

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2015



Prince William County
PUBLIC SCHOOLS

Providing A World-Class Education

P.O. Box 389, Manassas, VA 20108 • www.pwcs.edu

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, 2015

School Board Members*



*as of June 30, 2015

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.

Prince William County Public Schools Administration*



Dr. Steven L. Walts
Superintendent of Schools



Ms. Rae E. Darlington
Deputy Superintendent



Mr. Timothy L. Healey
Associate Superintendent for
Student Learning and Accountability



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



Mr. Keith J. Johnson
Associate Superintendent for
Human Resources



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



Mrs. Rita Everett Goss
Associate Superintendent for
Eastern Elementary Schools



Mrs. Jarcelynn M. Hart
Associate Superintendent for
Western Elementary Schools



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



Mr. William G. Bixby
Associate Superintendent
for Middle Schools



Mr. Michael A. Mulgrew
Associate Superintendent
for High Schools

*as of June 30, 2015

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 Accounting Services
Lisa M. Thorne-Izes

Chief Accountant
Carolyn H. Adams-Rossignol

Accountants
Taft Kelly
Darrell Phillips
Jackie Rawlings
Sara Smith
Natascha Zombro

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Introductory Section

Letter of Transmittal

Certificates of Achievement

List of Elected and Appointed Officials

Organizational Chart



December 15, 2015

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

We are pleased to present the Comprehensive Annual Financial Report of the Prince William County Public Schools (PWCS), a component unit of Prince William County (The County), Virginia, for the year ended June 30, 2015. The *Code of Virginia* requires that all general-purpose local governments publish, within five months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with governmental accounting standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

PWCS' financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of PWCS for the fiscal year ended June 30, 2015 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 unmodified opinion that the PWCS' financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

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

DR. STEVEN L. WALTS
Superintendent of Schools

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.

Profile of the Government

The County is located in Northern Virginia, approximately 35 miles southwest of Washington, D.C. The County encompasses 348 square miles and stretches from the Potomac River to the Bull Run Mountains. It 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 provides general education, special education, and vocational education program services to pre-K through 12 students and operates under a site-based management philosophy. PWCS is organized to focus on meeting the needs of its 86,209 students while managing the 57 elementary schools, 16 middle schools, 11 high schools, 3 special education schools, 2 alternative schools, and 3 traditional and K-8 schools.

PWCS is a component unit of the County. The County assesses organizations for potential inclusion as component units. This analysis is included in Note 1.A. of the County's Comprehensive Annual Financial Report.

Budget appropriation is an annual process and must be adopted on or before May 1, in accordance with the *Code of Virginia*. Historically, the Board of County Supervisors has appropriated the School Division's budget by the total amount. The budget process provides the capability for central office departments and schools to plan future operations in a manner to best serve the instructional and support needs of students. The budget process is a financial translation of the planning process. The budget process includes the following five basic components:

1. The establishment of an overall Division revenue target.
2. The establishment of school allocations based on projected enrollments and resources.
3. The establishment of central office support costs.
4. The development of budgets or expenditure plans for each central office department and school.
5. The assembly of individual budgets or expenditure plans into a comprehensive budget in accordance with anticipated revenues.

School and central office budgets are assembled into a comprehensive School Division budget and presented for review and approval. Since allocations are based on projected revenues, some adjustments may be required if these revenues change during the budget process. Budget allocations and school budgets will be adjusted based on the number and types of students enrolled on September 30.

Local Economy

The 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 proved more resilient than many other parts of the country during the most recent recession as the federal government responded to the downturn with massive stimulus spending. However, recent signs suggest that as stimulus spending has been curbed, the area's economy has been challenged to keep pace with a general broad-based expansion underway in the nation. Nevertheless, the County economy, with a few notable exceptions, continues to exhibit healthy signs. The residential real estate market continued to improve in terms of average sold price, number of sales and average days on the market, even as rates of growth have slowed. Unemployment in the County continued to be well below the national rate, but is still high by recent standards. Foreclosures are on a downward pace, approaching levels recorded before the real estate downturn. In the first three months of 2015 an average of fewer than 40 foreclosures per month were reported in the County. This is a great improvement over the worst period of the downturn, when a record 18,000 foreclosures

were recorded in years 2006 to 2010. Latest at-place employment data from the Virginia Employment Commission (4th Quarter 2014) indicate continued growth in establishments, employment and wages in the County. The County's commercial inventory continues to be elevated in terms of historic vacancy rates but has shown steady improvement. The County economy appears to be continuing its strengthening trend despite some weakness at the regional and national levels.

The local housing market, after a major downturn in 2007 and 2008, stabilized in 2010 and gained steady momentum through 2015. According to data from Metropolitan Regional Information Systems (MRIS), during June 2015, the average home in the County sold for \$361,866. This represents a decrease of 1.1% year-over-year but a 78.9% increase since February 2009 when the market was beginning its recovery. The number of homes sold in the County in June 2015 was 757 – an increase of 10% from the 688 homes sold one year earlier. The ratio of homes on the market to homes sold was 2.60, compared to 2.57 one year earlier. Average “days on the market” stood at 40 in June 2015 compared to 36 in June 2014.

Residential building permit activity, a leading indicator for housing construction, experienced a six-year boom from 2000 to 2005 with more than 4,300 total residential permits issued per year and home values that were increasing at double digit rates . Since 2005, however, the number of permits has sharply declined:

<u>Calendar Year</u>	<u>Single Family</u>	<u>Townhouse</u>	<u>Condo/Apartment</u>	<u>Total</u>
2006	1,818	712	345	2,875
2007	1,305	580	366	2,451
2008	984	260	665	1,909
2009	1,152	381	402	1,935
2010	1,056	479	777	2,312
2011	842	349	316	1,507
2012	845	229	374	1,448
2013	756	349	538	1,643
2014	532	334	1,238	2,104
2015 (Jan-Jun)	250	187	486	923

In 2014, a total of 2,104 residential occupancy permits were issued for new homes. This represents an increase of 28.1% year-over-year and the best year since 2010's 2,312 total new units. The mix of housing types has shifted in six years, reflecting a changed market. In 2006, 63% of all permits issued were for single family detached, while 25% were for townhouses and 12.0% for condominiums/apartments. In 2014, by comparison, 25.0% of all permits issued were for single family detached, while 16% were for townhouses and 59% were for multi-family units. As the number of foreclosures continues to drop, expectations are that the average home prices will continue to rise – though a return to the prosperous days of double digit annual appreciation are not anticipated in the near future. The residential real estate outlook is for continued modestly improving conditions over the next several years.

