 3,815,016</u></u>	<u><u>5,825,449</u></u>	<u><u>9,640,465</u></u>

Prince William County Public Schools
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2008

Schedule 9

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Regional School Fund				
Assets				
Cash and pooled investments	\$ 2,124,855	27,098,179	27,646,502	1,576,532
Due from other governmental units	<u>2,142,771</u>	<u>2,238,484</u>	<u>2,142,771</u>	<u>2,238,484</u>
Total assets	<u>\$ 4,267,626</u>	<u>29,336,663</u>	<u>29,789,273</u>	<u>3,815,016</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 4,267,626</u>	<u>29,336,663</u>	<u>29,789,273</u>	<u>3,815,016</u>
Student Activity Fund				
Assets				
Cash and pooled investments	\$ 5,287,848	12,367,431	11,829,830	5,825,449
Total assets	<u>\$ 5,287,848</u>	<u>12,367,431</u>	<u>11,829,830</u>	<u>5,825,449</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 5,287,848</u>	<u>12,367,431</u>	<u>11,829,830</u>	<u>5,825,449</u>
Total Agency Funds				
Assets				
Cash and pooled investments	\$ 7,412,703	39,465,610	39,476,332	7,401,981
Due from other governmental units	<u>2,142,771</u>	<u>2,238,484</u>	<u>2,142,771</u>	<u>2,238,484</u>
Total assets	<u>\$ 9,555,474</u>	<u>41,704,094</u>	<u>41,619,103</u>	<u>9,640,465</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 9,555,474</u>	<u>41,704,094</u>	<u>41,619,103</u>	<u>9,640,465</u>

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Statistical Section

(unaudited)

Statistical Section

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

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

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

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

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

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

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

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

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Financial Trends

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 1 - Net Assets by Component

Last Seven Fiscal Years ⁽¹⁾

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
Invested in capital assets	\$ 406,747	475,548	560,972	633,276	718,755	777,983	860,721
Restricted	75,502	108,257	97,055	89,379	91,598	106,607	86,387
Unrestricted	26,243	42,757	36,817	69,701	77,145	95,163	77,490
Total government net assets	<u>\$ 508,492</u>	<u>626,562</u>	<u>694,844</u>	<u>792,356</u>	<u>887,498</u>	<u>979,753</u>	<u>1,024,598</u>

⁽¹⁾ This table discloses financial information based on the accrual basis of accounting. PWCS 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 Seven Fiscal Years ⁽¹⁾

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
Instruction:							
Regular	\$ 222,940	248,579	268,483	309,172	331,903	392,821	416,988
Special	51,884	58,980	65,759	72,039	83,794	90,322	95,345
Other	5,945	6,122	6,694	7,995	8,657	9,151	9,521
Instructional leadership	30,166	33,494	36,898	40,212	43,389	48,346	51,412
Support services:							
General administration	3,290	3,950	5,028	4,960	6,045	6,856	7,622
Student services	4,876	5,659	7,238	7,808	8,820	9,892	10,604
Curricular/staff development	8,735	8,979	10,046	10,606	12,036	12,735	13,353
Transportation	26,796	27,121	29,348	35,292	40,152	45,570	49,304
Operations	14,705	16,908	17,605	20,024	21,618	20,120	21,172
Utilities	11,865	14,590	14,665	16,889	19,586	21,448	23,682
Maintenance	11,960	13,334	13,308	15,892	19,547	23,284	23,707
Central business services	25,189	28,298	30,047	35,235	42,117	37,801	45,996
Supply services ⁽²⁾	3,249	3,414	-	-	-	-	-
Reimbursement to County for debt service	28,462	33,682	41,823	47,582	48,220	52,929	57,493
Food service	16,813	18,427	21,232	23,629	23,163	25,492	27,191
Community service operations	392	449	489	499	649	698	785
Total government expenses	<u>467,267</u>	<u>521,986</u>	<u>568,663</u>	<u>647,834</u>	<u>709,696</u>	<u>797,465</u>	<u>854,175</u>
Program Revenues							
Governmental activities:							
Charges for services:							
Instruction	2,718	1,842	1,823	2,118	2,189	2,354	2,998
Food services	11,342	11,515	12,691	14,243	15,326	16,676	17,741
Community service operations	434	473	577	640	804	886	1,039
Supply services ⁽²⁾	3,242	3,264	-	-	-	-	-
Transportation	123	97	88	85	146	129	118
Central business services ⁽³⁾	1,726	1,956	9	7	6	13	110
Other activities	64	67	68	48	58	38	92
Operating grants and contributions	56,136	58,089	66,695	77,713	84,723	93,536	98,392
Capital grants and contributions	1,653	881	902	904	961	990	1,029
Total government program revenues	<u>77,438</u>	<u>78,184</u>	<u>82,853</u>	<u>95,758</u>	<u>104,213</u>	<u>114,622</u>	<u>121,519</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>	<u>(682,843)</u>	<u>(732,656)</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	764,084	769,061
Unrestricted investment earnings	3,076	2,013	1,518	2,499	5,409	6,712	6,665
Miscellaneous revenues	2,958	3,373	3,067	3,673	3,229	4,302	1,775
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>	<u>775,098</u>	<u>777,501</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>	<u>92,255</u>	<u>44,845</u>

⁽¹⁾ This table discloses financial information based on the accrual basis of accounting. PWCS 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 from fiscal year 2003 to fiscal year 2004 is a result of a change in the method of recognizing certain revenues.

