

Comprehensive Annual Financial Report

For the fiscal
year ended
June 30, 2009



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, 2009

School Board*

Mr. Milton C. Johns
Chairman At-Large

Mrs. Denita S. Ramirez
Vice Chairman
Woodbridge District

Mrs. Betty D. Covington
Dumfries District

Dr. Michael I. Otaigbe
Coles District

Mr. Grant Lattin
Occoquan District

Mr. Don Richardson
Gainesville District

Ms. Julie C. Lucas
Neabsco District

Mr. Gil Trenum
Brentsville District

Superintendent of Schools*

Dr. Steven L. Walts

Superintendent's Staff*

Ms. Rae E. Darlington - Deputy Superintendent

Mr. David S. Cline - Associate Superintendent for Finance and Support Services

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

Ms. Pamela K. Gauch / Mr. Wayne K. Mallard / Mr. Kris Pedersen – Interim Associate Superintendents for Student Learning and Accountability

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

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

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 1, 2009

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

This Report Prepared By:

Department of Financial Services
14715 Bristow Road
Manassas, Virginia 20112
703.791.8753

Director of Financial Services
John M. Wallingford

Supervisor of Fiscal Operations
Susann M. Graham

Chief Accountant
Lisa M. Thorne

Accountants
Kathleen Addison
Maria Cavin
Jackie Rawlings
Sheryl Brooks

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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 4, 2009

**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, 2009.

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, 2009 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, 2009, 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 of Dumfries, Haymarket, Occoquan, and Quantico. The cities of Manassas and Manassas Park have their own public school divisions.

PWCS is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The eight members of the School Board are elected by the citizens of the County to serve four-year terms. One member represents each of the County's seven magisterial districts and the chairman serves at large. PWCS is organized to focus on meeting the needs of its 73,657 students while managing the 55 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 continued troubles in the housing market. Job growth in the metropolitan area declined over the year but should improve, in part, by robust federal spending, which accounts for about one-third of the region's economy. After double-digit annual increases in home values during the first six years of the current decade, the local real estate housing market experienced a serious correction, in which home values declined on average by more than 50% by February 2009. In addition, the nation-wide crisis in sub-prime credit markets was reflected locally in the form of increased delinquent and defaulted home loans. In calendar year 2006, for example, less than 300 homes were reported as in foreclosure. The increase was nearly ten fold in 2007 to more than 2,800 foreclosed properties. The number more than doubled the following year, with more than 6,500 homes in foreclosure in 2008. The foreclosure crisis appears to have abated somewhat through the first five months of 2009, standing at 1,514 through May – a pace that would result in about half the number of foreclosures by the end of 2009 from the previous year. Nevertheless, the extraordinary number of foreclosures continues to dominate the entire local real estate market. While these factors contributed to price depreciation earlier in the current downturn, since February 2009, volume has remained robust and prices have stabilized. Expectations are that the sale of foreclosed and modestly priced housing sales will continue to dominate the market until their share of the inventory is depleted, at which time higher priced housing sales will improve. The residential real estate outlook calls for gradually improving conditions over the next several years.

The commercial real estate market in Prince William County exhibited troubling signs during the first half of 2009. According to Costar Realty Group, a multiple listing service for commercial property, in the 2nd Quarter 2009, a total of 40,177,619 square feet of commercial space (including retail) in 1,274 buildings was reported—an increase in commercial space of 3.0% year-over-year. The commercial inventory includes a total of 5.84 million square feet of Office space, 4.1 million square feet of Flex space, 10.96 million square feet of Industrial space and 19.2 million square feet of Retail space. A total of 3,806,157 square feet (9.5%) of vacant commercial space (including retail) was reported during the 2nd Quarter—a 25% increase year-over-year. This includes 887,680 square feet of vacant Office space (15.2%), 757,185 square feet of vacant Flex space (18.3%), 1,106,616 square feet of vacant Industrial space (10.1%) and 1,054,676 square feet of vacant Retail space (5.5%). Expectations are that the commercial real estate market will continue to be challenged over the course of the next few years, with continued high vacancy rates and lower lease rates.

Prince William County's population, when factoring in the abnormally high number of foreclosures in the County is currently estimated at 368,044. This estimate represents an increase of .9 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 2008 Census data, Metropolitan Washington ranked second in the United States for median household income, with 9 of the region's counties in the top 20 nationwide. The region's median household income of \$85,824 is 65 percent above the national average of \$52,029. Prince William County had the 16th highest median household income in the United States at \$88,724. This ranking further underscores Prince William County's continued status as a premier community.

Employment in the County grew rapidly in the first half of the current decade, but has moderated since 2007 -- largely the result of significant job losses in construction and other sectors related to real estate. In the five-year period from 1st quarter 2002 to 1st quarter 2007, Prince William County businesses increased by 37 percent, with Financial, Professional/Business Services and Construction the fastest growing sectors. In the same period, employment in the County grew from 84,569 to 104,578, an increase of 27 percent. The fastest growing sectors for employment growth were Education/Health Services, Professional/Business Services and Construction. However, in the last two years (2007 to 2009), while businesses continued to grow by over 3 percent, jobs declined by 2.6 percent. The impact of the housing downturn has been acutely felt in those industries related to housing. Construction employment, for example, declined in Prince William County by over 6,300 net jobs (-39.8%) between September 2005 and March 2009. Likewise, jobs in finance, insurance and real estate experienced a net loss of over 760 jobs (-20.2%) since their respective peak months of the real estate boom. Clearly, businesses and jobs in Construction and real estate-related services were high growth sectors during the recent booming real estate market. As the real estate market slipped, those sectors closely associated with it were negatively impacted. Prince William County's unemployment rate was 5.4 percent in July 2009, a significant increase from July 2008 when it stood at 3.8 percent, but well below the statewide rate of 6.9 percent and the national rate of 9.7 percent in July 2009.

Since the halcyon days of 2001-2006, when home values were increasing at double digit rates in some years, the residential market in the County has experienced a major downturn, though indications are that the market may be stabilizing. 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 the decline continued, as a total of 1,909 permits were issued, including 984 single family and 260 townhouses. In 2009 (January – August), a total of 1,110 permits were issued, including 651 single family and 227 townhouses.

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. Evidence exists that this may in fact be occurring as prices and sales activity have improved during the summer selling season of 2009. 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 December 2005, the peak of the recent market boom, the average sales price for homes in Prince William County was \$458,627. By February 2009, the average sales price for a home in the county was \$204,378 – a decrease of 55%. By August 2009, however, the average price of a sold home in Prince William County had climbed to \$257,605 – a 26% increase since February. The total number of units sold in August 2009 was 671, a healthy increase over the first three months of 2008, when total sales hovered around 300 per month.

About 83 percent of the County's real estate tax base consists of residential housing, with approximately 17 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 in fiscal year 2007. In fiscal year 2008, in response to revenue shortfalls and expectations of continuation of vital County services, Prince William County adopted a real estate tax rate of \$0.97 effective for fiscal year 2009. And for fiscal year 2010, the County adopted a real estate tax rate of \$1.212 in response to continued revenue shortfalls. Despite recent positive movement in the local real estate market, expectations are that over the next several years, the County's ability to provide services will continue to 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 high-wage jobs, diversify the non-residential tax base, and encourage people to live in, work in and visit the County. In that regard, the County's Department of Economic Development works diligently with targeted industries to attract new businesses and foster expansion of existing businesses. Since January 1997, 306 new and expanding companies have announced their intention to invest more than \$3.23 billion and add more than 14,000 jobs to the Prince William County economy. Of these announcements, 231 (75%) were targeted industry businesses accounting for \$2.55 billion (79%) of the total investment and 10,831 (77%) of the total jobs.

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

Prince William County remains the focal point of the life sciences industry within Northern Virginia, despite the dip in investments within life science companies and the subsequent reduced market demand for life science space. Anchored by George Mason University's Life Sciences Campus, Prince William County has a growing concentration of life science companies. The ground-breaking research coming from George Mason University creates community awareness and significant economic development opportunities. Currently, there are 14 life science companies that have announced their intent to invest \$351 million and add more than 1,200 new jobs.

With Prince William County's proximity to Quantico Marine Corp Base, Ft. Belvoir, the National Reconnaissance Office (NRO), and Washington DC, along with the addition of the FBI Northern Virginia Resident Agency in the County, the federal government and contractors who support the missions of federal agencies remain a key industry for economic development. Currently, there are 70 government contractors or federal agencies that have announced their intent to invest \$312.7 million and add 3,053 new jobs to the County.

Prince William County's competitive tax structure, electricity availability and rates, and fiber availability, makes Prince William County a desirable location for data center clients seeking a location in the Mid-Atlantic region. Further strengthening Prince William County's position is the availability of large land parcels and minimal natural disaster threats, which allows clients to meet the highest security standards that today's data market demands. Currently, there are seven companies that have announced their intent to invest \$1.54 billion and add 290 jobs for new data center operations.

Areas of particular interest in Prince William County include: Innovation@Prince William Technology Park, and the Potomac Communities. Innovation is anchored by George Mason University's Life Sciences Campus. It is home to a growing life sciences cluster that, in addition to George Mason University, includes American Type Culture Collection (ATCC), Mediatech, Inc., and the new Mason/NIH Biomedical Research Laboratory that opens in 2010. Also present is an emerging forensic science/criminal justice cluster that includes: the FBI Northern Virginia Resident Agency, the Virginia Department of Forensic Science's Northern Laboratory, and the Prince William County Police Western District Station. Currently, there are 37 companies that have announced their intent to invest \$693.3 million and add 2,676 new jobs in Innovation.

The Potomac Communities includes a number of new office developments that cater to the growing demand companies place on greater access to the Northern Virginia labor market while maintaining close proximity to Washington, DC and nearby federal facilities – such as Quantico Marine Corps Base, Ft. Belvoir, and the Pentagon. With infrastructure improvements to local roadways and new commercial office product coming to market, the Potomac Communities provides several opportunities for those looking to locate or expand in the County.

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

Prince William County's close proximity to the federal government and affiliated contractor industries has largely insulated it from the severity of normal business cycle troughs. While the County is by no means immune from economic downturns, their depth and duration tend to be ameliorated by the fairly constant uptrend in federal spending and procurement. The County depends heavily on residential housing and consumer spending to maintain its prosperity and levels of local government services. These two sectors 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.

As Prince William County enters fiscal year 2010, 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, has been serious, though signs point to its stabilization during the summer 2009 selling season. To date, the County continues to enjoy lower unemployment rates than statewide or national rates, though local unemployment has increased during the current economic downturn. 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, with continued challenges in commercial and retail sectors and longer-term prospects providing a more optimistic scenario.

Long-term Financial Planning

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

The objective 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 and complete all critical capital projects identified in the Capital Improvements Program.
4. To provide annual adjustments for inflation in supplies and materials.
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 138 school divisions in Virginia and among the 50 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 7,480 additional students by the 2014-2015 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 \$74.8 million.

Providing quality educational facilities is important in providing quality education. PWCS' Capital Program identifies sixteen schools for new construction or additions over the next five years and replacement of two schools. PWCS endeavors to spend, as is recommended by the National Building Research Board, between 2% and 4% of the total replacement value of buildings on an annual basis on maintenance of existing school facilities. PWCS facilities were constructed between 1918 and 2009, with the oldest school being Dumfries Elementary School constructed 90 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, 2008. This was the seventh 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, 2008. This was the seventh 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, 2009. 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 2010 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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Snow", is written above the title.

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2008

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

Prince William County Public Schools
List of Elected and Appointed Officials
June 30, 2009

Elected Officials - The Prince William County School Board*

Milton C. Johns, Chairman *At-Large*

Denita S. Ramirez, Vice Chairman, *Woodbridge District*

Betty D. Covington, *Dumfries District*

Grant Lattin, *Occoquan District*

Julie C. Lucas, *Neabsco District*

Michael I. Otaigbe, *Coles District*

Don Richardson, *Gainesville District*

Gil Trenum, *Brentsville District*

Appointed Officials - School Division Administration*

Steven L. Walts
Superintendent of Schools

Rae E. Darlington
Deputy Superintendent

Keith A. Imon
Associate Superintendent
Communications and Technology Services

Keith J. Johnson
Associate Superintendent
Human Resources

Pamela K. Gauch / Wayne K. Mallard /
Kris Pedersen
Interim Associate Superintendents
Student Learning and Accountability

David S. Cline
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Western Elementary Schools

Catherine P. Puttre
Middle Schools

R. Todd Erickson
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 M. Graham
Supervisor of Fiscal Operations

* as of December 1, 2009



2009 - 10 Organizational Chart

PWCS_OrgChart_2009_v3.vsd

July 1, 2009
10:43 AM

Prince William County School Board

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

Superintendent
Steven L. Walts

Deputy Superintendent
Rae Darlington

Clerk
Angela Dent

Deputy Clerk
Cheryl Patterson

Associate Superintendent for Finance and Support Services
David Cline

Associate Superintendent for Western Elementary Schools
Alison Nurse-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	McAuliffe 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
Vacant

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
Vacant

Director of Accountability
Holly Hess

Supervisor of Testing
Paul Parker

Supervisor of Program Evaluation
Jennifer Cassata

Director of Special Education
Jane Lawson

Supervisors of Special Education
*Kathy Aux
Sheila Coleman
Morphoula Daoulas
Cary Dougher
Teresa Hopkins
Rebecca Mallory
Cathy Radford
Cylvia Toy
David Williams
Rebecca Yellets*

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

Employee Investigations

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
John Wallingford

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
Lionel White

Supervisor of Land Acquisition & CIP Planning
Maureen Hannan

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Financial Section

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

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prince William County Public Schools ("PWCPs"), a component unit of Prince William County, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the PWCPs' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PWCPs' management. Our responsibility is to express opinions 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 assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PWCPs' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of PWCPs, as of June 30, 2009, and the respective changes in financial position and the 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 4, 2009 on our consideration of the PWCPs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedules of Funding Progress and Employer Contributions for defined benefit pension and other post-employment benefit plans on pages 15 through 27 and 62 through 63 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PWCPS basic financial statements. The accompanying other supplementary information, such as the combining and individual fund financial statements and schedules listed in the table of contents, introductory section, and statistical section are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have 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 introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Greensboro, North Carolina
December 4, 2009

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009 (FY 2009). 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 \$823,722 or 86% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$130,647 or 14% of total revenues of \$954,369.
- The school division had \$879,594 in expenses related to governmental activities of which \$130,647 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 \$74,775 to a total of \$1,099,373. 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, 2008 (FY 2009) student membership was 73,657, an increase of 1,003 students, or 1.4% greater than FY 2008. The student membership was also 336 students more than projected for FY 2009.
- Construction on the Edward L. Kelly Leadership Center, PWCS' new administrative building, was completed during fiscal year 2009. The Fannie W. Fitzgerald and the Samuel L. Gravely Elementary Schools were opened in September 2008. Yorkshire Elementary School replacement was completed in February 2009.