The County commercial inventory saw improving conditions during 2015 (through June); although vacancy rates continue to be elevated by historic trends and new construction continues at a generally reduced level. Inasmuch as the County's commercial inventory is a part of the region's inventory, it is affected by general conditions in the region's economy. Overbuilding during the last economic expansion was in part responsible for an oversupply of office and industrial inventory as the economy began to worsen. Furthermore, in certain types of product -- notably flex, which is often characterized by single large and specific uses, the movement of one or two tenants can greatly impact vacancy rates. Current conditions suggest that the County commercial real estate market, while generally improving, continues to be in an absorption phase (particularly in office product), meaning product that was developed largely before the economic downturn is still not fully leased. In June 2015, according to Costar Realty Group (Costar), the County commercial inventory included 44.6 million square feet (sq. ft.) of space in 1,962 buildings, with 3.17 million sq. ft. of vacant space -- a vacancy rate of 7.1%. Since 2011, some 1.62 million sq. ft. of commercial space has been added to the inventory, a growth rate of 3.8%. Expectations are that the commercial real estate market will improve over the course of the next few years, as the local economy grows.

About 78 percent of the County's real estate tax base (including apartments) consists of residential housing, approximately 22 percent is comprised of commercial, industrial, agricultural and public service properties and less than 1 percent is undeveloped land. As values of homes and people's investment in the community increased, the Board of County Supervisors has been able to lower the real estate tax rate while maintaining the level and quality of services expected by residents. Below is a five-year history of the real estate tax rate:

- FY2012 - \$1.204 per \$100 of assessed value
- FY2013 - \$1.209 per \$100 of assessed value
- FY2014 - \$1.181 per \$100 of assessed value
- FY2015 - \$1.148 per \$100 of assessed value
- FY2016 - \$1.122 per \$100 of assessed value

Despite recent fiscal challenges to the County's ability to provide services, strategic goal areas and critical service needs of the community continue to be the primary focus. As the local economy continues to rebound, the Board of County Supervisors has made the decision to begin to re-invest in the community while still maintaining relatively low average tax bills.

Retail sales continued at a generally healthy pace during 2015, with 15 out of 16 past months (through May 2015) of positive monthly year-over-year growth. Sequestration and continued federal budget uncertainty notwithstanding, and despite some uneasiness during the previous summer, the economy and consumer confidence continue positively and retailers are hopeful of continued healthy retail activity.

The County's population is currently estimated at 428,329 (as of June 30, 2015). Population growth has been at a slower pace than in past years, particularly before the economic downturn, when annual increases approached five percent. Nevertheless, the County will continue to expand its population base as the real estate market continues to strengthen. The Metropolitan Washington Council of Governments predicts the County's population will grow by over 217,000 people or an increase of 61 percent between the years 2005 and 2040, while the region in total is expected to grow by only 36 percent. The County continues to be a young, family-oriented community, with approximately one-third of its households married with children. Despite progress in attracting jobs to the County, Prince William County continues to export nearly two-thirds (63.8%) of its labor force to jobs outside the County, accounting for the fifteenth longest commute in the United States. According to 2013 Census data, Metropolitan Washington ranked first in the United States for median household income, with nine of the region's counties in the top 20 nationwide. The County's median household income of \$95,268 is 82 percent above the national median of \$52,250 and 52 percent above the state-wide median of \$62,666. The County had the 12th highest median household income in the United States; six percent higher than the metropolitan Washington D.C. median household income of \$90,149. This ranking further underscores the County's continued status as a "Community of Choice".

At-place employment in the County (120,921 in the 4th Quarter 2014) increased by 3.0% year-over-year and by 16.7% since 2009. By comparison, Northern Virginia employment increased by 0.5% in the last year and 4.4% since 2009. Employment in the Commonwealth grew by 0.6% in the last year, and increased by 3.9% since 2009.

The average weekly wage in the County (\$888 in the 4th Quarter 2014) grew by 2.9% year-over-year and 4.5% since 2009. At-place average weekly wages in Northern Virginia (\$1,438) grew by 1.9% in the last year and 4.3% since 2009. In Virginia, weekly wages (\$1,057) grew by 2.8% year-over-year and 6.2% since 2009.

The impact of the housing market downturn continues to be felt in those industries related to housing; however, some ground has been regained in terms of at-place employment. Construction employment, for example, declined in the County by over 7,000 jobs (-44.2%) between September 2005 and February 2010. Since that low point, Construction employment has increased by 3,939 jobs (44.0%) as of December 2014. Likewise, jobs in finance and insurance and real estate experienced a net loss of over 800 jobs (-22.2%) since their respective peak months of the real estate boom, but have increased by 657 jobs (22.3%) since that low point. Continued improvement in the local real estate market gives hope that employment in these sectors will continue to improve as well. The County's unemployment rate was 4.6 percent in June 2015, well below the statewide rate of 5.0 percent and the

national rate of 5.3 percent in June 2015. By comparison, the County's unemployment rate was 4.8 percent in June 2014.

The 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. However, the regional economy, given ongoing fiscal austerity at the federal level, may be more challenged than in previous times to outperform the national economy. The County depends heavily on residential housing and consumer spending to maintain its prosperity and levels of local government services. These two sectors were impacted by the recent economic downturn; recent trends point to improving conditions in local consumer and real estate activity.

As the County enters fiscal year 2016, the local economy continues to outperform the national economy but, in light of the importance of the real estate market to the overall health of the local economy, a cautionary note is still in order. During the most recent real estate boom, the dramatic increase in housing values created wealth, which in turn led to dramatic increases in consumer spending. Nowhere was this more apparent than in Northern Virginia and Prince William County, both of which were major recipients of this good fortune. After a rather severe correction in the housing market, current conditions suggest that a market expansion is occurring again, though at a more moderate pace than during the previous housing market boom. In addition, the impact of defense-related drawdowns in the federal budget, as well as the prospect of long-term drawdown of federal resources in general, has yet to be fully ascertained. The impact of the federal government on the regional and local economy cannot be overlooked.

The County's proximity to the nation's capital and its enviable participation in the Northern Virginia economy give it a resiliency to withstand challenges from other sectors. However, major wild-cards, such as the continuing budgetary sequestration within the federal government and economic uncertainties throughout the world are still problematic to the global and national economies, which in turn may well impact Prince William County, by virtue of its position in the regional economy. Expectations and/or hopes going forward are for moderate growth and longer-term prospects providing a more optimistic scenario.