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

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

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved for:							
Inventory	\$ 466	499	567	681	814	824	808
Prepays	-	-	-	-	-	-	56
Encumbrances ⁽²⁾	16,786	18,557	15,951	14,890	-	-	-
Unreserved							
Designated for encumbrances ⁽²⁾	-	-	-	-	20,048	25,431	19,777
Designated for future years' expenditures	6,959	7,648	9,925	11,179	12,736	13,242	8,516
Designated for grants and special projects	-	-	-	-	-	58	74
Undesignated	3,749	2,067	7,988	11,363	6,904	6,120	13,382
Total General Fund	<u>27,960</u>	<u>28,771</u>	<u>34,431</u>	<u>38,113</u>	<u>40,502</u>	<u>45,675</u>	<u>42,613</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	76,784	77,099
Designated for future years' expenditures	-	-	16,985	28,609	76,858	75,045	40,337
Designated for payments to PWC for arbitrage rebate ⁽³⁾	-	-	-	-	402	811	1,255
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	1,103	1,706
Encumbrances ⁽²⁾	899	705	27	24	-	-	-
Unreserved							
Designated for encumbrances ⁽²⁾	-	-	-	-	59	42	523
Designated for future years' expenditures	781	1,028	812	120	118	712	340
Undesignated reported in special revenue funds	1,291	519	926	1,160	3,152	5,326	8,061
Total all other governmental funds	<u>\$ 79,448</u>	<u>123,166</u>	<u>129,537</u>	<u>129,836</u>	<u>159,823</u>	<u>129,321</u>	<u>129,321</u>

⁽¹⁾ This table reports financial information based on the modified accrual basis of accounting. PWCS' 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, PWCS reclassified encumbrances from reserved for encumbrances to unreserved designated for encumbrances.

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

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues							
Federal sources:							
Food services	\$ 5,816	5,927	7,288	8,631	9,431	10,578	11,570
Other federal sources	14,273	16,970	21,095	23,085	24,660	26,335	26,960
Total federal sources	<u>20,089</u>	<u>22,897</u>	<u>28,383</u>	<u>31,716</u>	<u>34,091</u>	<u>36,913</u>	<u>38,530</u>
State sources:							
Basic aid	111,694	128,214	136,549	161,357	165,957	189,043	194,121
Food services	274	298	298	322	349	393	410
Lottery proceeds	9,071	8,740	8,363	9,014	9,502	9,150	8,988
Regional school program	7,806	8,868	10,063	11,486	11,646	11,297	12,005
Sales tax	33,604	36,699	42,068	49,470	58,257	65,004	62,998
Special education SOQ ⁽⁴⁾	8,417	8,753	9,086	13,314	16,485	15,079	15,410
Other state sources	34,375	29,973	34,977	39,388	43,539	58,402	71,217
Total state sources	<u>205,241</u>	<u>221,545</u>	<u>241,404</u>	<u>284,351</u>	<u>305,735</u>	<u>348,368</u>	<u>365,149</u>
County sources:							
County bond sale transfer	64,925	93,324	52,321	66,161	63,958	68,141	49,233
County general transfer ⁽²⁾	233,019	261,541	296,998	326,284	362,035	390,017	404,322
County proffer transfer	4,259	2,250	3,500	9,660	10,906	10,687	7,104
	<u>302,203</u>	<u>357,115</u>	<u>352,819</u>	<u>402,105</u>	<u>436,899</u>	<u>468,845</u>	<u>460,659</u>
Local sources:							
Charges for services	6,467	6,718	4,125	6,171	5,468	5,422	3,317
Food service sales	11,271	11,457	12,618	14,137	15,196	16,641	17,701
Interest and other income	3,076	2,195	2,593	3,222	6,922	10,939	10,375
Use of property	451	473	577	640	804	886	1,039
Other local sources	1,790	10,290	313	43	48	1,705	2,250
Total local sources	<u>23,055</u>	<u>31,133</u>	<u>20,226</u>	<u>24,213</u>	<u>28,438</u>	<u>35,593</u>	<u>34,682</u>
Total revenues	<u>550,588</u>	<u>632,690</u>	<u>642,832</u>	<u>742,385</u>	<u>805,163</u>	<u>889,719</u>	<u>899,020</u>
Expenditures							
Instruction:							
Regular	215,203	239,060	256,882	302,094	322,684	378,732	400,959
Special	51,935	58,647	65,205	73,042	83,897	90,532	94,645
Other	5,981	6,102	6,632	8,103	8,673	9,175	9,462
Instructional leadership	30,270	33,397	36,557	40,212	43,389	48,346	51,412
Support services:							
General administration	3,243	3,871	5,018	5,394	6,077	6,856	7,235
Student services	4,884	5,633	7,162	7,891	8,826	9,909	10,533
Curricular/staff development	8,761	8,976	9,960	10,691	12,060	12,770	13,281
Transportation	31,650	33,699	37,724	41,874	37,656	43,359	50,403
Operations	14,750	16,845	17,790	20,310	21,641	20,091	21,000
Utilities	11,865	14,655	14,665	16,889	19,586	21,448	23,682
Maintenance	11,940	13,277	13,808	15,971	19,520	23,358	23,592
Central business services	25,250	28,625	33,298	38,900	43,192	43,327	46,159
Community service operations	393	448	485	500	649	698	785
Supply services ⁽³⁾	3,249	3,429	-	-	-	-	-
Reimbursement to County for debt service	28,462	33,833	38,431	43,685	47,977	52,520	57,049
Food service	16,925	18,420	21,140	23,608	23,162	25,488	27,198
Capital Outlay	69,544	69,244	84,974	76,889	90,689	68,050	95,188
Total expenditures	<u>534,305</u>	<u>588,161</u>	<u>649,731</u>	<u>726,053</u>	<u>789,678</u>	<u>854,659</u>	<u>932,583</u>
Excess (deficiency) of revenues over (under) expenditures	16,283	44,529	(6,899)	16,332	15,485	35,060	(33,563)
Other Financing Sources (Uses):							
Transfers in:							
General fund	1,000	1,000	1,000	1,000	1,000	1,200	2,000
Construction fund	8,395	13,638	15,859	18,204	23,606	16,864	11,094
Transfers out:							
General fund	(8,395)	(13,638)	(15,859)	(18,204)	(23,606)	(16,864)	(2,000)
Construction fund	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(11,094)
Other Governmental funds	-	-	-	-	-	(100)	-
Total other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</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>	<u>35,160</u>	<u>(33,563)</u>