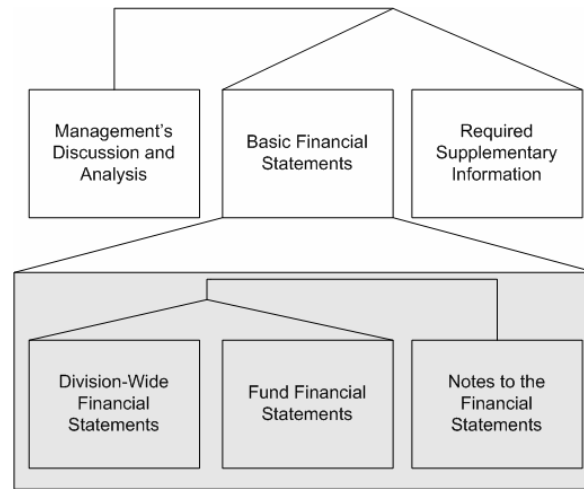
Using this Comprehensive Annual Financial Report

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the school division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the division, reporting the division's operations in *more detail* than the government-wide statements.
- The *governmental funds statements* describe how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *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.

Organization of Prince William County Public Schools Annual Financial Report



Summary ←————→ Detail

Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school division (excludes fiduciary funds)	The activities of the school division that are not proprietary or fiduciary, such as special education and building maintenance	Activities the school division operates similar to private businesses: self insurance, health insurance, 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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about Prince William County Public Schools as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by PWCS to provide programs and activities, the view of PWCS, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. The accrual basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

In the Statement of Net Assets and the Statement of Activities, PWCS reports amounts related to governmental-type activities and its three internal service funds. 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 government-wide statements, additional information has been added in the form of reconciliations between the total fund balances of the governmental funds and the total net assets of the government-wide activities. An additional reconciliation is added to explain the differences between the net change in fund balance and the change in net assets of the school division.
- **Proprietary Funds:** Proprietary funds are reported on a full accrual basis and economic resources focus. PWCS 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.
- **Fiduciary Funds:** PWCS is a trustee or fiduciary for the Northern Virginia Regional Special Education Fund. In addition, during fiscal year 2009, the Prince William County Other

Postemployment Benefits trust fund, a single agent multiple employer defined benefit postemployment benefits trust, was established to provide funding for benefit payments on behalf of retiree and COBRA participants. PWCS is one of three trustees, along with the County and the Prince William County Park Authority.

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' government-wide statements because PWCS cannot use these assets to finance its operation. The student activity money is also accounted for in an agency fund.

Financial Analysis of PWCS as a Whole

Net Assets

The condensed statement of net assets describes the financial position of PWCS on June 30, 2009. The largest portion of PWCS net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 83.4% of the total net assets and have increased by \$56,508 since June 30, 2008. This increase is primarily the result of continued construction necessary to house the continuing growth in the student population and the completion of the new administration building, the Edward L. Kelly Leadership Center, in fiscal year 2009. These capital assets are not net of related debt because, as a component unit (school division) in

Condensed Statement of Net Assets

(amounts expressed in thousands)

	Governmental Activities		Percent Change
	2009	2008	
Current and other assets	\$ 323,135	\$ 306,353	5.5%
Capital assets	917,229	860,721	6.6
Total assets	1,240,364	1,167,074	6.3
Current liabilities	105,989	108,650	(2.5)
Long-term liabilities	35,002	33,826	3.5
Total liabilities	140,991	142,476	(1.0)
Net assets:			
Invested in capital assets	917,229	860,721	6.6
Restricted	81,903	86,387	(5.2)
Unrestricted	100,241	77,490	29.4
Total net assets	\$ 1,099,373	\$ 1,024,598	7.3

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

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Restricted net assets decreased by \$4,484 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 \$100,241, an increase of \$22,751 from fiscal year 2008. All three components of net assets show positive balances.

Changes in Net Assets

(amounts expressed in thousands)

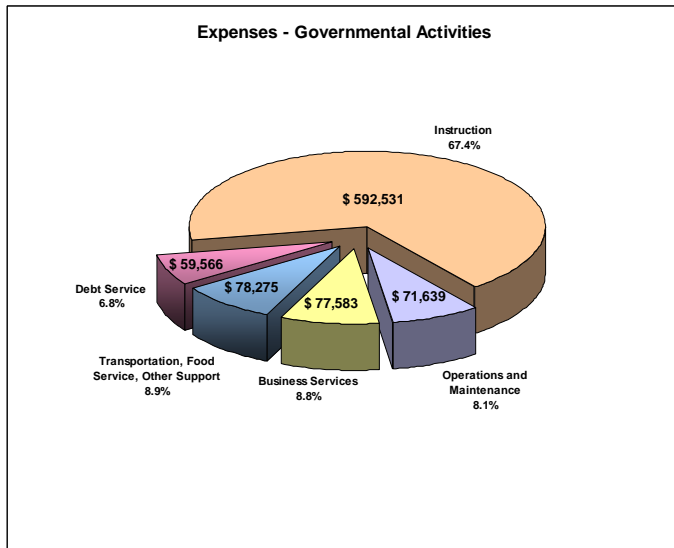
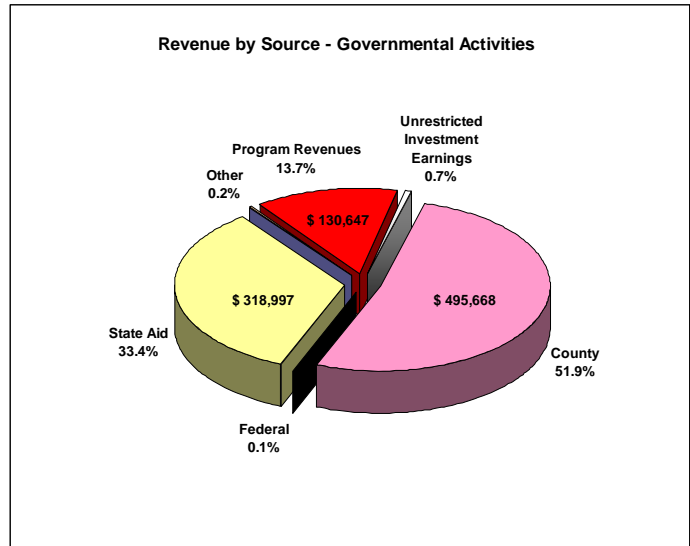
	Governmental Activities		Percent Change
	2009	2008	
Program revenues:			
Charges for services	\$ 22,990	\$ 22,098	4.0%
Operating grants and contributions	106,649	98,392	8.4
Capital grants and contributions	1,008	1,029	(2.0)
General revenues:			
Federal	1,153	915	26.0
State	318,997	303,777	5.0
County	495,668	464,369	6.7
Unrestricted investment earnings	5,874	6,665	(11.9)
Miscellaneous revenues	2,030	1,775	14.4
Total revenues	<u>954,369</u>	<u>899,020</u>	6.2
Expenses:			
Instructional:			
Regular	432,322	416,988	3.7
Special	99,166	95,345	4.0
Other	8,808	9,521	(7.5)
Instructional leadership	52,235	51,412	1.6
Support services:			
General administration	8,841	7,622	16.0
Student services	10,985	10,604	3.6
Curricular/staff development	12,736	13,353	(4.6)
Pupil transportation	46,684	49,304	(5.3)
Operations	22,032	21,172	4.1
Utilities	25,175	23,682	6.3
Maintenance	24,432	23,707	3.1
Central business services	45,021	45,996	(2.1)
Reimbursement to County for debt service	59,566	57,493	3.6
Food service	30,459	27,191	12.0
Community service operations	1,132	785	44.2
Total expenses	<u>879,594</u>	<u>854,175</u>	3.0
Change in net assets	74,775	44,845	66.7
Net assets, beginning of year	1,024,598	979,753	4.6
Net assets, end of year	<u>\$ 1,099,373</u>	<u>\$ 1,024,598</u>	7.3

Changes in Net Assets

Total revenues increased by \$55,349 for a 6.2% increase over fiscal year 2008. This is primarily the result of increase in State aid and general revenue from the County.

51.9% of PWCS' revenue comes from the primary government (the County), 33.4% from the state, 13.7% 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 increased from fiscal year 2008 by \$6,540 or 13.3% while all other components of "county revenue" increased by \$24,759 or 6.0%. For fiscal year 2009 there was a 6.7% increase of all components of "county revenue" or \$31,299. This increase is primarily a function of the transfers from the County related to PWCS' share of revenues. "Other revenue" displayed on the statement of activities increased by \$255 relative to FY 2008 "other revenue".



State revenue increased \$15,220 or 5.0% 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 3.0% to \$879,594 in fiscal year 2009. 76.3% 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 8.8% of total costs while operations and maintenance amounted to 8.1% of total cost. Reimbursements to the County for debt service totaled 6.8% of fiscal year 2009 costs. For the fiscal year 2009, revenues exceeded expenses by a total of \$74,775. 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 2009 related to additional recognized revenues from FY 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 2009 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 2008 as a result of the State funding its share of the SOQ cost of the additional 1,003 students in the school division; an increase in student population of 1.4%.

The FY 2009 expense budget was adjusted to fund schools and central departments for the costs of the additional student enrollment. The Net Cost of Governmental Activities table shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, State aid, and Federal aid not restricted to specific programs.

Net Cost of Governmental Activities						
(amounts expressed in thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Percent Change	2009	2008	Percent Change
Instruction						
Regular	\$ 432,322	\$ 416,988	3.7%	\$ 389,908	\$ 375,720	3.8%
Special	99,166	95,345	4.0	51,324	52,241	(1.8)
Other	8,808	9,521	(7.5)	3,645	4,825	(24.5)
Instructional leadership	52,235	51,412	1.6	52,235	51,411	1.6
Total instruction	592,531	573,266	3.4	497,112	484,197	2.7
Support services						
General administration	8,841	7,622	16.0	8,841	7,622	16.0
Student services	10,985	10,604	3.6	10,956	10,547	3.9
Curricular/staff development	12,736	13,353	(4.6)	12,638	13,225	(4.4)
Pupil transportation	46,684	49,304	(5.3)	46,512	49,186	(5.4)
Operations	22,032	21,172	4.1	21,850	21,086	3.6
Utilities	25,175	23,682	6.3	25,175	23,682	6.3
Maintenance	24,432	23,707	3.1	24,432	23,707	3.1
Central business services	45,021	45,996	(2.1)	43,979	44,973	(2.2)
Reimbursement to County for debt	59,566	57,493	3.6	59,566	57,493	3.6
Food service	30,459	27,191	12.0	(2,314)	(2,808)	(17.6)
Community service operations	1,132	785	44.2	199	(254)	(178.3)
Total support services	287,063	280,909	2.2	251,834	248,459	1.4
Total expenses	\$ 879,594	\$ 854,175	3.0	\$ 748,946	\$ 732,656	2.2

Governmental Activities (continued)

- The cost of all governmental activities was \$879,594.
- The net cost of governmental activities was \$748,946.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$495,668.
- The Commonwealth of Virginia contributed general revenue of \$318,997.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$22,990.
 - Total Grants and Contributions: \$107,657.
 - Other payments: \$9,057.
- There are several significant activity changes in the net cost of services:
 - General administration costs increased for changes in the FY 2009 Approved budget as well as additional staffing. Costs also increased with the opening of the Edward L. Kelly Leadership Center administrative building, the opening of two new elementary schools and the staffing and startup costs associated with these schools.
 - Utility costs have increased with the opening of two new schools and the Edward L. Kelly Leadership Center as well as increased prices for heating fuel and electricity.
 - Community services operations are subject to change each year as a function of the number of activities conducted within the community use of building (rental) program. During fiscal year 2009, a one time expense for the purchase of equipment contributed to an increase in the net cost of services.

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 \$954,168 and expenditures of \$931,547. The net change in fund balance was most significant in the General Fund amounting to an increase of \$12,375. This increase is primarily due to significant increases in revenue from the State and the County.

The Construction Fund net change in fund balance of \$2,663 reflects an increase resulting from transfers from the General Fund and a decrease in capital outlay expenditures. The increase in fund balance in Other Governmental Funds of \$2,584 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 2009, PWCS amended its General Fund budget as follows:

- Amended appropriation of \$19,777 to reflect the carryover of encumbrances from Fiscal Year 2008 to Fiscal Year 2009.
- Amended appropriation of \$21,569 to reflect the carryover of encumbrances from Fiscal Year 2009 to Fiscal Year 2010.
- Supplemental appropriations totaled \$7,399; of which \$4,899 related to increases in Federal, State, and local grants and additional State aid due to a higher student population than originally projected in the budget and \$2,500 related to the fiscal year 2008 carryforward of budgeted other postemployment benefits to contribute to the Prince William County Other Postemployment Benefits Master Trust.

- After the final close of the fiscal year, the County determines the actual revenues for the year (FY 2009). In the following fiscal year (FY 2010), an appropriation adjustment is made (plus or minus) to the school division budget to reflect the difference between the actual and projected revenues. The difference between actual and projected revenues for FY 2009 was \$201. The supplemental appropriation is net of other adjustments including contribution to the County fund balance.

PWCS' final budget for the General Fund anticipated that expenses, including transfers, would exceed revenues by roughly \$11,047. The actual results for the year show an excess of \$12,375. The excess of \$12,375 reflects an effort by management to utilize increases in revenue and savings in expenditures to increase fund balance. The increased fund balance will be utilized to support future budgets.

Capital Assets

At the end of fiscal year 2009, PWCS had \$917,229 invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table shows fiscal year 2009 balances, net of accumulated depreciation. Readers interested in more detailed information on capital assets should refer to the Capital assets note in the Notes to the Financial Statements.

Capital Assets (net of accumulated depreciation) (amounts expressed in thousands)			
	Governmental Activities		
	2009	2008	Percent Change
Land	\$ 59,863	\$ 54,697	9.4%
Construction in progress	50,124	58,191	(13.9)
Depreciable capital assets	807,242	747,833	8.0
Total	\$ 917,229	\$ 860,721	6.6

Major capital asset additions for FY 2009 included:

- Completion of construction and opening 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, opened September 2009.
- Completion of construction of the Edward L. Kelly Leadership Center on Bristow Road, Manassas, opened September 2009.
- Additional land acquisition at 13833 Dumfries Road for the future construction of the 12th High School.
- Completion of construction of the replacement for Yorkshire Elementary School in February 2009.
- Room additions at:
 - Marumsco Hills Elementary School
 - Potomac View Elementary School
 - Rockledge Elementary School
 - Vaughan Elementary School

- Continued major renovations at:
 - Coles Elementary School
 - Sinclair Elementary School
- Purchase of 19 school buses.
- Replacement of 40 trucks and other vehicles.