Long-term Financial Planning

Each year PWCS, coordinating with the County, prepares a Five-Year Budget Plan. This plan incorporates expected revenue and expenditure growth to determine how future needs will be met. As part of this plan the Board of County 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 57.23% to 42.77% basis, respectively.

The objectives of this Five-Year Budget Plan are as follows:

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

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

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

Relevant Financial Policies

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

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

In 2012, PWCS adopted a policy to establish and maintain a minimum unassigned fund balance of 1.5% of the current fiscal year's General Fund revenue. Management determined this minimum fund balance will be established incrementally over a four year period by setting aside 25% of 1.5% of the current fiscal year's General Fund revenue effective fiscal year 2012. Fiscal year 2015 is the final year of implementation.

Major Initiatives

PWCS is the second largest of 132 school divisions in Virginia and among the 40 largest school divisions in the country. The school division provides services to over six percent of the State student enrollment. During the next five years, student membership is projected to increase by an annual rate of approximately two percent. This is projected to result in more than 5,557 additional students by the 2019-2020 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 \$136.4 million over the five year period.

Providing quality educational facilities is important in providing quality education. PWCS' Capital Program identifies fifteen schools for new construction or additions over the next five years and replacement of one 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 2014, with the oldest school being Dumfries Elementary School constructed 97 years ago.

Financial Reporting Certificate Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PWCS for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Also, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the thirteenth 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, 2015. These awards are valid for one year only and we believe that our budget report continues to conform to the program requirements of both. We will be submitting our budget to ASBO and GFOA for fiscal year 2016 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 County who has helped support the efforts of PWCS in the preparation of this report.

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

Respectfully,



Steven L. Walts
Superintendent of Schools



David S. Cline
Associate Superintendent



John Wallingford
Director, Financial Services
Finance & Support Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Prince William County
Public Schools, Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Association of School Business Officials International



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

Prince William County Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

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



A handwritten signature in black ink, appearing to read 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

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

John D. Musso, CAE, RSBA
Executive Director

Prince William County Public Schools
List of Elected and Appointed Officials
June 30, 2015

Elected Officials - The Prince William County School Board*

Milton C. Johns, Chairman *At-Large*

Alyson A. Satterwhite, Vice Chairman, *Gainesville District*

Lisa E. Bell, *Neabsco District*

Betty D. Covington, *Potomac District*

Lillie G. Jessie, *Occoquan District*

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

Gilbert A. Trenum, *Brentsville District*

Loree Y. Williams, *Woodbridge District*

Appointed Officials - School Division Administration*

Steven L. Walts
Superintendent of Schools

Rae E. Darlington
Deputy Superintendent

Keith A. Imon
Associate Superintendent
Communications and Technology Services

Keith J. Johnson
Associate Superintendent
Human Resources

Timothy L. Healey
Associate Superintendent
Student Learning and Accountability

David S. Cline
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Director of Financial Services

Lisa M. Thorne-Izes
Supervisor of Accounting
Services

* as of June 30, 2015



FY 2015 Organizational Chart

PWCS_OrgChart_FY2015_v6.vsd January 9, 2015 4:50 PM

Citizens of Prince William County, Virginia

Prince William County School Board

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

Associate Superintendent for Eastern Elementary Schools
Rita Everett Goss

Eastern Elementary Schools	
Arlington 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	

Superintendent
Steven L. Walts

Deputy Superintendent
Rae Darlington

Director of TIPA
Natalie Bonshire

Division Counsel
James E. Fagan III

Chief Internal Auditor
Gary R. Maness

Associate Superintendent for Finance and Support Services
David Cline

Director of Risk Management & Security Services
Patti Pittman

Director of Financial Services
John Wallingford

Associate Superintendent for Western Elementary Schools
Jarcelynn Hart

Western Elementary Schools	
Alvey ES	Mullen ES
Bristow Run ES	The Notkeville School
Buckland Mills ES	Piney Branch ES
Cedar Point ES	Sinclair ES
Ellis ES	Sudley ES
Glenkirk ES	Tyler ES
Gravelly ES	Victory ES
Haymarket ES	West Gate ES
Loch Lomond ES	Woods ES
Mountain View ES	Yorkshire ES

Associate Superintendent for Student Learning and Accountability
Timothy Healy

Associate Superintendent for Communications and Technology Services
Keith Imon

Associate Superintendent for Human Resources
Keith Johnson

Director of Transportation Services
Edward Bishop

Supervisor of Budget
Kathleen Addison

Supervisor of Financial Services
Niki Howell

Associate Superintendent for Central Elementary Schools
R. Todd Erickson

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

Director of Student Learning
Kenneth Bassett

Director of Accountability
Jennifer Cassata

Director of Special Education
Jane Lawson

Director of Student Services
Carolyn Custard

Director of Information Technology Services
Steve George

Director of Communications Services
Philip Kavits

Director of Human Resources
Any White

Supervisor of Bus Operations
Shirley Posey

Supervisor of Transportation Planning
Scott Withee

Supervisor of Accounting Services
Lisa Thorne

Supervisor of Purchasing
James Totty

Supervisor of Supply Services
Charles Wheeler

Associate Superintendent for Middle Schools
William G. Bixby

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

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

Supervisor of Testing
Paul Parker

Supervisor of Program Evaluation
Kenneth Hinson

Supervisors of Special Education
Sherley Channing
Morphoula Daoulas
Cary Dougher
Ronald Pannel
Cathy Radford
Michelle Roper
David Williams
Rebecca Yellets

Supervisor of Secondary Counseling and Student Support Services
Rebekah Schlatter