⁽¹⁾ This table discloses financial information based on the modified accrual basis of accounting. PWCS' 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 expenditures 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

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

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

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

Fiscal Year	Taxes ⁽²⁾	Licenses, Fees & Permits	Fines & Forfeitures	Use of Money & Property	Charges for Services	Inter-Governmental ⁽²⁾			Total
						PPTRA	All Others	Miscellaneous	
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	495,098	26,463	1,286,504
2007	664,724	14,596	2,767	42,906	37,528	54,274	618,695	26,591	1,462,081
2008	686,107	13,607	2,664	43,952	39,947	54,288	574,967	28,013	1,443,545
Change 1999 - 2008	114.79%	15.55%	35.64%	230.24%	100.30%	100.00%	143.04%	305.93%	136.69%

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, 70.0% for fiscal years 2002 through 2006, and 61.5% for FY 2007 through 2008.

TABLE 5A - General Governmental Tax Revenues by Source

Last Ten Fiscal Years

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

Fiscal Year	Real Estate	Personal Property ⁽¹⁾	Public Service	Total General ⁽²⁾ Property Taxes	Sales Tax	Utility Taxes	BPOL Tax	All Other	Total
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
2007	452,553	71,290	9,627	533,470	47,921	18,522	22,809	42,002	664,724
2008	474,398	73,311	10,682	558,391	46,155	12,354	21,173	48,034	686,107
Change 1999 - 2008	143.43%	39.82%	-14.50%	114.92%	74.18%	-15.97%	146.37%	388.80%	114.79%

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.

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 6 - Assessed Value and Actual Value of Taxable 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
1999	\$ 10,369,909	\$617,459	\$2,160,784	\$866,814	\$468,799	\$14,483,765	1.36	\$15,737,732	92.03%
2000	11,098,694	643,009	2,257,216	871,897	421,488	15,292,304	1.36	16,793,518	91.06%
2001	12,227,393	665,512	2,473,855	877,768	378,120	16,622,648	1.34	18,984,250	87.56%
2002	13,995,425	770,902	2,797,878	887,526	337,530	18,789,261	1.38	23,422,264	80.22%
2003	17,609,310	895,236	3,135,552	901,202	249,277	22,790,577	1.31	28,546,061	79.84%
2004	22,066,665	1,036,502	3,279,611	945,931	227,277	27,555,986	1.24	33,941,300	81.19%
2005	27,573,301	1,190,201	3,868,984	1,249,775	257,786	34,140,047	1.14	45,520,808	75.00%
2006	36,143,674	1,338,215	4,721,938	1,253,506	282,495	43,739,828	0.97	60,203,453	72.65%
2007	48,617,154	1,588,255	5,667,015	1,355,894	428,530	57,656,848	0.81	63,994,423	90.10%
2008	48,185,629	1,759,043	6,592,385	1,448,737	305,617	58,291,411	0.84	67,078,912	86.90%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

1999 - \$1,438,236	2004 - \$1,695,543
2000 - \$1,443,971	2005 - \$2,223,993
2001 - \$1,466,410	2006 - \$2,567,585
2002 - \$1,529,681	2007 - \$3,049,599
2003 - \$1,646,501	2008 - \$3,867,736

⁽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 as a Percent of Total Taxable		New Construction ⁽¹⁾				
	Commercial to Total	Commercial & Public Service to Total	Residential		Non-Residential		Bank Deposits ⁽²⁾
			Permits	Value	Permits	Value	
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	\$ 2,681
2007	9.8%	12.2%	2,744	\$ 397	301	\$ 379	\$ 2,864
2008	11.3%	13.8%	1,568	\$ 228	259	\$ 183	\$ 2,863

Source: County of Prince William, Virginia.