The following major capital projects are included in PWCS' fiscal year 2010 capital budget:

- Renewal of Rippon Middle School
- Renewal of Godwin Middle School
- Ongoing implementation of an institutional technology network, I-Net.

Funding for the FY 2010 capital projects includes a general fund transfer of \$6,126, \$55,525 to be financed by the County through the sale of General Obligation bonds to the Virginia Public School Authority (VPSA) in the spring of 2010 and American Recovery and Reinvestment Act funding in the amount of \$5,820.

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, 2009, the County is liable for \$535,564 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2009, outstanding long-term debt increased by a net \$15,954 consisting of:

- \$35,066 in debt principal retired during the fiscal year;
- \$51,020 new debt issued during FY 2009:
 - \$51,020 in sale of general obligation bonds to the Virginia Public School Authority (VPSA);
 - In addition, a bond premium of 4,753 was realized on the sale of the VPSA bonds, bringing the total funds available from the sale to \$55,773;

The FY 2010 Approved School Board budget provides funding for \$61,400 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$55,525 in new bonds to support school capital projects, as detailed in the FY 2010 – 2019 Capital Improvements Program (CIP). Readers interested in more detailed information for long-term debt activity should refer to the Long-term debt note in the Notes to the Financial Statements.

Outstanding Long-Term Debt

(Incurred by Prince William County on behalf of PWCS)
(amounts expressed in thousands)

	Total School Division		Percent Change
	2009	2008	
General obligation bonds *	\$ 531,815	\$ 515,487	3.2%
Literary loans	3,749	4,123	(9.1)
Total	\$ 535,564	\$ 519,610	3.1

*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 2010 budget provides funding for the following significant costs:

- A pay adjustment averaging 2.9%.
- Funding for current programs to support an increase of 1,423 students.
- Funding to support the capital projects included in the FY 2010 – 2019 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 growth continues to place fiscal demands upon the school division requiring additional staff, buses, and classroom space. The substantial rate of growth continues to create challenging fiscal demands in the current and future budgets.
- 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.
- Student membership on September 30, 2009 was 76,656. This represents an increase of 2,999 students for a growth rate in excess of 4.1%. The student membership was 1,912 students above the 74,744 projected in the FY 2010 Approved Budget which translates to an estimated increase of \$21,000 in costs. The unexpected increase in student growth is attributable, at least in part, to the housing market beginning to stabilize and the ability to purchase foreclosed homes at lower prices.
- Federal Stimulus funds of \$34,600 were made available for fiscal year 2010 to enhance student instruction, supplement specific programs, help retain jobs and stimulate the economy. The portion related to State Fiscal Stabilization Funds will be reduced by roughly one in fiscal year 2011 and then fully eliminated in FY 2012. The School Division will be challenged by the "funding cliff" that may be

created by this infusion and then subsequent elimination of Federal funds.

- FY 2010 is the second year of the biennial budget process for the Commonwealth of Virginia. The budget for FY 2010 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.
- Starting in FY 2010, the State has placed a funding cap on certain support staff positions. The reduction to the related revenue stream is approximately \$32,500 and impacts an estimated 844 positions within PWCS.
- The budget for FY 2011 will be negatively affected due to the State shifting \$4,500 of FY 2011 stabilization funding to backfill their FY 2010 General Fund shortfall related to Basic Aid.
- As part of the State's FY 2010 budget reduction plan, the Governor has established a premium rate holiday for The Virginia Retirement System's (VRS) retirement, Group Life Insurance (GLI), and retiree Health Care Credit (HCC) contributions effective in the fourth quarter of FY 2010 (April through June 2010). The holiday is only for the employer portion of the VRS premium; the employee portion must still be paid. PWCS pays the employee portion of the VRS premium.
- VRS rates for FY 2011 are projected to increase 4.5% of covered payroll or an estimated \$16,500. This rate increase is a result of the substantially reduced market value of assets held by the VRS at June 30, 2009, fiscal year 2009 end. The Governor and the VRS staff are projecting this rate increase however the legislature must still approve the new rate. Historically, the General Assembly has approved rates substantially less than those initially proposed by the VRS Board.
- Revenue receipts for the first quarter at the State level are well under forecast. Even though there have been adjustments to the fiscal year 2010 budgets, there is substantial concern that additional adjustments to fiscal year 2010 budgets are still coming. This may impact State funding to local school divisions including PWCS.
- The change in the local composite index (LCI) for the coming biennium will have an impact on funding provided to PWCS by the state. PWCS' LCI will go from .4437 for the 2008-2010 biennium to .4036 for the 2010-2012 biennium. This decrease in the LCI represents the state's expectation that the locality has a decrease in ability to bear a larger burden of the funding of education and, therefore, represents an increase to share of State education dollars to be received by PWCS.
- For the coming biennium, the State is already forecasting budgetary deficits of \$1.4 billion and \$1.7 billion in fiscal years 2011 and 2012 respectively. Thus far, the Governor has tried to hold education in Virginia harmless with regard to State funding reductions. This forecasted deficit will almost certainly have an impact on future State revenues and, therefore, PWCS' budgets.
- The County has indicated that FY 2010 revenues are currently tracking just under budget. The continued impact of changes in the local economy, the value of residential real estate, and particularly the value of commercial real estate make the revenue picture for FY 2011 somewhat uncertain.
- During the seven year period prior to FY 2008, the growth in real estate assessed values had enabled a \$0.60 reduction in the real property tax rate to a value of \$0.76 while still providing additional revenues to the County and School Board. In fiscal year 2008, the tax rate was increased to \$0.787 per \$100 of assessed value because of the softening values in the housing markets. In fiscal year 2009 the rate was again raised, this time to \$0.97 per hundred. The decline in the value of residential real estate has continued with real estate tax rates increasing to \$1.212 for FY 2010. During the

current calendar year the value of housing has increased, on average, one percent. If this increase indicates a stabilization of the housing market, there may be some positive impact on operating and capital budgets in FY 2011.

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, 2009**

Exhibit 1

	Governmental Activities
ASSETS	
Equity in cash and pooled investments	\$ 212,147,079
Accounts receivable and other current assets	1,277,506
Due from other governmental units	21,622,663
Inventory	3,042,337
Prepays	2,641,848
Deposits	500,000
Restricted assets:	
Restricted cash	81,903,672
Capital assets:	
Land	59,862,969
Construction in progress	50,123,628
Depreciable capital assets	1,075,115,764
Less: accumulated depreciation	(267,873,849)
<i>Total assets</i>	<u>1,240,363,617</u>
LIABILITIES	
Accounts payable and accrued liabilities	11,859,924
Salaries payable and withholdings	84,125,773
Due to other governmental units	952,435
Retainage	2,795,991
Unearned revenue	6,254,605
Long-term liabilities:	
Due within one year	16,287,556
Due in more than one year	18,714,401
<i>Total liabilities</i>	<u>140,990,685</u>
NET ASSETS	
Invested in capital assets	917,228,512
Restricted for:	
Capital projects	81,903,672
Unrestricted	100,240,748
<i>Total net assets</i>	<u>\$ 1,099,372,932</u>

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, 2009

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	\$ 432,322,384	1,279,392	41,036,067	99,157	(389,907,768)
Special	99,166,154	228,046	47,613,892	-	(51,324,216)
Other	8,807,477	1,991,819	3,170,239	-	(3,645,419)
Instructional leadership	52,234,982	-	-	-	(52,234,982)
Total instruction	592,530,996	3,499,257	91,820,198	99,157	(497,112,384)
Support services:					
General administration	8,841,002	-	-	-	(8,841,002)
Student services	10,984,917	-	28,607	-	(10,956,310)
Curricular/staff development	12,735,695	-	97,268	-	(12,638,427)
Pupil transportation	46,683,467	171,271	-	-	(46,512,196)
Operations	22,032,424	182,496	-	-	(21,849,928)
Utilities	25,174,762	-	-	-	(25,174,762)
Maintenance	24,431,825	-	-	-	(24,431,825)
Central business services	45,021,189	133,444	-	909,318	(43,978,427)
Reimbursement to County for debt service	59,566,440	-	-	-	(59,566,440)
Food service	30,459,376	18,070,626	14,702,839	-	2,314,089
Community service operations	1,132,269	933,002	-	-	(199,267)
Total support services	287,063,366	19,490,839	14,828,714	909,318	(251,834,495)
Total governmental activities	\$ 879,594,362	22,990,096	106,648,912	1,008,475	(748,946,879)
General revenues:					
Grants and contributions not restricted to specific programs:					
Federal 1,152,968					
State 318,996,713					
County 495,668,206					
Unrestricted investment earnings 5,873,687					
Miscellaneous revenues 2,030,351					
Total general revenues 823,721,925					
Change in net assets 74,775,046					
Net assets, beginning of year 1,024,597,886					
Net assets, end of year \$ 1,099,372,932					

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, 2009

Exhibit 3

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in cash and pooled investments	\$ 122,822,623	47,197,513	11,887,523	181,907,659
Restricted cash	-	81,903,672	-	81,903,672
Accounts receivable	487,444	304,609	306,671	1,098,724
Due from other funds	282,653	-	-	282,653
Due from other governmental units	19,441,114	-	2,181,549	21,622,663
Inventory	803,147	-	1,245,278	2,048,425
Total assets	<u>143,836,981</u>	<u>129,405,794</u>	<u>15,621,021</u>	<u>288,863,796</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	4,908,445	5,228,380	530,570	10,667,395
Salaries payable and withholdings	83,316,774	27,324	781,675	84,125,773
Retainage payable	-	2,795,991	-	2,795,991
Deferred revenue	201,236	-	-	201,236
Unearned revenue	422,524	-	1,094,359	1,516,883
Total liabilities	<u>88,848,979</u>	<u>8,051,695</u>	<u>2,406,604</u>	<u>99,307,278</u>
Fund balances:				
Reserved for:				
Inventory	803,147	-	1,245,278	2,048,425
Unreserved, reported in:				
General Fund:				
Designated for encumbrances	21,568,661	-	-	21,568,661
Designated for future years' expenditures	24,539,865	-	-	24,539,865
Designated for grants and special projects	443,828	-	-	443,828
Undesignated	7,632,501	-	-	7,632,501
Capital Projects:				
Designated for encumbrances	-	95,025,701	-	95,025,701
Designated for future years' expenditures	-	25,375,963	-	25,375,963
Designated for payments to PWC for arbitrage rebate	-	952,435	-	952,435
Nonmajor Special Revenue Funds:				
Designated for encumbrances	-	-	45,033	45,033
Designated for future years' expenditures	-	-	944,031	944,031
Undesignated	-	-	10,980,075	10,980,075
Total fund balances	<u>54,988,002</u>	<u>121,354,099</u>	<u>13,214,417</u>	<u>189,556,518</u>
Total liabilities and fund balances	<u>\$ 143,836,981</u>	<u>129,405,794</u>	<u>15,621,021</u>	<u>288,863,796</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, 2009

Exhibit 4

Total fund balances - governmental funds \$ 189,556,518

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	\$ 59,862,969	
Construction in progress	50,123,628	
Library books	3,795,800	
Buildings and improvements	974,784,599	
Equipment	25,863,762	
Vehicles	<u>70,671,603</u>	
Total capital assets	1,185,102,361	
Accumulated depreciation	<u>(267,873,849)</u>	917,228,512

Prepaid other post employment benefits represent irrevocable payments made to the Prince William County, Virginia Other Post Employment Benefits Master Trust for retiree healthcare benefits in advance of total actuarial requirements to date. The advance payments are reported in the Statement of Net Assets, but as expenditures in the funds when made. 2,641,848

Certain amounts due to other governmental units are not due and payable in the current period and, therefore, are not reported in the funds (952,435)

Certain revenues are measurable but not available to pay for current period expenditures and, therefore, are reported in the funds as deferred revenue. 201,236

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

Compensated absences	(26,128,698)	
Pollution remediation	<u>(1,006,374)</u>	(27,135,072)

Net Assets of internal service funds. 17,832,325

Net assets - governmental activities \$ 1,099,372,932

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

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

Exhibit 5

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 3,493,390	2,962,365	443,516	6,899,271
Use of property	-	-	933,002	933,002
Charges for services	3,833,320	-	18,014,116	21,847,436
Intergovernmental:				
Federal	28,102,410	-	14,014,924	42,117,334
State	384,876,335	-	450,592	385,326,927
County	430,650,502	63,790,881	-	494,441,383
Miscellaneous	2,306,733	-	296,083	2,602,816
Total revenues	<u>853,262,690</u>	<u>66,753,246</u>	<u>34,152,233</u>	<u>954,168,169</u>
EXPENDITURES:				
Current:				
Regular instruction	399,325,097	13,236,488	-	412,561,585
Special instruction	98,452,938	-	-	98,452,938
Other instruction	8,801,605	-	-	8,801,605
Instructional leadership	52,234,982	-	-	52,234,982
General administration	7,968,948	-	-	7,968,948
Student services	10,914,231	-	-	10,914,231
Curricular/staff development	12,663,918	-	-	12,663,918
Pupil transportation	43,851,477	-	-	43,851,477
Operations	21,859,294	-	-	21,859,294
Utilities	25,174,762	-	-	25,174,762
Maintenance	23,351,598	-	-	23,351,598
Central business services	43,994,493	-	-	43,994,493
Community service operations	-	-	1,132,269	1,132,269
Food services	-	-	30,435,977	30,435,977
Reimbursement to the County for debt service	53,268,433	6,601,196	-	59,869,629
Capital outlay	-	78,278,912	-	78,278,912
Total expenditures	<u>801,861,776</u>	<u>98,116,596</u>	<u>31,568,246</u>	<u>931,546,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,400,914</u>	<u>(31,363,350)</u>	<u>2,583,987</u>	<u>22,621,551</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
General fund	-	35,026,250	-	35,026,250
Construction fund	1,000,000	-	-	1,000,000
TRANSFERS OUT:				
General fund	-	(1,000,000)	-	(1,000,000)
Construction fund	(35,026,250)	-	-	(35,026,250)
Health Insurance fund	(5,000,000)	-	-	(5,000,000)
Total other financing sources (uses), net	<u>(39,026,250)</u>	<u>34,026,250</u>	<u>-</u>	<u>(5,000,000)</u>
Net change in fund balances	12,374,664	2,662,900	2,583,987	17,621,551
FUND BALANCES, beginning of year	<u>42,613,338</u>	<u>118,691,199</u>	<u>10,630,430</u>	<u>171,934,967</u>
FUND BALANCES, end of year	<u>\$ 54,988,002</u>	<u>121,354,099</u>	<u>13,214,417</u>	<u>189,556,518</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, 2009**