Supervisor of Elementary Counseling and Related Services
Deborah Ransom

Supervisor of Student Applications
Susan Dooley

Supervisor of Business Applications
Vincent Bess

Supervisor of Community Relations
Irene Cromer

Supervisor of Media Production Services
Richard Shahan

Supervisor of Elementary Staffing Personnel
Michele Salzano

Supervisor of Middle School Staffing Personnel
Paulajane Hancock

Supervisor of High School Staffing Personnel
Tony Jones

Supervisor of Classified Personnel
Dina Mize

Supervisor of Recruiting & Specialty Pgms
Darlene Falz

Associate Superintendent for High Schools
Michael Mulgrew

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

Curriculum Supervisor Career & Technical Education
Douglas Wright

Director of Professional Learning
Janet Greer

Director of Non-Traditional Education Opportunities
Renee Lacey

Supervisor of Student Assistance and Prevention Programs
Doreen Dauer

Supervisor of School Health
Teresa Polk

Supervisor of Information Systems Support
Debbie Pflugshaupt

Supervisor of Network Services & Central Ops
Chris Hinzman

Supervisor of Community & Business Engagement
Sharon Henry

Supervisor of Instructional Technology
Any Jo Phillips

Supervisor of High School Staffing Personnel
Tony Jones

Supervisor of Classified Personnel
Dina Mize

Supervisor of Facilities Management
Rodney Clayborn

Supervisor of Construction
Dee Thompson

Supervisor of Planning and Financial Services
Dave Beavers

Supervisor of Planning
Matt Cartledge

Supervisor of Gifted Education & Special Programs
Jim Mudd

Supervisor of Title I
Michelle Rowe

Supervisor of Global Learning and Culturally Responsive Instruction
Maria Burgos-Singleton

Supervisor of Leadership Development
Anita Taylor

Supervisor of Student Management
Karyn Riddle

Supervisor of Student Assistance and Prevention Programs
Doreen Dauer

Supervisor of School Health
Teresa Polk

Supervisor of Information Systems Support
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Supervisor of Network Services & Central Ops
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Financial Section

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

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Prince William County Public Schools ("PWCS"), a component unit of Prince William County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the PWCS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Funds, an agency fund of PWCS's, which represents 53% of the total assets of the aggregate total agency funds and 9% of the total assets of the aggregate remaining fund information. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Student Activity Fund, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Prince William County Public Schools, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and food & nutrition services fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1G to the basic financial statements, PWCS implemented the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PWCS’s basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of PWCS’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading *Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PWCS’s internal control over financial reporting and compliance.



Tyson's Corner, Virginia
December 15, 2015

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2015

This section of the Prince William County Public Schools' (PWCS) annual financial report presents our discussion and analysis of the division's financial performance during the fiscal year ended June 30, 2015 (FY 2015). 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 the Management's Discussion and Analysis (MD&A) expressed in thousands).

Financial Highlights

- General revenues accounted for \$963,755 or 84.9% of total revenues of \$1,134,826. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$171,071 or 15.1% of total revenues.
- The School Division had \$1,046,510 in expenses of which \$171,071 was offset by program specific charges, grants, or contributions. General revenues, primarily County and Commonwealth (State) of Virginia, were adequate to fund the remaining expenses.
- Total net position increased by \$88,316 to a total of \$590,214. The value of net position reflects the financial health of the School Division and includes certain assets procured with debt. The School Division is a component unit of and is fiscally dependent on Prince William County (the County). As such, all debt related to School Division assets are shown on the County's Statement of Net Position.
- On September 30, 2014 (FY 2015) student membership was 86,209, an increase of 1,154 students, or 1.4% greater than FY 2014. The student membership was also 899 students less than projected for FY 2015.

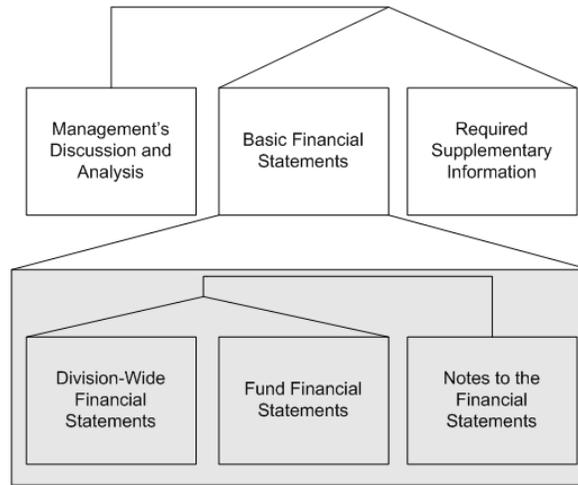
Using this Comprehensive Annual Financial Report

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

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

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

Organization of Prince William County Public Schools Annual Financial Report



Summary ←————→ Detail

Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School Division (excludes fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School Division operates similar to private businesses: self-insurance, health insurance, the warehouse, and school age child care	Instances in which the School Division administers resources on behalf of someone else, such as regional schools, governor's school, and student activities monies
Required financial statements	<ul style="list-style-type: none"> •Statement of net position •Statement of activities 	<ul style="list-style-type: none"> •Balance sheet •Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> •Statement of fund net position • Statement of revenues, expenses and changes in fund net position •Statement of cash flows 	<ul style="list-style-type: none"> •Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflow and liability/deferred inflow information	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, short-term and long-term	Generally assets/deferred outflows expected to be used up and liabilities/deferred inflows that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about PWCS as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by PWCS to provide programs and activities, the view of PWCS, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2015?" The Statement of Net Position and the Statement of

Activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. The accrual basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

In the Statement of Net Position and the Statement of Activities, PWCS reports amounts related to governmental-type activities, and its three internal service funds, and business-type activity. PWCS' governmental-type activities include: regular instruction, special instruction, other instruction, instructional leadership, general administration, student services, curricular/staff development, pupil transportation, operations, utilities, maintenance, central business services, reimbursement to the County for debt service, food & nutrition services, and community service operations. Business-type activity includes an enterprise fund for School Age Child Care (SACC).

Fund Financial Statements

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

PWCS has three types of funds:

- **Governmental Funds:** Governmental funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The focus is on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of PWCS' general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the government-wide statements, additional information has been added in the form of reconciliations between the total fund balances of the governmental funds and the total net position of the government-wide activities. An additional reconciliation is added to explain the differences between the net change in fund balance and the change in net position of the School Division.
- **Proprietary Funds:** Proprietary funds are reported on a full accrual basis and economic resources focus. PWCS maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services for PWCS' other programs and activities. PWCS has one enterprise fund: SACC; and three internal service funds: the Self-Insurance fund, the Health Insurance fund, and the Warehouse fund.
- **Fiduciary Funds:** PWCS is a fiduciary for the Governor's School @ Innovation Park, the Northern Virginia Regional Special Education Fund, and Student Activities in an Agency Fund capacity. In addition, PWCS along with the County are trustees for the Prince William County Other Postemployment Benefits trust fund (OPEB), an agent multiple employer defined benefit

postemployment benefits trust that was established in FY 2009 to provide funding for other postemployment benefit payments on behalf of retiree and COBRA participants. The fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and a combining statement of changes in fiduciary assets and liabilities for all fiduciary funds, except for OPEB. OPEB statements are presented in the Notes to the Financial Statements. All of these activities are excluded from PWCS' government-wide statements because PWCS cannot use these assets to finance its operation.