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

⁽²⁾ Includes deposits in commercial banks, savings banks and credit unions at June 30 for year shown. 1999-2008, 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	1999	2000	2001	2002	2003	2004
PRINCE WILLIAM COUNTY						
<i>Countywide Tax Levies:</i>						
Real Estate - General Fund	\$ 1.36000	\$ 1.36000	\$ 1.34000	\$ 1.30000	\$ 1.23000	\$ 1.16000
Fire and Rescue Levy (Countywide)	--	--	--	\$ 0.07280	\$ 0.07280	\$ 0.07280
Gypsy Moth Levy (Countywide)	\$ 0.00280	\$ 0.00280	\$ 0.00280	\$ 0.00400	\$ 0.00400	\$ 0.00400
Total Direct Tax Rate	\$ 1.36280	\$ 1.36280	\$ 1.34280	\$ 1.37680	\$ 1.30680	\$ 1.23680
Personal Property -						
General Class	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000
Heavy Equipment and Machinery	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000
Computer Equipment	\$ 3.70000	\$ 1.50000	\$ 1.50000	\$ 1.25000	\$ 1.25000	\$ 1.25000
Farmers Machinery and Tools	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Aircraft (small scheduled)	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Aircraft (all other aircraft)	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Mining & Manufacturing Tools	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000
Mobile Homes	\$ 1.36000	\$ 1.36000	\$ 1.34000	\$ 1.30000	\$ 1.23000	\$ 1.16000
Research & Development	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000
Van Pool Vans	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Emergency Volunteer Vehicles	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Auxiliary Volunteer Fire Vehicles	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Vehicles Modified for Disabled	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Watercraft-Recreation Use Only	\$ 0.00001	\$ 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	\$ 0.00001
Camping Trailers and Motor Homes	\$ 3.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Owned by Certain Elderly and Handicapped Persons	\$ 3.70000	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
<i>Special District Levies ⁽¹⁾:</i>						
Fire and Rescue Levies -						
Dumfries (Fire)	\$ 0.04000	\$ 0.04000	\$ 0.04000	--	--	--
Dumfries (Rescue)	\$ 0.03000	\$ 0.03000	\$ 0.03000	--	--	--
Occoquan	\$ 0.05770	\$ 0.05770	\$ 0.05770	--	--	--
Neabsco	\$ 0.07410	\$ 0.07410	\$ 0.07410	--	--	--
Stonewall Jackson	\$ 0.03870	\$ 0.03870	\$ 0.03870	--	--	--
Coles	\$ 0.09250	\$ 0.09250	\$ 0.09250	--	--	--
Yorkshire	\$ 0.10000	\$ 0.10000	\$ 0.10000	--	--	--
Lake Jackson	\$ 0.09210	\$ 0.09210	\$ 0.09210	--	--	--
Gainesville	\$ 0.06070	\$ 0.06070	\$ 0.06070	--	--	--
Evergreen	\$ 0.07860	\$ 0.07860	\$ 0.07860	--	--	--
Nokesville	\$ 0.09840	\$ 0.09840	\$ 0.09840	--	--	--
Buckhall	\$ 0.09630	\$ 0.09630	\$ 0.09630	--	--	--
Wellington	\$ 0.09800	\$ 0.09800	\$ 0.09800	--	--	--
Sanitary District Levy						
Bull Run	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Occoquan Forest	\$ 0.16000	\$ 0.16000	\$ 0.16000	\$ 0.16000	\$ 0.00001	\$ 0.00001
Service District Levies -						
Bull Run	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000
Lake Jackson	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000
Circuit Court	--	--	--	--	--	\$ 0.28000
Transportation District Levies -						
Prince William Parkway	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000
234-Bypass	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000
Foremost Court Service	\$ 0.23000	\$ 0.23000	\$ 0.23000	\$ 0.23000	\$ 0.23000	\$ 0.23000
Woodbine Forest Service	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.07000	--
OVERLAPPING GOVERNMENTS						
<i>Real Estate Tax Levy:</i>						
Town of Dumfries	\$ 0.13000	\$ 0.13000	\$ 0.12420	\$ 0.12420	\$ 0.12420	\$ 0.12420
Town of Haymarket	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000
Town of Occoquan	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000
Town of Quantico	\$ 0.25000	\$ 0.25000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000

Source: County of Prince William, Virginia

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

2005	2006	2007	2008	Type of Tax
PRINCE WILLIAM COUNTY				
<i>Countywide Tax Levies:</i>				
\$ 1.07000	\$ 0.91000	\$ 0.75800	\$ 0.78700	Real Estate - General Fund
\$ 0.06600	\$ 0.05600	\$ 0.04660	\$ 0.04840	Fire and Rescue Levy (Countywide)
\$ 0.00400	\$ 0.00250	\$ 0.00250	\$ 0.00250	Gypsy Moth Levy (Countywide)
<u>\$ 1.14000</u>	<u>\$ 0.96850</u>	<u>\$ 0.80710</u>	<u>\$ 0.83790</u>	Total Direct Tax Rate
Personal Property -				
\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	General Class
\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	Heavy Equipment and Machinery
\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000	Computer Equipment
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Farmers Machinery and Tools
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Aircraft (small scheduled)
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Aircraft (all other aircraft)
\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	Mining & Manufacturing Tools
\$ 1.07000	\$ 0.91000	\$ 0.76700	\$ 0.78700	Mobile Homes
\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	Research & Development
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Van Pool Vans
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Emergency Volunteer Vehicles
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Auxiliary Volunteer Fire Vehicles
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Vehicles Modified for Disabled
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Watercraft-Recreation Use Only
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Watercraft-Weighing 5 tons or more
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Camping Trailers and Motor Homes
\$ 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
Sanitary District Levy				
\$ 0.00001	\$ 0.00001	--	--	Bull Run
\$ 0.00001	\$ 0.00001	--	--	Occoquan Forest
Service District Levies -				
\$ 0.10000	\$ 0.10000	\$ 0.12000	\$ 0.12000	Bull Run
\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	Lake Jackson
\$ 0.28000	\$ 0.23000	\$ 0.19000	\$ 0.19000	Circuit Court
Transportation District Levies -				
\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	Prince William Parkway
\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	234-Bypass
\$ 0.22000	--	--	--	Foremost Court Service
--	--	--	--	Woodbine Forest Service
OVERLAPPING GOVERNMENTS				
<i>Real Estate Tax Levy:</i>				
\$ 0.12420	\$ 0.13000	\$ 0.18000	\$ 0.18000	Town of Dumfries
\$ 0.14000	\$ 0.14000	\$ 0.12000	\$ 0.12800	Town of Haymarket
\$ 0.05000	\$ 0.05000	\$ 0.08500	\$ 0.08500	Town of Occoquan
\$ 0.20000	\$ 0.15000	\$ 0.20000	\$ 0.20000	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	2008			1999		
	Taxable Assessed	Rank	Percentage of Total County Taxable Assessed Value ⁽¹⁾	Taxable Assessed	Rank	Percentage of Total County Taxable Assessed Value ⁽¹⁾
	Value		Value ⁽¹⁾	Value		Value ⁽¹⁾
Virginia Electric & Power Company	\$ 713,905	1	1.22%	\$ 431,872	1	2.98%
Potomac Mills Operating Co., LLC	483,055	2	0.83%	-		-
Northern Virginia Electric Co-op	254,594	3	0.44%	146,166	3	1.01%
Verizon South, Inc.	188,477	4	0.32%	57,670	8	0.40%
Dominion Country Club, LP	138,710	5	0.24%	-		-
Lee Carolina, LLC	136,826	6	0.23%	-		-
WNH Limited Partnership	113,684	7	0.20%	53,565	9	0.37%
Deutsche Bank National Trust Company	108,748	8	0.19%	-		-
Stellar Chatsworth LLC	107,566	9	0.18%	-		-
Brookfield Morris, LLC	105,951	10	0.18%	-		-
Washington Outlet Mall, Ltd	-		-	160,693	2	1.11%
GTE South, Inc.	-		-	136,974	4	0.95%
Hylton	-		-	64,503	5	0.45%
Trustees Martial Trust B 1 Hylton	-		-	60,913	6	0.42%
Manassas Mall, LLC	-		-	58,040	7	0.40%
Washington Gas Light Company	-		-	52,914	10	0.37%
	<u>\$ 2,351,516</u>		<u>4.03%</u>	<u>\$ 1,223,310</u>		<u>8.45%</u>