Exhibit 6

Total net change in fund balances - total governmental funds	\$ 17,621,551
Amounts reported for governmental activities in the Statement of Activities are different because:	
Certain revenues that are disclosed in the Statement of Activities do not provide current financial resources and are, therefore, not reported in the funds.	201,236
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	83,546,855
Depreciation expense	<u>(26,927,160)</u>
	56,619,695
The net effect of various transactions including disposal of capital assets.	(112,243)
Some expenses reported in the Statement of Activities, such as compensated absences, other postemployment benefits, and pollution remediation do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	1,732,161
Activities of Internal Service Funds that serve governmental activities	<u>(1,287,354)</u>
Change in net assets of governmental activities	<u><u>\$ 74,775,046</u></u>

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

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2009

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	-	3,493,390	3,493,390
Charges for services	1,815,275	3,337,014	3,833,320	496,306
Intergovernmental:				
Federal	25,573,317	29,116,979	28,102,410	(1,014,569)
State	387,878,693	385,220,266	384,876,335	(343,931)
County	433,694,283	434,151,098	430,650,502	(3,500,596)
Miscellaneous	33,668	680,385	2,306,733	1,626,348
Total revenues	<u>848,995,236</u>	<u>852,505,742</u>	<u>853,262,690</u>	<u>756,948</u>
EXPENDITURES:				
Current:				
Regular instruction	418,987,775	411,110,076	399,325,097	11,784,979
Special instruction	95,782,341	101,252,390	98,452,938	2,799,452
Other instruction	8,160,527	8,912,959	8,801,605	111,354
Instructional leadership	56,465,762	56,176,689	52,234,982	3,941,707
General administration	8,219,719	8,171,749	7,968,948	202,801
Student services	11,169,647	11,148,213	10,914,231	233,982
Curricular/staff development	12,806,033	13,039,909	12,663,918	375,991
Pupil transportation	46,846,394	43,911,073	43,851,477	59,596
Operations	20,273,973	20,196,524	21,859,294	(1,662,770)
Utilities	36,307,599	27,178,338	25,174,762	2,003,576
Maintenance	24,652,705	24,446,427	23,351,598	1,094,829
Central business services	61,060,400	45,644,615	43,994,493	1,650,122
Reimbursement to the County for debt service	59,938,548	59,938,548	53,268,433	6,670,115
Total expenditures	<u>860,671,423</u>	<u>831,127,510</u>	<u>801,861,776</u>	<u>29,265,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,676,187)</u>	<u>21,378,232</u>	<u>51,400,914</u>	<u>30,022,682</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Construction fund	1,000,000	1,000,000	1,000,000	-
TRANSFERS OUT:				
Construction fund	(18,052,000)	(28,425,054)	(35,026,250)	(6,601,196)
Health Insurance fund	-	(5,000,000)	(5,000,000)	-
Total other financing uses, net	<u>(17,052,000)</u>	<u>(32,425,054)</u>	<u>(39,026,250)</u>	<u>(6,601,196)</u>
Net change in fund balance	(28,728,187)	(11,046,822)	12,374,664	23,421,486
FUND BALANCE, beginning of year	<u>42,613,338</u>	<u>42,613,338</u>	<u>42,613,338</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 13,885,151</u>	<u>31,566,516</u>	<u>54,988,002</u>	<u>23,421,486</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, 2009

Exhibit 8

	Internal Service Funds
ASSETS	
Current assets:	
Equity in cash and pooled investments	\$ 30,239,420
Accounts receivable and other current assets	178,782
Inventory	993,912
Deposits	500,000
Total current assets	<u>31,912,114</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	1,192,529
Unearned revenue	4,737,722
Due to other funds	282,653
Incurred but not reported claims	6,558,497
Total current liabilities	<u>12,771,401</u>
Noncurrent liabilities:	
Incurred but not reported claims	<u>1,308,388</u>
Total liabilities	<u>14,079,789</u>
NET ASSETS	
Unrestricted	<u>\$ 17,832,325</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, 2009

Exhibit 9

	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 64,809,175
Total operating revenues	<u>64,809,175</u>
Operating Expenses:	
Personnel services	954,414
Materials/supplies	66,286
Administrative costs	3,902,742
Premiums	5,564,170
Claims and benefits paid	55,934,720
Losses and unallocated loss adjustment	1,350,635
Cost of goods sold	4,646,552
Total operating expenses	<u>72,419,519</u>
Operating loss	<u>(7,610,344)</u>
Non-Operating Revenues:	
Interest and miscellaneous	<u>1,322,990</u>
Loss before transfers	(6,287,354)
Transfers In	<u>5,000,000</u>
Change in net assets	(1,287,354)
Net Assets, beginning of year	<u>19,119,679</u>
Net Assets, end of year	<u>\$ 17,832,325</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, 2009**

Exhibit 10

	<u>Internal Service Funds</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 65,399,912
Payments to suppliers for goods and services	(70,922,797)
Payments for deposits	(500,000)
Payments to employees	(963,380)
Net cash used in operating activities	<u>(6,986,265)</u>
Cash Flows from Non-capital Financing Activities:	
Advances from other funds	160,793
Transfers from other funds	5,000,000
	<u>5,160,793</u>
Cash Flows from Investing Activities:	
Interest received from investments	<u>1,376,188</u>
Net decrease in equity in cash and pooled investments	(449,284)
Equity in cash and pooled investments, beginning of year	<u>30,688,704</u>
Equity in cash and pooled investments, end of year	<u>\$ 30,239,420</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	<u>\$ (7,610,344)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Change in assets and liabilities:	
Decrease in accounts receivable	458,352
Decrease in inventory	47,770
Increase in deposits	(500,000)
Increase in unearned revenue	132,385
Increase in accounts payable and accrued liabilities	531,316
Decrease in salaries payable and withholdings	(8,966)
Decrease in incurred but not reported claims	(36,778)
Net cash used in operating activities	<u>\$ (6,986,265)</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, 2009**

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 7,970,004
Due from other governmental units	<u>2,856,650</u>
Total assets	<u><u>10,826,654</u></u>
Liabilities	
Accounts payable and accrued liabilities	<u><u>\$ 10,826,654</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, 2009

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 73,657 students while managing 88 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 discretely presented component unit of the County.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include payments to, and other charges between the 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

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

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

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.

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

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. Pooled cash and investments represent the majority of PWCS' available cash.

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

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

Deposits

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

Restricted cash of \$81,903,672 consists of bond proceeds held by trustees for the funding of specific construction projects. The funds are maintained to comply with the provision of the Tax Reform Act of 1966 or as required by various bond covenants.

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

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

Investments

State statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, corporate notes rated AA or better by Standard & Poor's, Inc. and Aa or better by Moody's Investors Service, Inc., bankers' acceptances, repurchase agreements, money market mutual funds, Certificates of deposit issued by qualified Virginia state depositories for under the CDARS program, the State Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP). PWCS' pro rata share of the County's pooled cash and investments was approximately 32.4% at June 30, 2009. The investments contained in the County's pool of investments are subject to investment rate and custodial credit risk.

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

Receivables and payables

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

Inventory

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

<u>Assets</u>	<u>Years</u>
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 government-wide statement of net assets.

Pollution remediation

Obligations related to pollution remediation are recognized by PWCS' as a liability once the school system knows or reasonably believes that a site is polluted and commences, or legally obligates itself to commence,

cleanup activities for asbestos abatement upon entering into a contract to assess and commence work. A liability for pollution remediation is recorded in the government-wide statement of net assets.

Fund equity

In the fund financial statements, governmental funds report 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, 2009 PWCS had contractual commitments of \$95,025,701 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, 2009. The statements deemed to have a future impact on PWCS are as follows:

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 GASB Statement No. 51, 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 is prepared to implement this statement during the next fiscal year.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for periods beginning after June 15, 2010. PWCS is in the process of completing their assessment of GASB Statement No. 54.

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. Legal control is placed at the government-wide level of PWCS 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, 2009, expenditures exceeded appropriations in the General Fund for Operations. Excess budget in other functions covered the shortfall in the aforementioned functional areas. In addition, expenditures exceeded appropriations in the Food Services Fund by \$1,017,157. These excess expenditures were funded by greater than anticipated revenues.

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

Receivables and due from other governments at June 30, 2009 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	\$ 487,444	304,609	306,671	178,782	-	1,277,506
Federal	6,786,258	-	2,181,549	-	-	8,967,807
State	12,453,620	-	-	-	26,000	12,479,620
County	201,236	-	-	-	-	201,236
Other localities	-	-	-	-	2,830,650	2,830,650
Total	\$ 19,928,558	304,609	2,488,220	178,782	2,856,650	25,756,819

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.

In the fund financial statements, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2009, deferred revenue is recorded in the General Fund for the additional County revenue for PWCS' share of the FY 2009 revenues that exceeded the original FY 2009 revenue projections which amounts to \$201,236.

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 – USDA commodities and other unearned revenue	\$ 1,094,359
General Fund – prepaid tuition or fees and other unearned revenue	422,524
Governmental Funds	<u>1,516,883</u>
Health Insurance Fund (internal service fund) – prepaid health insurance premium	4,737,722
Total	<u>\$ 6,254,605</u>

Note 4 - Interfund transfers

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

	Transfer In:		
	General Fund	Construction Fund	Health Insurance Fund
Transfer Out:			
General Fund	\$ -	35,026,250	5,000,000
Construction Fund	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,000,000</u>	<u>35,026,250</u>	<u>5,000,000</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$35,026,250 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications. The General Fund transfer of \$5,000,000 to the Health Insurance Fund represents funds contributed for the establishment of the Prince William County Other Post Employment Benefits trust fund.

Note 5 – Long-term liabilities

A. Long-term debt

PWCS is a component unit of Prince William County. As such, PWCS does not have the authority to issue long-term debt. The County, therefore, issues any general obligation, VPSA, or Literary Fund debt that is required to fund capital improvements within PWCS. PWCS initiates payments each year to defer the County’s cost of this debt. Detail of general obligation, VPSA, 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, as well as a portion of unused sick leave, is payable to employees upon termination based on the employees' current rate of pay up to certain limits.

The current portion of accrued compensated absences at June 30, 2009 is that amount of the liability that is expected to be paid within one year. The current and long-term portion of accrued compensated absences is included in long-term liabilities in the government-wide statement of net assets. Liabilities for compensated absences are liquidated by the General Fund and the Food Services Fund.

Changes in liability for compensated absences for the year ended June 30, 2009 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 24,245,196	10,121,765	(8,238,263)	26,128,698	8,722,685

C. Pollution remediation

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

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

Changes in liability for pollution remediation during the year ended June 30, 2009 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Pollution Remediation	\$ -	1,006,374	-	1,006,374	1,006,374

Note 6 – Self-Insurance funds

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

PWCS participates in a Consortium Group Health Insurance Program made up of employers who provide health insurance to their employees and dependents under one program. Each participant in the program is separately rated and has separate accounting. Anthem Blue Cross/Blue Shield is the plan administrator. Delta Dental Plan of Virginia, Inc. (Delta Dental) is the dental insurance carrier. All full-time and part-time employees who are working at least 17½ hours per week are eligible to enroll in the health insurance program. There are three (3) plans offered through the PWCS insurance program. An employee may choose either the HMO plan called "Healthkeepers", or one of the two PPO plans offered, "KeyCare Enhanced" or the "KeyCare Core". All three plans include comprehensive medical, preventive care, vision, and prescription drug coverage. The basis for estimating incurred but not reported claims at year-end is an annual analysis performed by the plan's administrator. For the fiscal year ended June 30, 2009 PWCS incurred \$55,908,232 in self-insured health insurance claims.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

PWCS Self-Insurance, covering the risks of loss, has \$350,000 per occurrence retention and purchases excess insurance coverage which covers individual claims with a \$50,000,000 limit. There have been no significant reductions in insurance coverage in the prior year, and settlements have not exceeded coverage for each of the past three fiscal years.

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

Changes in aggregate liabilities for claims are as follows:

	Health Insurance	Self-Insurance
Unpaid Claims June 30, 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	<u>5,797,443</u>	<u>2,106,220</u>
Incurred Claims	55,908,232	1,340,345
Claims Paid	(55,934,720)	(1,350,635)
Unpaid Claims June 30, 2009	<u>\$ 5,770,955</u>	<u>2,095,930</u>

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

	Health Insurance Fund	Self- Insurance Fund	Compensated Absences	Pollution Remediation	Total
Due within one year	\$5,770,955	787,542	8,722,685	1,006,374	16,287,556
Due in more than one year	<u>-</u>	<u>1,308,388</u>	<u>17,406,013</u>	<u>-</u>	<u>18,714,401</u>
Total	<u>\$5,770,955</u>	<u>2,095,930</u>	<u>26,128,698</u>	<u>1,006,374</u>	<u>35,001,957</u>

Note 7 - Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance <u>June 30, 2008</u>	Increases	Decreases	Balance <u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 54,696,969	5,166,000	-	59,862,969
Construction in Progress	<u>58,191,545</u>	<u>71,969,738</u>	<u>(80,037,655)</u>	<u>50,123,628</u>
Total capital assets, not being depreciated	<u>112,888,514</u>	<u>77,135,738</u>	<u>(80,037,655)</u>	<u>109,986,597</u>
Capital assets, being depreciated:				
Buildings and improvements	895,230,624	80,095,482	(541,507)	974,784,599
Library books	3,695,679	685,117	(584,996)	3,795,800
Equipment	23,030,195	3,010,417	(176,850)	25,863,762
Vehicles	<u>70,237,885</u>	<u>2,657,142</u>	<u>(2,223,424)</u>	<u>70,671,603</u>
Total capital assets being depreciated	<u>992,194,383</u>	<u>86,448,158</u>	<u>(3,526,777)</u>	<u>1,075,115,764</u>
Less accumulated depreciation for:				
Buildings and improvements	203,229,975	18,953,845	(540,136)	221,643,684
Library books	2,208,089	759,161	(584,996)	2,382,254
Equipment	7,895,738	2,041,015	(130,235)	9,806,518
Vehicles	<u>31,028,035</u>	<u>5,173,139</u>	<u>(2,159,781)</u>	<u>34,041,393</u>
Total accumulated depreciation	<u>244,361,837</u>	<u>26,927,160</u>	<u>(3,415,148)</u>	<u>267,873,849</u>
Total capital assets, being depreciated, net	<u>747,832,546</u>			<u>807,241,915</u>
Capital assets, net	<u>\$860,721,060</u>			<u>917,228,512</u>

Depreciation expense was charged to functions/programs as follows:

Instruction	
Regular	\$19,463,106
Special	166,654
Other	22,440
Support Services	
General administration	548,097
Student services	9,051
Curricular/staff development	12,832
Pupil transportation	5,425,339
Operations	54,100
Maintenance	75,651
Central business services	1,126,491
Food service	<u>23,399</u>
Total depreciation expense	<u>\$26,927,160</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 1.70% 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00 percent per year. 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), as amended, 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 to VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500 or by download from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf>.