Financial Analysis of PWCS as a Whole

Net Position

The condensed statement of net position describes the financial position of PWCS on June 30, 2015. The largest portion of PWCS net position reflects its investment in capital assets (buildings, land, equipment, vehicles, and construction-in-progress). Capital assets account for 213.8% of the total net position and have increased by \$81,271 since June 30, 2014. This increase is primarily the result of continued construction and major renovations necessary to house the continuing growth in the student population. These capital assets are not net of related debt because, as a component unit (school division) in Virginia, PWCS does not have the authority to issue debt. All debt is issued by the County and, therefore, is shown as a liability on its Statement of Net Position. In years where there are substantial additions to capital assets that are funded through the issuance of debt, the School Division will have substantial increases in net position. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net position are restricted net position and unrestricted net position. Restricted net position represents those resources that have externally imposed constraints on their use. Restricted net position increased by a net of \$17,113 during the current fiscal year reflecting an increase in PWCS' resources restricted for specific construction projects of \$15,658 and a net increase in restricted for food & nutrition services, self-insurance, and other purposes of \$1,455. Unrestricted net position are those resources that may be used to meet the obligations placed on PWCS by its creditors and to pay for ongoing operations of the School Division. At the end of the fiscal year unrestricted net position amounted to \$(737,838) a decrease of \$10,068 from FY 2014. Invested in capital assets and restricted components of net position show positive balances. The unrestricted portion of net position shows a negative balance due to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which added \$893,727 in pension liabilities.

Condensed Statement of Net Position						
(amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Reporting Entity	
	2015	2014	2015	2014	2015	2014
		As restated				As restated
Current and other assets	\$ 318,232	\$ 318,979	483	560	318,715	319,539
Capital assets	1,261,170	1,179,899	-	-	1,261,170	1,179,899
Total assets	1,579,402	1,498,878	483	560	1,579,885	1,499,438
Pension contributions	74,693	58,835	-	-	74,693	58,835
Total deferred outflows of resources	74,693	58,835	-	-	74,693	58,835
Current liabilities	121,292	118,793	17	-	121,309	118,793
Long-term liabilities	819,491	937,582	-	-	819,491	937,582
Total liabilities	940,783	1,056,375	17	-	940,800	1,056,375
Net difference in investment earnings	123,564	-	-	-	123,564	-
Total deferred inflows of resources	123,564	-	-	-	123,564	-
Net position:						
Investment in capital assets	1,261,170	1,179,899	-	-	1,261,170	1,179,899
Restricted	66,882	49,769	-	-	66,882	49,769
Unrestricted (deficit)	(738,304)	(728,330)	466	560	(737,838)	(727,770)
Total net position	\$ 589,748	\$ 501,338	466	560	590,214	501,898

Changes in Net Position

Changes in Net Position (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Reporting Entity	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 22,760	\$ 23,114	503	475	23,263	23,589
Operating grants and contributions	147,692	138,511	-	-	147,692	138,511
Capital grants and contributions	116	108	-	-	116	108
General revenues:						
Federal	2,212	2,429	-	-	2,212	2,429
State	366,078	353,041	-	-	366,078	353,041
County	589,319	535,335	-	-	589,319	535,335
Unrestricted investment earnings	3,001	3,123	10	13	3,011	3,136
Miscellaneous revenues	3,135	6,745	-	-	3,135	6,745
Total revenues	1,134,313	1,062,406	513	488	1,134,826	1,062,894
Expenses						
Instruction:						
Regular	511,206	489,514	-	-	511,206	489,514
Special	107,557	104,231	-	-	107,557	104,231
Other	10,540	9,607	-	-	10,540	9,607
Instructional leadership	59,926	57,186	-	-	59,926	57,186
Support Services:						
General administration	10,905	9,988	-	-	10,905	9,988
Student services	13,157	13,323	-	-	13,157	13,323
Curricular/staff development	12,849	12,707	-	-	12,849	12,707
Pupil transportation	55,458	55,479	-	-	55,458	55,479
Operations	22,848	23,168	-	-	22,848	23,168
Utilities	23,715	22,649	-	-	23,715	22,649
Maintenance	43,990	35,983	-	-	43,990	35,983
Central business services	51,510	51,164	-	-	51,510	51,164
Reimbursement to County for debt service	80,755	74,691	-	-	80,755	74,691
Food & nutrition services	40,145	37,430	-	-	40,145	37,430
Community service operations	1,342	1,200	-	-	1,342	1,200
School Age Child Care	-	-	607	592	607	592
Total expenses	1,045,903	998,320	607	592	1,046,510	998,912
Change in net position	88,410	64,086	(94)	(104)	88,316	63,982
Net position, beginning of year	501,338	1,272,144	560	664	501,898	1,272,808
Restatement of beginning net position	-	(834,892)	-	-	-	(834,892)
Net position, end of year	\$ 589,748	\$ 501,338	466	560	\$ 590,214	501,898

Due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, a restatement of beginning Net Position was required.

Total revenues increased by \$71,932 for a 6.8% increase over FY 2014. This is primarily the result of increase in State aid and general revenue from the County.

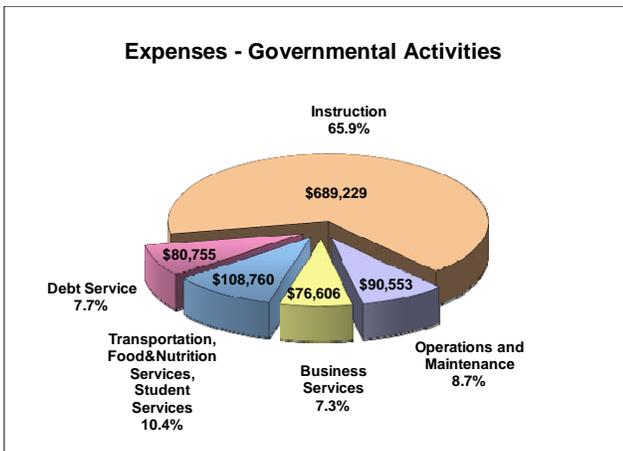
PWCS' revenue comes from the primary government (52.0% - the County), 32.3% from the State, .2% from the Federal government, 15.0% in the form of program revenues (charges for services, operating, and capital grants and contributions), and .5% from other categories. The funds PWCS receives from the County are comprised, primarily, of two components; 57.23% of all County general revenues, excluding recordation tax, and amounts provided to PWCS that are the result of bonds sold by the County to fund schools capital projects.