Source: County of Prince William, Virginia

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

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

Fiscal Year	Total Adjusted Tax Levy ⁽¹⁾	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	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		
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%
2007	533,955	528,670	99.0%	5,473	7,144	541,287	101.4%	12,588	2.4%
2008	559,957	554,070	98.9%	5,593	3,071	562,734	100.5%	12,534	2.2%

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 2008, 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 2008 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
Fiscal year 2007 = \$54,274
Fiscal year 2008 = \$54,288

⁽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)

Fiscal Year	-----Real Property-----				Ratio of Assessed to Estimated Market Value	---Personal Property ⁽⁴⁾ ---		Grand Assessed Value	Total Market Value
	Locally Assessed	Public Service ⁽²⁾	Total Assessed Value	Estimated Market Value ⁽³⁾		Locally Assessed	Public Service ⁽²⁾		
1999	\$ 13,616,951	\$ 866,814	\$ 14,483,765	\$ 15,737,732	92.0%	\$ 1,753,134	\$ 2,912	\$ 16,239,811	\$ 17,493,778
2000	14,420,407	871,897	15,292,304	16,793,518	91.1%	1,820,491	2,453	17,115,248	18,616,462
2001	15,744,880	877,768	16,622,648	18,984,250	87.6%	2,044,228	1,980	18,668,856	21,030,458
2002	17,901,735	887,526	18,789,261	23,422,264	80.2%	2,410,777	2,113	21,202,151	25,835,154
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	33,941,300	81.2%	2,939,510	3,329	30,498,825	36,884,139
2005	32,890,272	1,249,775	34,140,047	45,520,808	75.0%	2,997,032	1,358	37,138,437	48,519,198
2006	42,486,322	1,253,506	43,739,828	60,203,453	72.7%	3,419,461	1,257	47,160,546	63,624,171
2007	56,300,954	1,355,894	57,656,848	65,885,949	87.5%	3,608,756	1,693	61,267,297	69,496,398
2008	56,842,674	1,448,737	58,291,411	65,885,949	88.5%	3,717,730	2,210	62,011,351	69,605,889

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

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 108,711	\$ 103,064	\$ 100,205	\$ 92,272	\$ 96,668	\$ 108,292	\$ 140,039	\$ 128,525	\$ 149,362	\$ 136,200
School Board-Related	163,564	209,017	257,943	305,091	367,341	395,333	432,562	467,363	502,453	515,486
Park Authority-Related	101	80	3,060	2,888	9,699	9,531	7,000	6,267	5,537	4,810
IDA Lease Revenue Bonds	14,865	14,405	13,920	13,410	12,875	12,315	11,970	11,140	10,430	9,680
Literary Fund Loans	3,103	2,692	6,452	6,093	6,209	5,713	5,316	4,918	4,520	4,124
Real Property Capital Leases										
General Government	29,740	27,990	26,140	55,245	78,590	80,645	79,025	132,825	150,189	151,039
Adult Detention Center	780	--	--	--	--	--	--	--	68,005	66,275
Park Authority	--	--	--	--	--	--	--	--	594	561
Commuter Rail Capital Leases	4,421	4,167	3,895	3,608	3,301	2,977	2,629	2,258	1,863	1,442
Equipment Capital Leases	--	--	--	--	562	527	381	228	68	--
Installment Notes Payable	--	1,400	1,264	1,158	1,045	924	795	657	509	351
Internal Service Funds Leases and Notes	--	--	35	24	12	--	--	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds	\$ 25,068	\$ 23,253	\$ 21,885	\$ 20,119	\$ 18,327	\$ 17,179	\$ 13,920	\$ 12,550	\$ 11,065	\$ 9,535
Sanitary District Bonds	535	510	480	--	--	--	--	--	--	--
Landfill Capital Lease Obligations	120	--	--	--	--	--	--	--	--	--
Taxable Revenue Notes	7,000	5,800	5,100	1,100	250	250	250	3,250	3,250	--
Total Primary Government	\$ 358,008	\$ 392,378	\$ 440,379	\$ 501,008	\$ 594,879	\$ 633,686	\$ 693,887	\$ 769,981	\$ 907,845	\$ 899,503
Percentage of Personal Income ⁽²⁾	4.01%	3.84%	4.01%	4.36%	4.89%	4.72%	4.75%	4.87%	*	*
Per Capita ⁽²⁾	1,291	1,397	1,494	1,620	1,850	1,881	1,958	2,074	2,381	2,317
Component Units										
Park Authority Component Unit ⁽³⁾ :										
Series 1994 Revenue Bonds	\$ 20,010	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Series 1999 Revenue Bonds	--	21,415	21,120	20,780	20,425	19,112	18,795	18,459	18,101	17,725
Equipment Capital Leases	366	766	549	527	2,003	1,833	1,353	2,249	1,710	3,116
Installment Notes Payable ⁽⁴⁾	158	308	210	2,087	1,718	1,023	904	780	651	516
Total Component Units	20,534	22,489	21,879	23,394	24,146	21,968	21,052	21,488	20,462	21,357
Total Reporting Entity Outstanding Debt	378,542	414,867	462,258	524,402	619,025	655,654	714,939	791,469	928,307	920,860
Less: Self-Supporting Revenue and Other Bonds	50,678	50,419	48,139	47,121	45,774	42,124	37,601	36,296	33,390	32,334
Net Tax-Supported Debt	\$ 327,864	\$ 364,448	\$ 414,119	\$ 477,281	\$ 573,251	\$ 613,530	\$ 677,338	\$ 755,173	\$ 894,917	\$ 888,526