Funding policy:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950) to contribute 5% of their annual reported compensation 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 statute and approved by the VRS Board of Trustees. PWCS' non-professional contribution rate for the fiscal year ended 2009 was 13.30% of annual covered payroll. The professional employer and employee contributions to the VRS for the three years ended June 30, 2009, 2008, and 2007 were \$56,889,753, \$60,555,320, and \$52,878,600, respectively, and were equal to the required contributions for each year. The contribution rates for the professional group were; 5% employee, 8.81% employer, 5% employee, 10.30% employer, 5% employee, 9.2% employer and, respectively for the years 2009, 2008, and 2007.

Annual pension cost:

The following illustration summarizes the required three-year trend information for the PWCS non-professional agent multiple-employer retirement plan. For the fiscal year ended June 30, 2009, PWCS' annual pension cost of \$6,606,432 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for PWCS

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation (NPO)
	Employer Portion	Employee Portion paid by employer		
June 30, 2007	\$ 3,789,941	\$ 2,319,425	100%	\$ -
June 30, 2008	4,012,420	2,455,582	100	-
June 30, 2009	4,122,811	2,483,621	100	-

The required contribution was determined as part of an actuarial valuation performed as of June 30, 2007, using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an

investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases that range between 3.75% and 5.60% per year for general government employees and (c) a cost-of-living adjustment of 2.50% per year. 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. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. PWCS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Funding status and funding progress:

As of June 30, 2008, the most recent actuarial valuation date, the non-professional agent multiple-employer retirement plan was 92.51% funded. The actuarial accrued liability for benefits was \$120,094,902 and the actuarial value of assets was \$111,104,708 resulting in an unfunded actuarial accrued liability (UAAL) of \$8,990,194. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal year ended June 30, 2008 was \$49,524,997, and the ratio of the UAAL to covered payroll was 18.15%.

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 1,855 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, 2009, the contribution made by PWCS was \$4,580,419. 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, 2009 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 PWCS were determined as part of an actuarial valuation performed as of June 30, 2008 using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2008 included (a) 7.50% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PWCS' assets is equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008 was 28 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, 2009 for the non-professional employee group were as follows:

Fiscal Year Ending	Annual Benefit Cost (ABC) – Employer Portion	Percentage of ABC Contributed	Net Benefit Obligation
June 30, 2007	\$ 1,992,147	100%	\$ -
June 30, 2008	5,102,228	100%	-
June 30, 2009	4,580,419	100%	-

Funding status and funding progress:

As of June 30, 2008, the most recent actuarial valuation date, the VRS health insurance credit program was 21.9% funded. The actuarial accrued liability for benefits was \$1,845,086 and the actuarial value of assets was \$403,530, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,441,556. The covered payroll for the fiscal year ended June 30, 2008 was \$49,524,997 and the ratio of the UAAL to covered payroll was 2.9%.

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 retirement plan

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

PWCS contributes money on the eligible employee's behalf to purchase annuities after the employee has completed one (1) year of service with PWCS. The School Board's contribution increases each time an employee has completed three (3), five (5), ten (10), and fifteen (15) years of service. At the end of the current year, the cap on the employer contribution was \$3,509 per employee. The total employer contribution for fiscal year 2009 was \$8,652,047. Substitutes and temporary employees who participate in the TDC plan are not eligible to receive the employer matching contribution.

Note 10 - Other postemployment benefits (OPEB)**A. OPEB Master Trust Fund****Plan description:**

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

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

Prince William County issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the OPEB Master Trust. A copy of that report may be obtained by writing Prince William County at 1 County Complex Court, Prince William, Virginia 22192.

The following is a summary of fiduciary net assets of the OPEB Master Trust as of June 30, 2009 (in thousands):

Summary of Fiduciary Net Assets				
As of June 30, 2009				
	County	Park Authority	PWCS	Total OPEB Master Trust Fund
ASSETS				
Money market mutual funds	\$8,567	323	5,000	13,890
Total Assets	8,567	323	5,000	13,890
LIABILITIES				
Due to other funds	2,679	50	-	2,729
Total Liabilities	2,679	50	-	2,729
NET ASSETS				
Held in trust for other post employment benefits	\$5,888	273	5,000	11,161

The following is a summary of changes in fiduciary net assets of the OPEB Master Trust for the year ended June 30, 2009 (in thousands):

Summary of Changes in Fiduciary Net Assets				
For the Year Ended June 30, 2009				
	County	Park Authority	PWCS	Total OPEB Master Trust Fund
ADDITIONS				
Employer contributions	\$8,567	323	5,000	13,890
Total Additions	8,567	323	5,000	13,890
DEDUCTIONS				
Other post employment benefit payments	2,679	50	-	2,729
Total Deductions	2,679	50	-	2,729
Change in net assets	5,888	50	-	2,729
NET ASSETS, beginning of year	-	-	-	-
NET ASSETS, end of year	\$5,888	273	5,000	11,161

As of July 1, 2008, the latest actuarial valuation date, membership in the OPEB Master Trust for PWCS' Retiree Health Insurance Premium Plan is as follows:

Active Plan Members	10,214
Retirees and beneficiaries receiving benefits	486
Terminated plan members entitle to but not yet receiving benefits	-

Summary of significant accounting policies:

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

Method Used to Value Investments. Investments are reported at fair value, which for OPEB Master Trust is determined by the mean and most recent bid and asked prices as obtained from dealers that make market in such securities. Securities for which market quotations are not readily available are valued at fair value as determined by the custodian under the direction of the OPEB Finance Board (Trustees) with assistance of a valuation service. As of June 30, 2009, all Trust funds were invested in the Local Government Investment Pool (LGIP).

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

Plan description:

Other postemployment benefits provided by PWCS include a single-employer defined benefit self-insurance medical plan and a retiree health insurance premium contribution plan that cover retirees until they reach 65 years of age. There is no coverage for retirees or their spouses once they attain age 65. Both plans were established under the authority of the 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. Membership as of June 30, 2009 is 534.

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

The School Board will pay between 25 to 100 percent of the amount contributed by retirees who enrolled in the school division's post-retirement medical plan depending on the number of sick leave days exchanged. The plan became effective on July 1, 2000. Membership as of June 30, 2009 is 205.

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 currently pays benefits on a pay-as-you-go basis.

The OPEB Master Trust Fund was established as of June 30, 2009, and the School Board contributed \$2,500,000 to fund the prior year liability and \$2,500,000 to fund the current year liability for a total of \$5,000,000. Plan members received \$6,423,795 in benefits and contributed \$3,158,694 in premiums, resulting in net benefits paid by the School Board of \$3,265,101 for the year ended June 30, 2009.

Annual OPEB cost and net OPEB obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board’s annual OPEB cost for the year, 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	\$ 5,028,595
Interest on net OPEB obligation	41,216
Adjustment to annual required contribution	<u>(35,357)</u>
Annual OPEB cost (expense)	5,034,454
Employer contributions:	
To OPEB Master Trust	(5,000,000)
Subsidies paid under Plan on behalf of retirees	(3,265,101)
Adjustment to subsidies paid under Plan on behalf of retirees in the prior year	<u>(1,088,201)</u>
Total Employer contributions	(9,353,302)
Increase (decrease) in net OPEB (asset) obligation	(4,318,848)
Net OPEB (asset) obligation, beginning of year	<u>1,677,000</u>
Net OPEB (asset) obligation, end of year	<u><u>\$ (2,641,848)</u></u>

Trend information:

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2008	\$ 3,542,000	52.6%	\$ 1,677,000
June 30, 2009	5,034,454	185.8	(2,641,848)

Funded status and funding progress:

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$38,645,301, and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$38,645,301. For the fiscal year ended June 30, 2009, the covered payroll (annual payroll of active employees covered by the plan) was \$461,618,497, and the ratio of the UAAL to the covered payroll was 8.4 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, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 7.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after six years. Both rates include a 2.5 percent inflation assumption. The actuarial value of assets, 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, 2008, was 29 years.

Required Supplementary Information

(Unaudited)

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

Virginia Retirement System
Schedule of Funding Progress for PWCS Non-Professional Employee Group

Actuarial Valuation Date June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
2008	111,104,708	120,094,902	8,990,194	92.51%	49,524,997	18.15%

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

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

Actuarial Valuation Date June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	\$ 291,434	\$ 2,269,438	\$ 1,978,004	12.8%	\$ 48,077,577	4.1%
2008	403,530	1,845,086	1,441,556	21.9	49,524,997	2.9

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 Retiree Health
Insurance Premium Plan
Schedule of Funding Progress

Actuarial Valuation Date July 1	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2006	\$0	\$32,965,000	\$32,965,000	0%	\$444,898,029	6.6%
2008	0	38,645,301	38,645,301	0	461,618,497	8.4

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%
2009	5,034,454	185.8

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Supplementary Information

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Other Governmental Funds

Special Revenue Funds

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

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

Prince William County Public Schools
 Combining Balance Sheet
 Other Governmental Funds - Special Revenue Funds
 As of June 30, 2009

Schedule 1

	Food Services Fund	Facilities Use Fund	Total Other Governmental Funds
ASSETS			
Equity in cash and pooled investments	\$ 9,823,990	2,063,533	11,887,523
Accounts receivable	191,833	114,838	306,671
Due from other governmental units	2,181,549	-	2,181,549
Inventory	1,245,278	-	1,245,278
<i>Total assets</i>	<u>13,442,650</u>	<u>2,178,371</u>	<u>15,621,021</u>
LIABILITIES and FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	527,609	2,961	530,570
Salaries payable and withholdings	743,354	38,321	781,675
Unearned revenue	1,094,359	-	1,094,359
<i>Total liabilities</i>	<u>2,365,322</u>	<u>41,282</u>	<u>2,406,604</u>
Fund Balances:			
Reserved for:			
Inventory	1,245,278	-	1,245,278
Unreserved:			
Designated for future years' expenditures	944,031	-	944,031
Designated for encumbrances	44,734	299	45,033
Undesignated	8,843,285	2,136,790	10,980,075
<i>Total fund balances</i>	<u>11,077,328</u>	<u>2,137,089</u>	<u>13,214,417</u>
<i>Total liabilities and fund balances</i>	<u>\$ 13,442,650</u>	<u>2,178,371</u>	<u>15,621,021</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, 2009

Schedule 2

	<u>Food Services Fund</u>	<u>Facilities Use Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES:			
Use of money and property:			
Use of money - interest	\$ 365,507	78,009	443,516
Use of property	-	933,002	933,002
Charges for services	17,884,381	129,735	18,014,116
Intergovernmental:			
Federal	14,014,924	-	14,014,924
State	450,592	-	450,592
Miscellaneous	296,083	-	296,083
<i>Total revenues</i>	<u>33,011,487</u>	<u>1,140,746</u>	<u>34,152,233</u>
EXPENDITURES:			
Current:			
Community service operations	-	1,132,269	1,132,269
Food services	30,435,977	-	30,435,977
<i>Total expenditures</i>	<u>30,435,977</u>	<u>1,132,269</u>	<u>31,568,246</u>
Excess of revenues over expenditures	<u>2,575,510</u>	<u>8,477</u>	<u>2,583,987</u>
FUND BALANCES, beginning of year	8,501,818	2,128,612	10,630,430
FUND BALANCES, end of year	<u>\$ 11,077,328</u>	<u>2,137,089</u>	<u>13,214,417</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, 2009

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	365,507	305,507
Charges for services	18,015,056	18,015,056	17,884,381	(130,675)
Intergovernmental:				
Federal	10,378,980	10,378,980	14,014,924	3,635,944
State	422,436	422,436	450,592	28,156
Miscellaneous	20,000	20,000	296,083	276,083
<i>Total revenues</i>	<u>28,896,472</u>	<u>28,896,472</u>	<u>33,011,487</u>	<u>4,115,015</u>
EXPENDITURES:				
Current:				
Food services	29,463,554	29,418,820	30,435,977	(1,017,157)
<i>Total expenditures</i>	<u>29,463,554</u>	<u>29,418,820</u>	<u>30,435,977</u>	<u>(1,017,157)</u>
Excess (deficiency) of revenues over (under) expenditures	(567,082)	(522,348)	2,575,510	3,097,858
FUND BALANCES, beginning of year	8,501,818	8,501,818	8,501,818	-
FUND BALANCES, end of year	<u>\$ 7,934,736</u>	<u>7,979,470</u>	<u>11,077,328</u>	<u>3,097,858</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, 2009

Schedule 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 20,000	20,000	78,009	58,009
Use of property	700,000	700,000	933,002	233,002
Charges for services	248,185	248,185	129,735	(118,450)
<i>Total revenues</i>	<u>968,185</u>	<u>968,185</u>	<u>1,140,746</u>	<u>172,561</u>
EXPENDITURES:				
Current:				
Community service operations	1,264,398	1,264,398	1,132,269	132,129
<i>Total expenditures</i>	<u>1,264,398</u>	<u>1,264,398</u>	<u>1,132,269</u>	<u>132,129</u>
Excess (deficiency) of revenues over (under) expenditures	(296,213)	(296,213)	8,477	304,690
FUND BALANCES, beginning of year	2,128,612	2,128,612	2,128,612	-
FUND BALANCES, end of year	<u>\$ 1,832,399</u>	<u>1,832,399</u>	<u>2,137,089</u>	<u>304,690</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, 2009

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	\$ -	9,034,535	21,204,885	30,239,420
Accounts receivable and other current assets	611	55,044	123,127	178,782
Inventory	993,912	-	-	993,912
Deposits	-	500,000	-	500,000
Total current assets	<u>994,523</u>	<u>9,589,579</u>	<u>21,328,012</u>	<u>31,912,114</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	145,930	148,056	898,543	1,192,529
Unearned revenue	-	-	4,737,722	4,737,722
Due to other funds	282,653	-	-	282,653
Incurred but not reported claims	-	787,542	5,770,955	6,558,497
Total current liabilities	<u>428,583</u>	<u>935,598</u>	<u>11,407,220</u>	<u>12,771,401</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	1,308,388	-	1,308,388
Total liabilities	<u>428,583</u>	<u>2,243,986</u>	<u>11,407,220</u>	<u>14,079,789</u>
NET ASSETS				
Unrestricted	<u>\$ 565,940</u>	<u>7,345,593</u>	<u>9,920,792</u>	<u>17,832,325</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, 2009