The component of PWCS' "County revenue" that is a function of bond sales increased from FY 2014 by \$22,016 or 32.5% while all other components of "county revenue" increased by \$31,968 or 6.8%. For FY 2015 there was a net 10.1% increase of all components of "county revenue" or \$53,984. This increase is primarily a function of an increase in County general revenues FY 2015.

State revenue increased \$13,037 or 3.7% due to both the increased growth in student enrollment and the calculation of the State's funding of the standards of quality.

The total cost of all programs increased by 4.8% to \$1,046,510 in FY 2015. This increase is a function of the increase in the student population by 1.4% and related instructional needs, as well as a pay adjustment for employees of 3%. Of the Division's expenses, 76.3% are related to the instruction of and caring for the needs of students (instruction, transportation, student services, and food & nutrition services). The Division's business and administrative activities accounted for 7.3% of total costs while operations and maintenance amounted to 8.7% of total cost. Reimbursements to the County for debt service totaled 7.7% of FY 2015 costs. For the FY 2015, revenues exceeded expenses by \$88,316. A substantial portion of this excess is related to a concerted effort by the Division to manage costs and the recognition of revenues associated with capital outlay related to PWCS continued expansion of facilities.

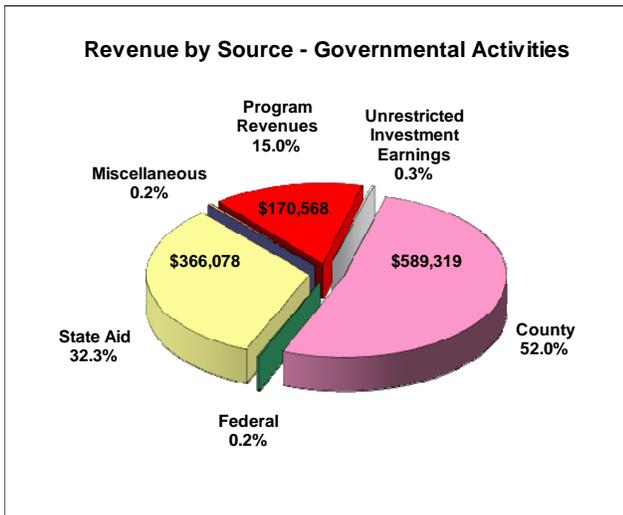
Governmental Activities



The two primary sources of revenue for the School Division are from Prince William County and the Commonwealth of Virginia. Funding from the County is provided through a revenue sharing agreement whereby the School Division received 57.23% of general county revenue. The budget was developed based upon projected revenue for that year. In the following fiscal year, revenues are adjusted to reflect the difference between projected and actual revenues (plus or minus).

The County has a fund balance policy which includes a provision to maintain an unassigned General Fund balance no less than 7.5% of the year's General Fund revenues in every fiscal year, with certain exceptions. The revenue sharing agreement between the County and the

School Division requires the School Division to contribute in maintaining the unassigned General fund balance and to receive a return of funds when fund balance is in excess of the required 7.5%. There will be additional funding from the County in FY 2016 related to additional recognized revenues from FY 2015 in the amount of \$2,261 and \$3 due to recognition of additional revenue in excess of projections and cable franchise tax grant, respectively. Also, \$1,937 was needed to maintain the 7.5% of unassigned General Fund balance. This netted to an increase in revenue from FY 2015 in the amount of \$327.



State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality (SOQ), including basic aid, categorical areas, and sales tax. State funding in FY 2015 increased as a result of the State funding its share of the SOQ cost of the additional 1,154 students in the School Division.

The FY 2015 expense budget was adjusted to fund schools and central departments for the costs of the additional student enrollment. The Net Cost of Governmental Activities table shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support provided by tax revenue, State aid, Federal

aid not restricted to specific programs, and miscellaneous revenue.

Net Cost of Governmental Activities (amounts expressed in thousands)							
	Total Cost of Services			Percent Change	Net Cost of Services		Percent Change
	2015	2014			2015	2014	
Instruction							
Regular	\$ 511,206	\$ 489,514	4.4%	\$ 454,556	\$ 438,595	3.6%	
Special	107,557	104,231	3.2%	46,680	45,125	3.4%	
Other	10,540	9,607	9.7%	1,536	1,177	30.5%	
Instructional leadership	59,926	57,186	4.8%	59,926	57,186	4.8%	
Total instruction	689,229	660,538	4.3%	562,698	542,083	3.8%	
Support services							
General administration	10,905	9,988	9.2%	10,905	9,989	9.2%	
Student services	13,157	13,323	-1.2%	13,001	13,202	-1.5%	
Curricular/staff development	12,849	12,707	1.1%	12,786	12,636	1.2%	
Pupil transportation	55,458	55,479	0.0%	55,389	55,417	-0.1%	
Operations	22,848	23,168	-1.4%	22,537	22,863	-1.4%	
Utilities	23,715	22,649	4.7%	23,715	22,649	4.7%	
Maintenance	43,990	35,983	22.3%	43,990	35,983	22.3%	
Central business services	51,510	51,164	0.7%	51,054	50,675	0.7%	
Reimbursement to County for debt service	80,755	74,691	8.1%	80,754	74,691	8.1%	
Food & nutrition services	40,145	37,430	7.3%	(1,429)	(3,512)	-59.3%	
Community service operations	1,342	1,200	11.8%	(65)	(89)	-27.0%	
Total support services	356,674	337,782	5.6%	312,637	294,504	6.2%	
Total expenses	\$ 1,045,903	\$ 998,320	4.8%	\$ 875,335	\$ 836,587	4.6%	

- The cost of all governmental activities was \$1,045,903.
- The net cost of governmental activities was \$875,335.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$499,527. Additional revenue from the County consisted of bond sales in the amount of \$89,792.
- The Commonwealth of Virginia contributed general revenue of \$366,078.
- The Federal Government contributed general revenue of \$2,212.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$22,760;
 - Total Grants and Contributions: \$147,808;
 - Other payments: \$6,136.
- There are significant activity changes in the net cost of services:
 - Maintenance net costs increased due to increased costs of repair and maintenance supplies.