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⁾
1999	\$ 272,376	14,865	25,068	535	312,844	1.99%	\$ 1,192
2000	312,161	14,405	23,253	510	350,329	2.09%	1,293
2001	361,208	13,920	21,885	480	397,493	2.10%	1,401
2002	400,251	13,410	20,119	--	433,780	1.85%	1,460
2003	473,708	12,875	18,327	--	504,910	1.77%	1,631
2004	513,156	12,315	17,179	--	542,650	1.60%	1,690
2005	579,601	11,970	13,920	--	605,491	1.33%	1,816
2006	602,155	11,140	12,550	--	625,845	1.04%	1,812
2007	657,352	10,430	11,065	--	678,847	1.03%	1,925
2008	656,496	9,680	9,535	--	675,711	1.03%	1,875

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.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 13 - Direct and Overlapping Governmental Activities Debt
As of June 30, 2008
(amounts expressed in thousands)

	Outstanding on 6/30/2008	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 888,526	100.00%	\$ 888,526	1.5243%
Overlapping:				
Town of Dumfries	1,941	100.00%	1,941	0.0033%
Town of Quantico	265	100.00%	265	0.0005%
Town of Haymarket	2,422	100.00%	2,422	0.0042%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	2,588	100.00%	2,588	0.0044%
Virginia Gateway Community Development Authority Special Assessment Bond Series 1999 and 2003 B	12,777	100.00%	12,777	0.0219%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	104,330	34.57%	36,065	
Northern Virginia Criminal Justice Training Academy (NVCJTA) ⁽³⁾	18,310	28.48%	5,215	
Upper Occoquan Sewage Authority (UOSA) ⁽³⁾	140,236	3.96%	5,551	
			\$ 955,350	1.6389%

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 \$384,245 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2008. These authorized bonds are for the construction of roads, road improvements, parks, and libraries.

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.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government ⁽¹⁾										
Principal	\$ 22,407	\$ 23,836	\$ 25,370	\$ 26,892	\$ 30,929	\$ 35,165	\$ 39,975	\$ 47,584	\$ 52,060	\$ 59,741
Interest ⁽²⁾	15,924	16,699	18,195	20,035	23,959	25,247	29,849	32,995	37,524	39,865
Internal Service Fund Debt Service ⁽³⁾	24	6	24	11	12	12	--	--	--	--
Debt Service on Net Tax-Supported Debt	38,355	40,541	43,589	46,938	54,900	60,424	69,824	80,579	89,584	99,606
Total Government Expenditures ⁽⁴⁾	572,800	619,665	672,002	744,959	845,342	925,866	1,033,382	1,125,453	1,310,566	1,325,488
Ratio of Debt Service to Expenditures	6.7%	6.5%	6.5%	6.3%	6.5%	6.5%	6.8%	7.2%	6.8%	7.5%
Total Revenues ⁽⁵⁾	587,032	646,920	716,538	775,222	820,465	956,529	1,089,605	1,188,320	1,360,579	1,364,972
Ratio of Debt Service to Revenues	6.5%	6.3%	6.1%	6.1%	6.7%	6.3%	6.4%	6.8%	6.6%	7.3%
Net Tax-Supported Debt ⁽⁶⁾	327,864	364,448	414,119	477,281	573,251	613,530	677,338	755,173	894,917	888,526
Assessed Value of Taxable Property ⁽⁷⁾	16,239,811	17,115,248	18,668,856	21,202,151	25,551,796	30,498,825	37,138,437	47,160,546	61,267,297	62,011,351
Ratio of Net Tax-Supported Debt to Assessed Value	2.0%	2.1%	2.2%	2.3%	2.2%	2.0%	1.8%	1.6%	1.5%	1.4%

Source: County of Prince William, Virginia

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

⁽²⁾ Excludes bond issuance and other costs.

⁽³⁾ Debt Service 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 21, PWC FY 2008 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⁾		Total	Coverage ⁽⁶⁾
					Principal ⁽⁵⁾	Interest		
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
2007	16,535	9,970	2,199	4,366	1,485	562	2,047	2.13
2008	17,342	10,651	3,015	3,676	1,530	504	2,034	1.81

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.

Demographic and Economic Information

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

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (in thousands)	Per Capita Income ⁽²⁾	Fall School Enrollment ⁽³⁾	Average Civilian Labor Force ⁽⁴⁾	Average Unemployment Rate ⁽⁴⁾
1999	262,414	\$8,928,784	\$28,145	51,028	137,586	2.0%
2000	270,841	10,228,409	31,036	52,551	148,618	1.5%
2001	283,814	10,983,002	31,954	54,646	152,086	2.4%
2002	297,207	11,492,607	32,207	57,397	154,545	3.3%
2003	309,647	12,176,485	33,023	59,835	167,865	3.6%
2004	321,083	13,355,974	34,989	62,691	174,247	2.6%
2005	333,335	14,589,990	37,045	65,541	187,926	2.6%
2006	345,349	15,494,963	38,728	67,708	193,561	2.3%
2007	352,559	16,715,928	40,004	70,195	201,475	2.6%
2008	360,411	*	*	72,186	206,744	3.5%

* Not available

⁽¹⁾ US Census Bureau, Population Program.