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	\$ 4,647,654	3,321,466	56,840,055	64,809,175
Total operating revenues	<u>4,647,654</u>	<u>3,321,466</u>	<u>56,840,055</u>	<u>64,809,175</u>
Operating Expenses:				
Personnel services	-	423,445	530,969	954,414
Materials/supplies	-	39,927	26,359	66,286
Administrative costs	-	-	3,902,742	3,902,742
Premiums	-	1,864,299	3,699,871	5,564,170
Claims and benefits paid	-	-	55,934,720	55,934,720
Losses and unallocated loss adjustment	-	1,350,635	-	1,350,635
Cost of goods sold	4,646,552	-	-	4,646,552
Total operating expenses	<u>4,646,552</u>	<u>3,678,306</u>	<u>64,094,661</u>	<u>72,419,519</u>
Operating income (loss)	<u>1,102</u>	<u>(356,840)</u>	<u>(7,254,606)</u>	<u>(7,610,344)</u>
Non-Operating Revenues:				
Interest and miscellaneous	-	404,143	918,847	1,322,990
Income (loss) before transfers	1,102	47,303	(6,335,759)	(6,287,354)
Transfers In	-	-	5,000,000	5,000,000
Change in net assets	1,102	47,303	(1,335,759)	(1,287,354)
Net Assets, beginning of year	<u>564,838</u>	<u>7,298,290</u>	<u>11,256,551</u>	<u>19,119,679</u>
Net Assets, end of year	<u>\$ 565,940</u>	<u>7,345,593</u>	<u>9,920,792</u>	<u>17,832,325</u>

Prince William County Public Schools
 Combining Statement of Cash Flows
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2009

Schedule 7

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,648,138	3,319,974	57,431,800	65,399,912
Payments to suppliers for goods and services	(4,808,931)	(3,415,369)	(62,698,497)	(70,922,797)
Payment for deposits	-	(500,000)	-	(500,000)
Payments to employees	-	(432,411)	(530,969)	(963,380)
Net cash used in operating activities	<u>(160,793)</u>	<u>(1,027,806)</u>	<u>(5,797,666)</u>	<u>(6,986,265)</u>
Cash Flows from Non-capital Financing Activities:				
Advances from other funds	160,793	-	-	160,793
Transfers from other funds	-	-	5,000,000	5,000,000
	<u>160,793</u>	<u>-</u>	<u>5,000,000</u>	<u>5,160,793</u>
Cash Flows from Investing Activities:				
Interest received from investments	-	430,198	945,990	1,376,188
Net increase (decrease) in equity in cash and pooled investments	-	(597,608)	148,324	(449,284)
Equity in cash and pooled investments, beginning of year	-	9,632,143	21,056,561	30,688,704
Equity in cash and pooled investments, end of year	<u>\$ -</u>	<u>9,034,535</u>	<u>21,204,885</u>	<u>30,239,420</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 1,102	(356,840)	(7,254,606)	(7,610,344)
Adjustments to reconcile operating income (loss) to net cash used in operating activities				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	484	(1,492)	459,360	458,352
Decrease in inventory	47,770	-	-	47,770
Increase in deposits	-	(500,000)	-	(500,000)
Increase in unearned revenue	-	-	132,385	132,385
Increase (decrease) in accounts payable and accrued liabilities	(210,149)	(150,218)	891,683	531,316
Decrease in salaries payable and withholdings	-	(8,966)	-	(8,966)
Decrease in incurred but not reported claims	-	(10,290)	(26,488)	(36,778)
Net cash used in operating activities	<u>\$ (160,793)</u>	<u>(1,027,806)</u>	<u>(5,797,666)</u>	<u>(6,986,265)</u>

Agency 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, 2009

Schedule 8

	Regional School Fund	Student Activity Fund	Total Agency Funds
	<hr/>	<hr/>	<hr/>
Assets			
Cash and pooled investments	\$ 1,966,448	6,003,556	7,970,004
Due from other governmental units	<u>2,856,650</u>	<u>-</u>	<u>2,856,650</u>
Total assets	<u><u>4,823,098</u></u>	<u><u>6,003,556</u></u>	<u><u>10,826,654</u></u>
Liabilities			
Accounts payable and accrued liabilities	<u><u>\$ 4,823,098</u></u>	<u><u>6,003,556</u></u>	<u><u>10,826,654</u></u>

Prince William County Public Schools
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2009

Schedule 9

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Regional School Fund				
Assets				
Cash and pooled investments	\$ 1,576,532	30,744,977	30,355,061	1,966,448
Due from other governmental units	<u>2,238,484</u>	<u>2,856,650</u>	<u>2,238,484</u>	<u>2,856,650</u>
Total assets	<u><u>3,815,016</u></u>	<u><u>33,601,627</u></u>	<u><u>32,593,545</u></u>	<u><u>4,823,098</u></u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 3,815,016</u>	<u>33,601,627</u>	<u>32,593,545</u>	<u>4,823,098</u>
Student Activity Fund				
Assets				
Cash and pooled investments	\$ 5,825,449	12,077,335	11,899,228	6,003,556
Total assets	<u>5,825,449</u>	<u>12,077,335</u>	<u>11,899,228</u>	<u>6,003,556</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 5,825,449</u>	<u>12,077,335</u>	<u>11,899,228</u>	<u>6,003,556</u>
Total Agency Funds				
Assets				
Cash and pooled investments	\$ 7,401,981	42,822,312	42,254,289	7,970,004
Due from other governmental units	<u>2,238,484</u>	<u>2,856,650</u>	<u>2,238,484</u>	<u>2,856,650</u>
Total assets	<u><u>9,640,465</u></u>	<u><u>45,678,962</u></u>	<u><u>44,492,773</u></u>	<u><u>10,826,654</u></u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 9,640,465</u>	<u>45,678,962</u>	<u>44,492,773</u>	<u>10,826,654</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 Eight Fiscal Years ⁽¹⁾

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
Invested in capital assets	\$ 406,747	475,548	560,972	633,276	718,755	777,983	860,721	917,228
Restricted	75,502	108,257	97,055	89,379	91,598	106,607	86,387	81,904
Unrestricted	26,243	42,757	36,817	69,701	77,145	95,163	77,490	100,241
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>	<u>1,099,373</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 Eight Fiscal Years ⁽¹⁾
(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
Instruction:								
Regular	\$ 222,940	248,579	268,483	309,172	331,903	392,821	416,988	432,322
Special	51,884	58,980	65,759	72,039	83,794	90,322	95,345	99,166
Other	5,945	6,122	6,694	7,995	8,657	9,151	9,521	8,807
Instructional leadership	30,166	33,494	36,898	40,212	43,389	48,346	51,412	52,235
Support services:								
General administration	3,290	3,950	5,028	4,960	6,045	6,856	7,622	8,841
Student services	4,876	5,659	7,238	7,808	8,820	9,892	10,604	10,985
Curricular/staff development	8,735	8,979	10,046	10,606	12,036	12,735	13,353	12,736
Pupil transportation	26,796	27,121	29,348	35,292	40,152	45,570	49,304	46,684
Operations	14,705	16,908	17,605	20,024	21,618	20,120	21,172	22,033
Utilities	11,865	14,590	14,665	16,889	19,586	21,448	23,682	25,175
Maintenance	11,960	13,334	13,308	15,892	19,547	23,284	23,707	24,432
Central business services	25,189	28,298	30,047	35,235	42,117	37,801	45,996	45,021
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	59,566
Food service	16,813	18,427	21,232	23,629	23,163	25,492	27,191	30,459
Community service operations	392	449	489	499	649	698	785	1,132
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>	<u>879,594</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Instruction	2,718	1,842	1,823	2,118	2,189	2,354	2,998	3,499
Pupil transportation	123	97	88	85	146	129	118	171
Central business services ⁽³⁾	1,726	1,956	9	7	6	13	110	133
Food service	11,342	11,515	12,691	14,243	15,326	16,676	17,741	18,071
Community service operations	434	473	577	640	804	886	1,039	933
Supply services ⁽²⁾	3,242	3,264	-	-	-	-	-	-
Other activities	64	67	68	48	58	38	92	183
Operating grants and contributions	56,136	58,089	66,695	77,713	84,723	93,536	98,392	106,649
Capital grants and contributions	1,653	881	902	904	961	990	1,029	1,008
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>	<u>130,647</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>	<u>(748,947)</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	815,818
Unrestricted investment earnings	3,076	2,013	1,518	2,499	5,409	6,712	6,665	5,874
Miscellaneous revenues	2,958	3,373	3,067	3,673	3,229	4,302	1,775	2,030
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>	<u>823,722</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>	<u>74,775</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 Eight Fiscal Years ⁽¹⁾

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Fund								
Reserved for:								
Inventory	\$ 466	499	567	681	814	824	808	803
Prepays	-	-	-	-	-	-	56	-
Encumbrances ⁽²⁾	16,786	18,557	15,951	14,890	-	-	-	-
Unreserved								
Designated for encumbrances ⁽²⁾	-	-	-	-	20,048	25,431	19,777	21,569
Designated for future years' expenditures	6,959	7,648	9,925	11,179	12,736	13,242	8,516	24,540
Designated for grants and special projects	-	-	-	-	-	58	74	444
Undesignated	3,749	2,067	7,988	11,363	6,904	6,120	13,382	7,632
Total General Fund	27,960	28,771	34,431	38,113	40,502	45,675	42,613	54,988
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	95,026
Designated for future years' expenditures	-	-	16,985	28,609	76,858	75,045	40,337	25,376
Designated for payments to PWC for arbitrage rebate ⁽³⁾	-	-	-	-	402	811	1,255	952
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	1,245
Encumbrances ⁽²⁾	899	705	27	24	-	-	-	-
Unreserved								
Designated for encumbrances ⁽²⁾	-	-	-	-	59	42	523	45
Designated for future years' expenditures	781	1,028	812	120	118	712	340	944
Undesignated reported in special revenue funds	1,291	519	926	1,160	3,152	5,326	8,061	10,980
Total all other governmental funds	\$ 79,448	123,166	109,937	122,587	129,836	159,823	129,321	134,568

⁽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 Eight Fiscal Years ⁽¹⁾
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues								
Federal sources:								
Food services	\$ 5,816	5,927	7,288	8,631	9,431	10,578	11,570	14,015
Other federal sources	14,273	16,970	21,095	23,085	24,660	26,335	26,960	28,102
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>	<u>42,117</u>
State sources:								
Basic aid	111,694	128,214	136,549	161,357	165,957	189,043	194,121	225,563
Food services	274	298	298	322	349	393	410	451
Lottery proceeds	9,071	8,740	8,363	9,014	9,502	9,150	8,988	7,952
Regional school program	7,806	8,868	10,063	11,486	11,646	11,297	12,005	13,261
Sales tax	33,604	36,699	42,068	49,470	58,257	65,004	62,998	59,695
Special education SOQ ⁽⁴⁾	8,417	8,753	9,086	13,314	16,485	15,079	15,410	16,574
Other state sources	34,375	29,973	34,977	39,388	43,539	58,402	71,217	61,831
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>	<u>385,327</u>
County sources:								
County bond sale transfer	64,925	93,324	52,321	66,161	63,958	68,141	49,233	55,773
County general transfer ⁽²⁾	233,019	261,541	296,998	326,284	362,035	390,017	404,322	430,650
County proffer transfer	4,259	2,250	3,500	9,660	10,906	10,687	7,104	8,018
	<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>	<u>494,441</u>
Local sources:								
Charges for services	6,467	6,718	4,125	6,171	5,468	5,422	3,317	3,834
Food service sales	11,271	11,457	12,618	14,137	15,196	16,641	17,701	18,014
Interest and other income	3,076	2,195	2,593	3,222	6,922	10,939	10,375	6,899
Use of property	451	473	577	640	804	886	1,039	933
Other local sources	1,790	10,290	313	43	48	1,705	2,250	2,603
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>	<u>32,283</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>	<u>954,168</u>
Expenditures								
Instruction:								
Regular	215,203	239,060	256,882	302,094	322,684	378,732	400,959	412,562
Special	51,935	58,647	65,205	73,042	83,897	90,532	94,645	98,453
Other	5,981	6,102	6,632	8,103	8,673	9,175	9,462	8,802
Instructional leadership	30,270	33,397	36,557	40,212	43,389	48,346	51,412	52,235
Support services:								
General administration	3,243	3,871	5,018	5,394	6,077	6,856	7,235	7,969
Student services	4,884	5,633	7,162	7,891	8,826	9,909	10,533	10,914
Curricular/staff development	8,761	8,976	9,960	10,691	12,060	12,770	13,281	12,664
Pupil transportation	31,650	33,699	37,724	41,874	37,656	43,359	50,403	43,851
Operations	14,750	16,845	17,790	20,310	21,641	20,091	21,000	21,859
Utilities	11,865	14,655	14,665	16,889	19,586	21,448	23,682	25,175
Maintenance	11,940	13,277	13,808	15,971	19,520	23,358	23,592	23,352
Central business services	25,250	28,625	33,298	38,900	43,192	43,327	46,159	43,994
Community service operations	393	448	485	500	649	698	785	1,132
Supply services ⁽³⁾	3,249	3,429	-	-	-	-	-	-
Food service	16,925	18,420	21,140	23,608	23,162	25,488	27,198	30,436
Reimbursement to County for debt service	28,462	33,833	38,431	43,685	47,977	52,520	57,049	59,869
Capital Outlay	69,544	69,244	84,974	76,889	90,689	68,050	95,188	78,279
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>	<u>931,546</u>
Excess (deficiency) of revenues over (under) expenditures	16,283	44,529	(6,899)	16,332	15,485	35,060	(33,563)	22,622
Other Financing Sources (Uses):								
Transfers in:								
General fund	1,000	1,000	1,000	1,000	1,000	1,200	2,000	1,000
Construction fund	8,395	13,638	15,859	18,204	23,606	16,864	11,094	35,026
Transfers out:								
General fund	(8,395)	(13,638)	(15,859)	(18,204)	(23,606)	(16,864)	(11,094)	(40,026)
Construction fund	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(2,000)	(1,000)
Other Governmental funds	-	-	-	-	-	(100)	-	-
Total other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>(5,000)</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>	<u>17,622</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 County Public Schools does not have any own source revenue.

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

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

Fiscal Year	Taxes ⁽²⁾	Licenses, Fees & Permits	Fines & Forfeitures	Use of Money & Property	Charges for Services	Inter-Governmental ⁽²⁾			Total
						PPTRA	All Others	Miscellaneous	
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
2009	744,490	11,374	2,759	30,919	36,836	54,288	614,146	28,953	1,523,765
Change									
2000 - 2009	120.44%	-23.66%	36.38%	101.15%	86.34%	318.37%	138.24%	520.64%	129.06%

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. The reimbursement for fiscal year 2009 was set at the fiscal year 2008 amount, irrespective of any reimbursement rate.