Business-type Activities

Revenues of the School Division's business-type activities increased 5.1% to \$513, while expenses increased 2.5% to \$607. The revenue increased as a result of receipt of a grant.

Financial Analysis of the Division's Funds

Information about PWCS' major funds begins on page 33. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of \$1,134,068 and expenditures of \$1,133,291. The net change in fund balance was most significant in the Construction Fund amounting to a decrease of \$8,776. This decrease is primarily due to a decrease in the operating transfer into the Construction Fund as well as an increase in capital outlay expenditures.

The General Fund net increase in fund balance of \$6,658 resulted from a decrease in operating transfers to the Construction Fund and the Health Insurance Fund in comparison to FY 2014. These decreases in transfers are a result of managed costs related to new construction and changes in actuarially determined contributions. The increase in fund balance in the Food & Nutrition Services Fund of \$1,882 is primarily attributable to increased Federal.

General Fund Budgetary Highlights

The PWCS’ budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2015, PWCS amended its General Fund budget as follows:

- Amended appropriation of \$13,158 to reflect the carryover of encumbrances from FY 2014 to FY 2015.
- Supplemental appropriations totaled \$11,725; of which \$9,300 related to the carryover of unencumbered FY 2014 budget and appropriations, a \$33 net decrease in Federal, State and local grants, \$81 for increases in Cable Franchise tax revenue from the County, and a \$2,377 increase related to proffers funding to offset debt service costs.

PWCS’ final budget for the General Fund anticipated that expenditures, including transfers, would exceed revenues by roughly \$27,010. The actual results for the year show revenues exceeded expenditures by \$6,658. The key factor contributing to the significant changes in revenues/appropriations from the final budgeted amounts include:

- Utility expenditures were \$3,690 less than final budgeted amounts due to the results of the Energy Conservation Program and conservative budgeting efforts. These efforts also allowed for a decrease in final budget from original budget of \$1,915.

Capital Assets

At the end of FY 2015, PWCS had \$1,261,170 invested in buildings, land, equipment, vehicles, and construction-in-progress in governmental-type activities. The following table shows FY 2015 balances, net of accumulated depreciation/amortization. Readers interested in more detailed information on capital assets should refer to the Capital assets note in the Notes to the Financial Statements.

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2015	2014	2015	2014	2015	2014
	Land	\$ 67,311	\$ 67,374	-	-	67,311
Construction in progress	125,998	52,660	-	-	125,998	52,660
Depreciable/amortizable capital assets	1,067,861	1,059,865	-	-	1,067,861	1,059,865
Total	\$ 1,261,170	\$ 1,179,899	-	-	1,261,170	1,179,899

Major capital asset additions for FY 2015 included:

- Continued construction of three new schools:
 - 12th High School;
 - Devlin Road Elementary School;
 - Ferlazzo Elementary School.
- Began construction of two new schools:
 - Potomac Shores Elementary School;
 - Alternative Education Facility.
- Completed major renovations, additions, replacements at:
 - River Oaks Elementary School;
 - Parkside Middle School;
 - Dumfries Elementary School;
 - Loch Lomond Elementary School;
 - Occoquan Elementary School;
 - Garfield High School Bus Operations;
 - Stonewall Jackson High School.
- Continued major renovations, additions, replacements or renewals at:
 - King Elementary School;
 - Lake Ridge Elementary School;
 - Springwoods Elementary School;
 - Henderson Elementary School;
 - Featherstone Elementary School;
 - Independent Hills Complex;
 - Rippon Middle School;
 - Kilby Elementary School.
- Purchased 10 trucks, and 1 car.
- Replaced 75 school buses, 30 trucks, and 6 cars.

The following major capital projects are included in PWCS' FY 2016 capital budget:

- Continued construction of Ferlazzo Elementary School;
- Continued construction of 12th high school;
- Continued construction of Rippon Middle School addition;
- Continued construction of Independent Hills Complex maintenance;
- Major renewals/renovations at Henderson Elementary School, King Elementary School, Lake Ridge Elementary School, Loch Lomond Elementary School (Phase II), and Springwoods Elementary School;
- Ongoing implementation of infrastructure upgrades needed for technology improvements.

Funding for the FY 2016 capital projects includes a general fund transfer of \$22,282 and \$105,816 to be financed by the County through the sale of General Obligation bonds to the Virginia Public School Authority (VPSA).

Outstanding Long-Term Debt

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

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

The following information is provided to acknowledge the portion of long-term debt that is incurred by the County at the request of the School Board and funded by the school division. At June 30, 2015, the County is liable for \$630,637 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2015, outstanding long-term debt increased by a net \$34,199 consisting of:

- \$48,346 in debt principal retired during the fiscal year.
- \$82,545 in new debt issued during FY 2015 through the sale of general obligation bonds to the VPSA:
 - In addition, a bond premium of \$7,247 was realized on the sale of the VPSA bonds, bringing the total bonds available from the sale to \$89,792.

During FY 2015, \$245 in revenue related to long-term debt was recognized by the County related to a one-time credit for the refinancing of existing VPSA bonds.

The Approved School Board budget for FY 2016 provides funding for \$82,061 to support the payment of debt service by the County. The budgeted debt service payments support the budgeted sale of \$105,816 in new bonds during FY 2016 to support school capital projects, as detailed in the FY 2016 – 2025 Capital Improvements Program (CIP). Readers interested in more detailed information for long-term debt activity should refer to the Long-term debt note in the Notes to the Financial Statements.

Bond Ratings

Outstanding Long-Term Debt						
(Incurred by Prince William County on behalf of PWCS)						
(amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds *	\$ 628,637	\$ 594,188	-	-	628,637	594,188
Literary Loans	2,000	2,250	-	-	2,000	2,250
Total	\$ 630,637	\$ 596,438	-	-	630,637	596,438

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

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

Factors influencing future budgets:

The FY 2016 budget provides funding for the following significant costs:

- Funding for current programs to support an approximate increase of 1,291 students;
- Funding to support the capital projects included in the FY 2016 – 2025 CIP;
- A salary scale adjustment of 2.8% to School Division employees;
- An overall increase of 7.8% in health insurance costs.