⁽²⁾ Bureau of Economic Analysis, U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of April, 2008). 2007 data estimated based upon ten-year growth on BEA data from 1999 through 2008.

⁽³⁾ Superintendent's Annual Report, Virginia Department of Education; Prince William County Public Schools, as of September 30th, 2007.

⁽⁴⁾ 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⁾	2008			1999		
	Estimated Employees	Rank	Percentage of Total County Employment	Estimated Employees	Rank	Percentage of Total County Employment
Quantico Marine Corps Base	13,600	1	6.75%	13,600	1	10.44%
Prince William Public Schools	9,720	2	4.82%	5,853	2	4.49%
Prince William County	3,586	3	1.78%	2,632	3	2.02%
Potomac Hospital Corporation	1,200	4	0.60%	812	6	0.62%
S.W. Rogers Company	1,000	5	0.50%	850	5	0.65%
Minnieland Private Day School, Inc.	854	6	0.42%	--	--	--
General Dynamics Land Systems	558	7	0.28%	--	--	--
Northern Virginia Community College	523	8	0.26%	458	8	0.35%
George Mason University	500	9	0.25%	--	--	--
Alliant/Atlantic Food Services, Inc.	428	10	0.21%	353	10	0.27%
Lockheed Martin	--	--	--	1,800	4	1.38%
Atlantic Research Corporation	--	--	--	600	7	0.46%
U.S. Postal Service	--	--	--	364	9	0.28%
	<u>31,969</u>		<u>16.52%</u>	<u>27,322</u>		<u>20.96%</u>

Source: County of Prince William, Virginia

⁽¹⁾ All data provided by the Prince William County Department of Economic Development, Prince William County Area Business Directory (January, 2007), supplemented with phone interviews and PWC adopted budget.

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Operating Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
School-Based Positions										
Teachers ⁽¹⁾										
Classroom teachers	3,384	3,425	3,599	3,776	4,014	-	-	-	-	-
Regular classroom teachers	-	-	-	-	-	2,926	3,193	3,290	3,553	3,757
Special education teachers	-	-	-	-	-	621	661	759	767	700
Vocational education teachers	-	-	-	-	-	201	210	212	213	215
Speech therapists	-	-	-	-	-	68	69	72	73	75
Physical therapists	-	-	-	-	-	20	21	8	25	25
Guidance counselors	-	-	-	-	-	146	171	166	169	170
Librarians	-	-	-	-	-	83	88	92	93	95
Physical education	-	-	-	-	-	165	190	201	213	212
Technology teachers	-	-	-	-	-	-	-	76	77	79
Other	-	-	-	-	-	-	-	74	80	78
School-Based Administrators										
Principals	68	69	71	73	76	79	82	84	84	86
Assistant principals	63	69	74	81	70	88	108	122	104	117
Guidance directors	18	18	20	20	21	21	23	23	24	25
Student activity directors	7	7	8	8	8	8	10	10	10	10
Other	-	74	77	73	69	71	79	-	-	-
Education Specialist										
Education specialist	65	60	74	83	94	-	-	-	-	-
School-based curriculum specialists	-	-	-	-	-	8	10	8	8	0
Program specialists	-	-	-	-	-	15	86	19	15	10
Social workers	-	-	-	-	-	34	39	39	45	46
Psychologists	-	-	-	-	-	35	35	40	44	43
Instructional Assistants	479	421	442	481	505	534	551	599	669	669
Other Positions										
School office assistant staff	306	323	355	370	384	399	421	461	475	470
Custodial staff	301	312	333	348	362	366	410	425	435	438
Other	80	57	69	126	-	-	-	-	-	-
Noninstructional specialists	-	-	-	-	97	85	89	-	-	-
Security	-	-	-	-	31	41	49	64	67	53
School nurse	-	-	-	-	32	51	55	60	67	69
Total School-Based Positions	4,771	4,835	5,122	5,439	5,763	6,065	6,650	6,904	7,310	7,442
Nonschool-Based Positions										
Technical support	88	87	62	67	70	121	139	244	206	146
Management	67	76	102	109	110	96	127	138	143	149
Education specialist	58	81	63	52	32	32	48	33	32	86
Office assistants	110	126	122	131	115	119	136	122	136	139
Custodial/maintenance	217	180	224	230	240	252	220	230	258	299
Leadership team	7	7	8	8	8	8	8	10	10	10
Bus drivers	447	372	391	453	489	511	565	645	654	659
Bus drivers' aides	102	83	87	92	98	97	119	135	130	136
Cafeteria staff	465	488	527	376	393	406	441	518	537	513
Other	8	8	8	13	34	35	37	62	20	122
Total Nonschool Based Positions	1,569	1,508	1,594	1,531	1,589	1,677	1,840	2,137	2,126	2,259
Total	6,340	6,343	6,716	6,970	7,352	7,742	8,490	9,041	9,436	9,701 ⁽²⁾

Source: School Board Budget Office

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

⁽²⁾ Total positions include the General Fund and Food Services Fund only.