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

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

Fiscal Year	Real Estate	Personal Property ⁽¹⁾	Public Service	Total General ⁽²⁾ Property Taxes	Sales Tax	Utility Taxes	BPOL Tax	All Other	Total
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
2009	531,882	75,986	13,394	621,262	45,055	12,596	19,931	45,646	744,490
Change									
2000 - 2009	155.56%	62.20%	6.65%	132.22%	54.00%	-22.30%	93.81%	216.00%	120.44%

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 Real Property
Last Ten Fiscal Years
 (tax rates per \$100 of assessed value; amounts expressed in thousands)

Fiscal Year	Residential ⁽¹⁾	Apartments ⁽¹⁾	Commercial & Industrial ⁽¹⁾	Public Service ⁽¹⁾	Vacant Land & Other ⁽¹⁾	Total Taxable Assessed Value	Total Direct Tax Rate ⁽²⁾	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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%
2009	41,980,642	1,904,868	7,595,528	1,471,669	273,037	53,225,744	1.03	64,776,004	82.17%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

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
2004 - \$1,695,543	2009 - \$3,722,543

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

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

Fiscal Year	Commercial as a Percent of Total Taxable		New Construction ⁽¹⁾				
	Commercial to Total	Commercial & Public Service to Total	Residential Permits	Residential Value	Non-Residential Permits	Non-Residential Value	Bank Deposits ⁽²⁾
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
2009	14.3%	17.0%	1,782	\$ 270	203	\$ 195	\$ 3,135

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. 2000-2009, Federal Deposit Insurance Corporation, (commercial and savings bank deposits) and National Credit Union Administration (credit union deposits).

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

Type of Tax	2000	2001	2002	2003	2004
PRINCE WILLIAM COUNTY					
<i>Countywide Tax Levies:</i>					
Real Estate - General Fund	\$ 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	\$ 0.00400	\$ 0.00400	\$ 0.00400
Total Direct Tax Rate	\$ 1.36280	\$ 1.34280	\$ 1.37680	\$ 1.30680	\$ 1.23680
<i>Special District Levies⁽¹⁾:</i>					
<i>Fire and Rescue Levies -</i>					
Dumfries (Fire)	\$ 0.04000	\$ 0.04000	--	--	--
Dumfries (Rescue)	\$ 0.03000	\$ 0.03000	--	--	--
Occoquan	\$ 0.05770	\$ 0.05770	--	--	--
Neabsco	\$ 0.07410	\$ 0.07410	--	--	--
Stonewall Jackson	\$ 0.03870	\$ 0.03870	--	--	--
Coles	\$ 0.09250	\$ 0.09250	--	--	--
Yorkshire	\$ 0.10000	\$ 0.10000	--	--	--
Lake Jackson	\$ 0.09210	\$ 0.09210	--	--	--
Gainesville	\$ 0.06070	\$ 0.06070	--	--	--
Evergreen	\$ 0.07860	\$ 0.07860	--	--	--
Nokesville	\$ 0.09840	\$ 0.09840	--	--	--
Buckhall	\$ 0.09630	\$ 0.09630	--	--	--
Wellington	\$ 0.09800	\$ 0.09800	--	--	--
<i>Sanitary District Levy</i>					
Bull Run	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Occoquan Forest	\$ 0.16000	\$ 0.16000	\$ 0.16000	\$ 0.00001	\$ 0.00001
<i>Service District Levies -</i>					
Bull Run	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000	\$ 0.10000
Lake Jackson	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000
Circuit Court	--	--	--	--	\$ 0.28000
<i>Transportation District Levies -</i>					
Prince William Parkway	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000
234-Bypass	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000
Foremost Court Service	\$ 0.23000	\$ 0.23000	\$ 0.23000	\$ 0.23000	\$ 0.23000
Woodbine Forest Service	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.07000	--
OVERLAPPING GOVERNMENTS					
<i>Real Estate Tax Levy:</i>					
Town of Dumfries	\$ 0.13000	\$ 0.12420	\$ 0.12420	\$ 0.12420	\$ 0.12420
Town of Haymarket	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000	\$ 0.14000
Town of Occoquan	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000
Town of Quantico	\$ 0.25000	\$ 0.20000	\$ 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	2009	Type of Tax
PRINCE WILLIAM COUNTY					
<i>Countywide Tax Levies:</i>					
\$ 1.07000	\$ 0.91000	\$ 0.75800	\$ 0.78700	\$ 0.97000	Real Estate - General Fund
\$ 0.06600	\$ 0.05600	\$ 0.04660	\$ 0.04840	\$ 0.05970	Fire and Rescue Levy (Countywide)
\$ 0.00400	\$ 0.00250	\$ 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>	<u>\$ 1.03220</u>	Total Direct Tax Rate
<i>Special District Levies ⁽¹⁾:</i>					
--	--	--	--	--	Fire and Rescue Levies -
--	--	--	--	--	Dumfries (Fire)
--	--	--	--	--	Dumfries (Rescue)
--	--	--	--	--	Occoquan
--	--	--	--	--	Neabsco
--	--	--	--	--	Stonewall Jackson
--	--	--	--	--	Coles
--	--	--	--	--	Yorkshire
--	--	--	--	--	Lake Jackson
--	--	--	--	--	Gainesville
--	--	--	--	--	Evergreen
--	--	--	--	--	Nokesville
--	--	--	--	--	Buckhall
--	--	--	--	--	Wellington
\$ 0.00001	\$ 0.00001	--	--	--	Sanitary District Levy
\$ 0.00001	\$ 0.00001	--	--	--	Bull Run
\$ 0.10000	\$ 0.10000	\$ 0.12000	\$ 0.12000	\$ 0.13800	Occoquan Forest
\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.11000	\$ 0.12300	Service District Levies -
\$ 0.28000	\$ 0.23000	\$ 0.19000	\$ 0.19000	\$ 0.15000	Bull Run
\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	\$ 0.20000	Lake Jackson
\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	\$ 0.02000	Circuit Court
\$ 0.22000	--	--	--	--	Transportation District Levies -
--	--	--	--	--	Prince William Parkway
					234-Bypass
					Foremost Court Service
					Woodbine Forest Service
OVERLAPPING GOVERNMENTS					
<i>Real Estate Tax Levy:</i>					
\$ 0.12420	\$ 0.13000	\$ 0.18000	\$ 0.18000	\$ 0.18000	Town of Dumfries
\$ 0.14000	\$ 0.14000	\$ 0.12000	\$ 0.12800	\$ 0.16400	Town of Haymarket
\$ 0.05000	\$ 0.05000	\$ 0.08500	\$ 0.08500	\$ 0.10000	Town of Occoquan
\$ 0.20000	\$ 0.15000	\$ 0.20000	\$ 0.20000	\$ 0.20000	Town of Quantico

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

Taxpayer	2009			2000		
	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	\$ 711,528	1	1.34%	\$ 425,626	1	2.78%
Potomac Mills Operating Co., LLC	482,954	2	0.91%	50,316	10	0.33%
Northern Virginia Electric Co-op	270,426	3	0.51%	152,136	3	0.99%
Verizon South, Inc.	160,499	4	0.30%	-		-
Dominion Country Club, LP	130,069	5	0.24%	-		-
WNH Limited Partnership	113,684	6	0.21%	61,519	5	0.40%
Deutsche Bank National Trust Company	108,748	7	0.20%	-		-
Stellar Chatsworth LLC	107,566	8	0.20%	-		-
Brookfield Morris, LLC	105,951	9	0.20%	-		-
Washington Gas Light Company	99,454	10	0.19%	55,926	7	0.37%
Washington Outlet Mall, Ltd	-		-	170,900	2	1.12%
GTE South, Inc.	-		-	135,036	4	0.88%
Manassas Mall, LLC	-		-	60,255	6	0.39%
Trustees Martial Trust B 1 Hylton	-		-	55,704	8	0.36%
Hylton	-		-	54,678	9	0.36%
	\$ <u>2,290,879</u>		<u>4.30%</u>	\$ <u>1,222,096</u>		<u>7.99%</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		
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%
2009	622,118	614,983	98.9%	6,077	3,374	624,434	100.4%	13,943	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 2009, the current tax collections also include reimbursement from the Commonwealth under the Personal Property Tax Relief Act. The Personal Property Tax Relief Act amounts received for fiscal years 2000 to 2009 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
- Fiscal year 2009 = \$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.

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Debt Capacity

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

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 103,064	\$ 100,205	\$ 92,272	\$ 96,668	\$ 108,292	\$ 140,039	\$ 128,525	\$ 149,362	\$ 136,200	\$ 165,649
School Board-Related	209,017	257,943	305,091	367,341	395,333	432,562	467,363	502,453	515,486	531,815
Park Authority-Related	80	3,060	2,888	9,699	9,531	7,000	6,267	5,537	4,810	8,477
IDA Lease Revenue Bonds	14,405	13,920	13,410	12,875	12,315	11,970	11,140	10,430	9,680	8,870
Literary Fund Loans	2,692	6,452	6,093	6,209	5,713	5,316	4,918	4,520	4,124	3,749
Real Property Capital Leases										
General Government	27,990	26,140	55,245	78,590	80,645	79,025	132,825	150,189	151,039	179,298
Adult Detention Center	--	--	--	--	--	--	--	68,005	66,275	64,550
Park Authority	--	--	--	--	--	--	--	594	561	528
Commuter Rail Capital Leases	4,167	3,895	3,608	3,301	2,977	2,629	2,258	1,863	1,442	992
Equipment Capital Leases	--	--	--	562	527	381	228	68	--	--
Installment Notes Payable	1,400	1,264	1,158	1,045	924	795	657	509	351	182
Internal Service Funds Leases and Notes	--	35	24	12	--	--	--	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds	\$ 23,253	\$ 21,885	\$ 20,119	\$ 18,327	\$ 17,179	\$ 13,920	\$ 12,550	\$ 11,065	\$ 9,535	\$ 7,945
Sanitary District Bonds	510	480	--	--	--	--	--	--	--	--
Taxable Revenue Notes	5,800	5,100	1,100	250	250	250	3,250	3,250	--	--
Total Primary Government	\$ 392,378	\$ 440,379	\$ 501,008	\$ 594,879	\$ 633,686	\$ 693,887	\$ 769,981	\$ 907,845	\$ 899,503	\$ 972,055
Percentage of Personal Income ⁽²⁾	3.84%	4.01%	4.36%	4.89%	4.74%	4.73%	4.91%	5.49%	5.04%	*
Per Capita ⁽²⁾	1,449	1,552	1,686	1,923	1,976	2,086	2,235	2,580	2,501	2,665
Component Units										
<i>Park Authority Component Unit⁽³⁾:</i>										
Series 1999 Revenue Bonds	\$ 21,415	\$ 21,120	\$ 20,780	\$ 20,425	\$ 19,112	\$ 18,795	\$ 18,459	\$ 18,101	\$ 17,725	\$ 17,323
Equipment Capital Leases	766	549	527	2,003	1,833	1,353	2,249	1,710	3,116	2,800
Installment Notes Payable ⁽⁴⁾	308	210	2,087	1,718	1,023	904	780	651	517	376
Total Component Units	22,489	21,879	23,394	24,146	21,968	21,052	21,488	20,462	21,358	20,499
Total Reporting Entity Outstanding Debt	414,867	462,258	524,402	619,025	655,654	714,939	791,469	928,307	920,861	992,554
Less: Self-Supporting Revenue and Other Bonds	50,419	48,139	47,121	45,774	42,124	37,601	36,296	33,390	32,335	29,436
Net Tax-Supported Debt	\$ 364,448	\$ 414,119	\$ 477,281	\$ 573,251	\$ 613,530	\$ 677,338	\$ 755,173	\$ 894,917	\$ 888,526	\$ 963,118

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 15 for personal income and population data.

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

⁽⁴⁾ Restated in FY 2003.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 11 - Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

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

Fiscal Year	General Obligation Bonds ⁽¹⁾	IDA Lease Revenue Bonds	Solid Waste System Revenue Bonds	Sanitary District Bonds	Total	Percentage of Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2000	\$ 312,161	14,405	23,253	510	350,329	2.09%	\$ 1,293
2001	361,208	13,920	21,885	480	397,493	2.09%	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%	1,632
2004	513,156	12,315	17,179	--	542,650	1.60%	1,693
2005	579,601	11,970	13,920	--	605,491	1.33%	1,820
2006	602,155	11,140	12,550	--	625,845	1.04%	1,816
2007	657,352	10,430	11,065	--	678,847	1.06%	1,929
2008	656,496	9,680	9,535	--	675,711	1.10%	1,879
2009	705,941	8,870	7,945	--	722,756	1.12%	1,982

Source: County of Prince William, Virginia

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

⁽²⁾ See Table 6 for property value data.

⁽³⁾ See Table 15 for population data.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 12 - Direct and Overlapping Governmental Activities Debt
As of June 30, 2009
(amounts expressed in thousands)

	Outstanding on 6/30/2009	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 963,118	100.00%	\$ 963,118	1.8095%
Town of Dumfries	1,607	100.00%	1,607	0.0030%
Town of Quantico	254	100.00%	254	0.0005%
Town of Haymarket	2,314	100.00%	2,314	0.0043%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	2,178	100.00%	2,178	0.0041%
Virginia Gateway Community Development Authority Special Assessment Bond Series 1999 and 2003 B	12,610	100.00%	12,610	0.0237%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	112,769	37.69%	42,507	n/a
Northern Virginia Criminal Justice Training Academy (NVCJTA) ⁽³⁾	17,125	28.76%	4,925	n/a
Upper Occoquan Sewage Authority (UOSA) ⁽³⁾	129,461	3.96%	5,124	n/a
			\$ 1,034,637	1.9439%

Source: County of Prince William, Virginia

⁽¹⁾ From Table 10.