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

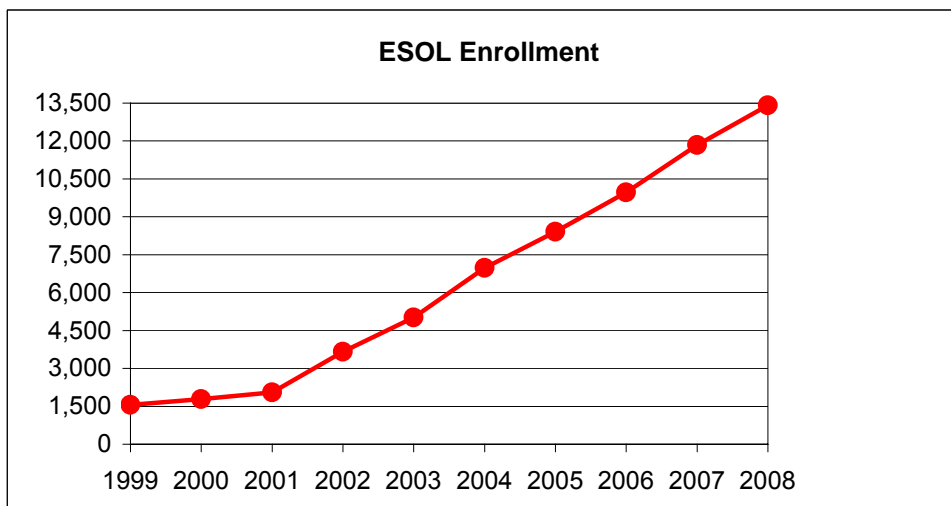
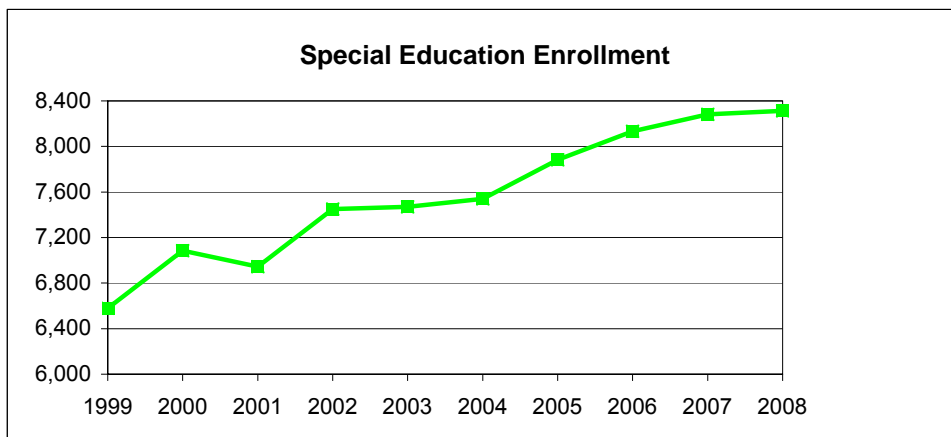
Fiscal Year	Total Student Enrollment ⁽¹⁾	Special Education Enrollment ⁽²⁾	ESOL Enrollment ⁽³⁾
1999	51,028	6,579	1,561
2000	52,551	7,086	1,781
2001	54,646	6,943	2,050
2002	57,397	7,450	3,657
2003	60,541	7,471	5,014
2004	62,691	7,540	6,979
2005	66,093	7,883	8,415
2006	68,225	8,134	9,963
2007	70,723	8,283	11,847
2008	72,654	8,312	13,409

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 Seven 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
2007	70,723	719,045,975	10,167	7.3%	797,464,538	11,276	8.4%	4,533	15.6
2008	72,654	752,843,056	10,362	1.9%	854,174,576	11,757	4.3%	4,672	15.6

** Data not available.

Notes: PWCS' 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>
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
2007	40,788	53,413	55,245	86,372
2008	41,604	55,788	56,350	90,656

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	Free and Reduced Eligibility %	Adult Breakfast ⁽¹⁾	Adult Lunch ⁽¹⁾
		Elementary	Middle School	High School								
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	21.0%	1.00	2.00
2001	28,553	1.50	1.55	1.55	71	5,180	1.00	67	11,701	21.4%	1.10	2.05
2002	30,243	1.55	1.60	1.60	73	4,948	1.00	68	13,007	22.7%	1.10	2.10
2003	32,479	1.60	1.65	1.65	75	5,578	1.00	70	15,756	26.0%	1.10	2.15
2004	35,241	1.70	1.75	1.75	75	6,459	1.10	69	16,512	26.3%	1.20	2.25
2005	39,062	1.70	1.85	1.85	82	7,211	1.10	79	18,640	28.2%	1.20	2.25
2006	41,057	1.85	1.90	1.90	82	8,210	1.10	78	19,166	28.1%	1.35	2.40
2007	44,288	2.00	2.15	2.25	84	9,619	1.20	85	20,588	29.2%	1.75	3.00
2008	45,725	2.00	2.15	2.25	86	8,904	1.20	87	21,459	30.2%	1.75	3.00

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

Fiscal Year	Elementary Schools					Middle Schools					High Schools				
	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
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
2007	53	3,221,129	31,986	182	858.1	14	1,813,410	15,892	20	476.4	10	2,843,179	21,284	14	722.6
2008	53	3,221,129	31,986	182	858.1	15	1,948,719	17,125	20	515.8	10	2,843,179	21,284	21	722.6

Fiscal Year	Alternative Schools					Special Schools					Traditional Schools				
	Buildings ⁽¹⁾	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
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
2007	2	14,749	**	12	5	4	301,208	**	10	63.5	2	127,575	1,320	2	31.9
2008	2	14,749	**	12	5	4	301,208	**	9	63.5	2	127,575	1,320	2	31.9

Fiscal Year	Total School Buildings				
	Buildings	Square feet	Capacity	Trailers	Acres
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
2007	85	8,321,250	70,482	240	2,157.5
2008	86	8,456,559	71,715	246	2,196.9

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, 2008

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	448
Number of volunteers	1,296
Police protection:	
Number of police officers	543
Public Safety Communications:	
Number of employees	98
Services not included in the Primary Government:	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	76
Number of public high schools	10
Membership as of September 30, 2007 (FY08)	72,654
Number of personnel (full-time equivalent)	9,720
Recreation (Park Authority Component Unit):	
Acres developed or reserved for County parks	3,587
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)	308
Other statistical data:	
Elections:	
Registered voters at last general election	192,021
Number of votes cast in last general election	56,546
Percent voting in last general election	29%
Water and Wastewater Treatment (provided by Prince William County Service Authority):	
Miles of water mains	996
Miles of sanitary sewer mains	1,015

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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