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

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 13 - Debt Ratio Information

Last Ten Fiscal Years

(amounts expressed in thousands)

The issuance of bonds by Virginia counties is not subject to statutory limitation. However, counties generally are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum. This referendum requirement does not apply to bonds for capital projects for school purposes sold to the Literary Fund or the Virginia Public School Authority. The County has \$302,460 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2009. 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.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government ⁽¹⁾										
Principal	\$ 23,836	\$ 25,370	\$ 26,892	\$ 30,929	\$ 35,165	\$ 39,975	\$ 47,584	\$ 52,060	\$ 59,741	\$ 61,303
Interest ⁽²⁾	16,699	18,195	20,035	23,959	25,247	29,849	32,995	37,524	39,865	40,932
Internal Service Fund Debt Service ⁽³⁾	6	24	11	12	12	--	--	--	--	--
Debt Service on Net Tax-Supported Debt	40,541	43,589	46,938	54,900	60,424	69,824	80,579	89,584	99,606	102,235
Total Government Expenditures ⁽⁴⁾	619,665	672,002	744,959	845,342	925,866	1,033,382	1,125,453	1,310,566	1,325,488	1,331,692
Ratio of Debt Service to Expenditures	6.5%	6.5%	6.3%	6.5%	6.5%	6.8%	7.2%	6.8%	7.5%	7.7%
Total Revenues ⁽⁵⁾	646,920	716,538	775,222	820,465	956,529	1,089,605	1,188,320	1,360,579	1,364,972	1,441,960
Ratio of Debt Service to Revenues	6.3%	6.1%	6.1%	6.7%	6.3%	6.4%	6.8%	6.6%	7.3%	7.1%
Net Tax-Supported Debt ⁽⁶⁾	364,448	414,119	477,281	573,251	613,530	677,338	755,173	894,917	888,526	963,118
Assessed Value of Taxable Property ⁽⁷⁾	17,115,247	1,866,886	21,202,151	25,551,796	30,498,825	37,138,437	47,160,546	61,267,297	62,011,351	56,999,051
Ratio of Net Tax-Supported Debt to Assessed Value	2.1%	22.2%	2.3%	2.2%	2.0%	1.8%	1.6%	1.5%	1.4%	1.7%

Source: County of Prince William, Virginia

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

⁽²⁾ Excludes bond issuance and other costs.

⁽³⁾ Debt Service expenditures in the Internal Service Funds are included since operating revenues available to pay debt service in these funds comes primarily from charges to the General Fund.

⁽⁴⁾ Total Expenditures excluding capital projects from Table 22, PWC 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 10.

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

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

Fiscal Year	System Revenues ⁽¹⁾	Operating Expenses and Transfers ⁽²⁾	Closure Payment ⁽³⁾	Net Revenue Available for Debt	Debt Service Payments ⁽⁴⁾			Coverage ⁽⁶⁾
					Principal ⁽⁵⁾	Interest	Total	
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
2009	17,795	15,027	--	2,768	1,590	435	2,025	1.37

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 or 2009 closure payment due to revised engineering estimate increasing the capacity because of changes in slope design.

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

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

⁽⁶⁾ Required coverage is 1.15.

Demographic and Economic Information

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

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (in thousands)	Per Capita Income ⁽²⁾	Fall School Enrollment ⁽³⁾	Average Civilian Labor Force ⁽⁴⁾	Average Unemployment Rate ⁽⁴⁾
2000	270,841	\$10,228,409	\$31,036	52,551	152,965	1.8%
2001	283,796	10,983,002	31,969	54,646	160,057	2.5%
2002	297,080	11,492,607	32,243	57,397	166,966	3.4%
2003	309,312	12,176,485	33,073	59,835	172,948	3.4%
2004	320,618	13,355,974	35,060	62,691	182,238	2.9%
2005	332,689	14,671,362	37,339	65,541	191,542	2.7%
2006	344,572	15,673,520	39,251	67,708	198,705	2.4%
2007	351,835	16,522,659	40,659	70,195	201,864	2.4%
2008	359,588	17,843,462	41,945	72,186	207,177	3.3%
2009	364,734	*	*	73,918	208,654	5.9%

* Not available

⁽¹⁾ US Census Bureau, Population Estimates Program (data as of July 1, 2008).

⁽²⁾ Bureau of Economic Analysis, U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of April, 2008). 2008 data estimated based upon ten-year growth rates on BEA data from 1998 through 2007.

⁽³⁾ Superintendent's Annual Report, Virginia Department of Education; Prince William County Public Schools, as of September 30th, 2008.

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

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

	1990 Census	2000 Census			
	Prince William County	Prince William County	Washington MSA	Virginia	United States
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 16 - Principal Employers
Current Year and Nine Years Ago

Employer ⁽¹⁾	2009			2000		
	Ownership	Rank	Number of Employees	Ownership	Rank	Number of Employees
Prince William County School Board	Local Government	1	1000 and over	Local Government	1	1000 and over
U.S. Department of Defense	Federal Government	2	1000 and over	Federal Government	3	1000 and over
County of Prince William	Local Government	3	1000 and over	Local Government	2	1000 and over
Potomac Hospital Corporation	Private	4	1000 and over	Private	5	500 to 999
Walmart	Private	5	1000 and over			
Morale Welfare and Recreation	Federal Government	6	1000 and over	Federal Government	7	500 to 999
Wegmans Store #07	Private	7	500 to 999			
Target Corp	Private	8	500 to 999			
Northern Virginia Community College	State Government	9	500 to 999	State Government	10	500 to 999
Prince William County Park	Local Government	10	500 to 999			
Temporary Solutions				Private	4	1000 and over
S.W. Rogers Corporation				Private	6	500 to 999
Giant Food				Private	8	500 to 999
The Home Depot				Private	9	500 to 999

Source: County of Prince William, Virginia

⁽¹⁾ All data provided by the Virginia Employment Commission (1st Quarter, 2009 & 2000).

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Operating Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
School-Based Positions										
Teachers ⁽¹⁾										
Classroom teachers	3,425	3,599	3,776	4,014	-	-	-	-	-	-
Regular classroom teachers	-	-	-	-	2,926	3,193	3,290	3,553	3,757	3,799
Special education teachers	-	-	-	-	621	661	759	767	700	700
Vocational education teachers	-	-	-	-	201	210	212	213	215	200
Speech therapists	-	-	-	-	68	69	72	73	75	73
Physical therapists	-	-	-	-	20	21	8	25	25	24
Guidance counselors	-	-	-	-	146	171	166	169	170	188
Librarians	-	-	-	-	83	88	92	93	95	97
Physical education	-	-	-	-	165	190	201	213	212	217
Technology teachers	-	-	-	-	-	-	76	77	79	81
Other	-	-	-	-	-	-	74	80	78	80
School-Based Administrators										
Principals	69	71	73	76	79	82	84	84	86	87
Assistant principals	69	74	81	70	88	108	122	104	117	104
Guidance directors	18	20	20	21	21	23	23	24	25	10
Student activity directors	7	8	8	8	8	10	10	10	10	10
Other	74	77	73	69	71	79	-	-	-	-
Education Specialist										
Education specialist	60	74	83	94	-	-	-	-	-	-
School-based curriculum specialists	-	-	-	-	8	10	8	8	0	0
Program specialists	-	-	-	-	15	86	19	15	10	14
Social workers	-	-	-	-	34	39	39	45	46	45
Psychologists	-	-	-	-	35	35	40	44	43	43
Instructional Assistants	421	442	481	505	534	551	599	669	669	734
Other Positions										
School office assistant staff	323	355	370	384	399	421	461	475	470	486
Custodial staff	312	333	348	362	366	410	425	435	438	442
Other	57	69	126	-	-	-	-	-	-	-
Noninstructional specialists	-	-	-	97	85	89	-	-	-	39
Security	-	-	-	31	41	49	64	67	53	64
School nurse	-	-	-	32	51	55	60	67	69	72
Total School-Based Positions	4,835	5,122	5,439	5,763	6,065	6,650	6,904	7,310	7,442	7,609
Nonschool-Based Positions										
Technical support	87	62	67	70	121	139	244	206	146	170
Management	76	102	109	110	96	127	138	143	149	148
Education specialist	81	63	52	32	32	48	33	32	86	31
Office assistants	126	122	131	115	119	136	122	136	139	143
Custodial/maintenance	180	224	230	240	252	220	230	258	299	308
Leadership team	7	8	8	8	8	8	10	10	10	11
Bus drivers	372	391	453	489	511	565	645	654	659	680
Bus drivers' aides	83	87	92	98	97	119	135	130	136	132
Cafeteria staff	488	527	376	393	406	441	518	537	513	517
Other	8	8	13	34	35	37	62	20	122	17
Total Nonschool Based Positions	1,508	1,594	1,531	1,589	1,677	1,840	2,137	2,126	2,259	2,157
Total ⁽²⁾	6,343	6,716	6,970	7,352	7,742	8,490	9,041	9,436	9,701	9,766

Source: FY 2009 WABE Guide

⁽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 18 - Student Enrollment
Last Ten Fiscal Years

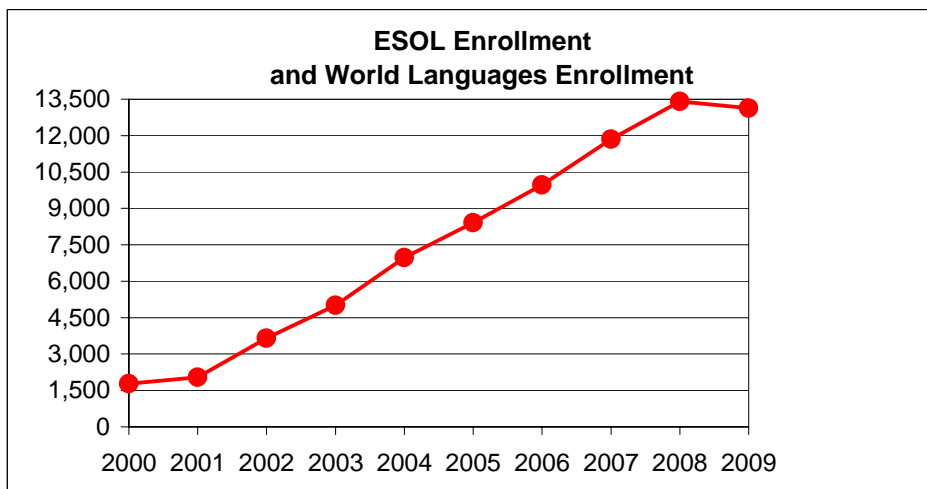
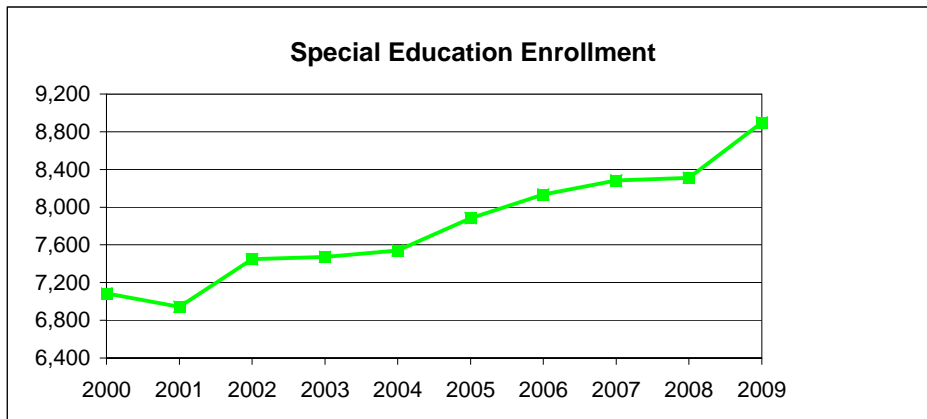
Fiscal Year	Total Student Enrollment ⁽¹⁾	Special Education Enrollment ⁽²⁾	ESOL and World Languages Enrollment ⁽³⁾
2000	52,551	7,086	1,781
2001	54,646	6,943	2,050
2002	57,397	7,450	3,657
2003	60,541	7,471	5,014
2004	62,691	7,540	6,979
2005	66,093	7,883	8,415
2006	68,225	8,134	9,963
2007	70,723	8,283	11,847
2008	72,654	8,312	13,409
2009	73,657	8,898	13,130

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 19 - Operating Statistics
Last Eight 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
2009	73,657	777,018,397	10,549	1.8%	879,594,362	11,942	1.6%	4,699	15.7

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

⁽³⁾ Teaching staff count includes regular classroom teachers, special education teachers, and vocational education teachers. Source: School Board Budget Office.

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

<u>Fiscal Year</u>	<u>Bachelors Minimum Salary</u>	<u>Bachelors Average Salary</u>	<u>Masters Mid-Point Salary</u>	<u>Masters Maximum Salary</u>
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
2009	42,354	57,406	57,364	94,969

Source: School Board Budget Office.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 21 - Food and Nutrition Services Program
Last Ten Fiscal Years

Fiscal Year	Number of Lunches Served Daily	Student Lunch Price			Lunch Sites	Number of Breakfasts Served Daily	Student Breakfast Price	Breakfast Sites	Free and Reduced Eligibility	Free and Reduced Eligibility %	Adult Breakfast	Adult Lunch
		Elementary	Middle School	High School								
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
2009	46,714	2.10	2.25	2.35	88	10,102	1.20	88	24,152	32.6%	1.75	3.10

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

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

Fiscal Year	Elementary Schools					Middle Schools					High Schools				
	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
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	55	3,422,613	33,990	166	887.3	15	1,948,719	17,125	20	515.8	10	2,843,179	21,284	21	722.6
2009	55	3,496,885	35,114	148	887.3	15	1,948,719	17,125	21	515.8	10	2,843,179	21,284	36	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
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
2009	2	14,749	**	10	5	4	301,208	**	7	63.5	2	127,575	1,320	2	31.9

Fiscal Year	Total School Buildings				
	Buildings	Square feet	Capacity	Trailers	Acres
2000	65	5,945,596	50,413	206	1,618.8
2001	68	6,437,206	54,479	208	1,757.9
2002	70	6,597,014	55,957	211	1,791.9
2003	73	6,950,716	59,275	231	1,869.9
2004	74	7,034,800	60,127	231	1,889.9
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	88	8,658,043	73,719	230	2,226.1
2009	88	8,732,315	74,843	224	2,226.1

Source: School Board Construction and Planning Office.

** Data not available.

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 23 - Miscellaneous Statistical Data
June 30, 2009

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	501
Number of volunteers	1,022
Police protection:	
Number of police officers	564
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	78
Number of public high schools	10
Membership as of September 30, 2008 (FY09)	73,657 ⁽¹⁾
Number of personnel (full-time equivalent)	9,797 ⁽²⁾
Recreation (Park Authority Component Unit):	
Acres developed or reserved for County parks	3,580
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)	337
Other statistical data:	
Elections:	
Registered voters at last general election	217,082
Number of votes cast in last general election	163,039
Percent voting in last general election	75%
Water and Wastewater Treatment (provided by Prince William County Service Authority):	
Miles of water mains	1,083
Miles of sanitary sewer mains	1,038

Source: County of Prince William, Virginia.

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

⁽¹⁾ Source: Prince William County Schools Fiscal Year 2010 Approved Budget Book. Number differs from other sources due to criteria used for determining membership.

⁽²⁾ Source: Prince William County Schools Fiscal Year 2010 Approved Budget book. Does not include Regional Schools personnel.



Prince William County Public Schools
Financial Services
P.O. Box 389
Manassas, Virginia 20108
www.pwcs.edu