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

- Student growth over the past three years has decelerated relieving some of the pressure that enrollment increases place on the Division. In FY 2010 student growth was 2,999. This growth slowed the following year to 2,459, and in FY 2012 enrollment growth was 2,520. The following four years saw enrollment growth decrease to 1,916, 1,504, 1,154, and in FY 2016 enrollment growth was a total of 1,044. The average annual growth rate over the last five years, disclosed here in last year's CAFR, was 2.45%. This year that average annual rate has decreased to 1.98%. While this reduced growth is very beneficial from a fiscal standpoint one must still understand that an additional 1,000 students requires a great deal of fiscal support.
- Student demographics will continue to change regardless of the growth rates. Changes in student demographics increase the number of students requiring additional educational services, which in turn increases School Division expenditures to meet those needs. Increases in populations of students whose primary language is not English and students with special needs, for example, increase School Division operating costs.
- Student membership on September 30, 2015 was 87,253. This represents an increase of 1,044 students for a growth rate of 1.2%. Student membership was 247 students below the 87,500 projected in the FY 2016 Approved Budget which translates to an estimated net savings of \$1,571 in costs. The Division continues to study the decreasing enrollment growth rate and this decrease's impact on future budgets.
- For fiscal years 2016 and 2017 fund balance will be supporting the General Fund budgets to the extent of \$18.0 million and \$12.7 million, respectively. This is approximately 1.9% to 1.3% of the General Fund budgets for the respective years. The Budget for FY 2016 through FY 2018 will present some challenges as this use of fund balance will have been exhausted and the Division will have to replace this funding source while enrollment is still growing at a projected rate of 1.2% annually.
- FY 2017 is the first year of the biennial budget process for the Commonwealth of Virginia. The budget for FY 2017 may be impacted by a number of significant changes including:
 - Rebenchmarking that should increase funding to the Division as a result of increased costs to operate schools;
 - Updated student enrollment projections;
 - Continued updating of rates for the VRS;
 - Changes in the composite index of local ability to pay.
- As part of the State's FY 2010-2012 biennial budget plan, the General Assembly and Governor deferred \$850 million in VRS payments to future years by lowering the required VRS contribution rates for both the teacher pool and the state employee pool. This action had the impact of reducing the State's FY 2011 and FY 2012 obligations to the VRS trust for its own employees, reducing Virginia local school division payments for their employees to the trust, and reducing the revenue stream the State makes available to local school divisions related to VRS. While this action helped the State and local school divisions balance their FY 2011 budgets, it created substantial future

liabilities. The budget bill that passed in support of the 2010-2012 biennium states that the VRS deferral will be paid back starting in FY 2013 at the rate of earnings of the VRS trust (7%) over a ten year period.

- The VRS Board has approved a teacher employee contribution rate of 14.66%. This is an increase over the FY 2015 rate of 14.06% and impacts cost to the extent of approximately \$3.6 million. These rates still need to be adopted by the General Assembly to become effective. Rates will continue to increase as a result of the legislative actions taken during the 2010-2012 biennium but the increases may be softened by the improvements in investment performance.
- Finally, the current requirement of the VRS, that employees make a contribution to their pension, is being implemented at a 1% per year pace. For each percent the employee contributes, there will be a commensurate 1% increase in salary. For FY 2016 employees will be required to make a 4% contribution and for FY 2017 a 5% contribution. This new rule will be fully implemented in FY 2017 with employees making a contribution capped at the 5% rate.
- GASB 68, accounting rules related to pension accounting, will require local school divisions in Virginia to recognize their portion of the liabilities of the Virginia Retirement System teacher's pool. This may make many school divisions in Virginia show a net position deficit on their Statement of Net Position and may also create net position issues for cities and counties in Virginia as school divisions are a component unit of their associated county or city government. If PWCS were to have booked these liabilities in FY 2012, the Division would have reduced net position by approximately \$960 million. The current year (FY 2015) included \$775 million in liabilities related to the VRS pension. This reduction in liabilities is a function of improved investment performance and may positively impact future budgets.
- In June of 2015 the GASB released a new pronouncement titled Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new rule will mirror the new rules associated to pension accounting (GASB 67 and 68) and will further increase the liabilities disclosed on the Division balance sheet. The Division expects a net increase of \$26 million in liabilities associated to this new rule.
- PWCS' local composite index (LCI) went from .3787 for the 2012-2014 biennium to .3822 for the 2014-2016 biennium. This increase in the LCI represents the state's expectation that the locality has an increase in ability to bear the burden of the funding of education and, therefore, represents a decrease in the share of State education dollars to be received by PWCS. The LCI for FY 2017 is again increasing. For the 2016-2018 biennium the LCI will be .3846. This represents a decrease of about \$1.2 million relative to other localities in Virginia.
- 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 \$0.758 while still providing additional revenues to the County and School Board. In FY 2008, the tax rate was increased to \$0.787 per \$100 of assessed value because of the softening values in the housing markets. In FY 2009 the rate was again raised, this time to \$0.970 per \$100 of assessed value. Real estate rates continued increasing to \$1.212 for FY 2010, \$1.236 in FY 2011, and decreased to \$1.204 in FY2012. In FY 2013 the rate was increased to \$1.209, decreased to \$1.181 in FY 2014, \$1.148 in FY 2015, and for FY 2016 the rate again decreased, this time to \$1.122 per \$100. As the value of residential real estate changes, the Board of County Supervisors (BOCS) works diligently to maintain an average tax bill that is close to the levels in FY 2007.
- PWCS continues to experience enrollment growth and as a result continues to build new schools. There are plans for five new schools in the Division's five year (financial) plan (FY 2016 to FY 2020). As the Division has experienced reduced rates of growth for three years (FY 2014, FY 2015, and FY 2016), it is possible that the pressure to build may be somewhat reduced. It is important to note that the Division currently maintains over 200 instructional cottages and that it is a goal to reduce these numbers, if possible. It is also important to note that there are capacity issues at all levels in many parts of the County.

- The BOCS, in a cooperative agreement with the Prince William County School Board, have established a grant program through which there is an increased focus on class size reduction. The County matches, up to \$1.0 million in funds provided by the School Division budget to reduce class size. For the FY 2016 budget this will result in an additional teacher at each middle school, reduced student teacher ratio caps at the elementary level, and additional class size impacts as needed. The total funding focused on class size reduction will amount to a total of \$2.0 million in FY 2016.
- FY 2016 revenues are currently on target. However, the continued impact of changes in the local economy, the value of residential real estate, and the value of commercial real estate, make the revenue picture for FY 2016 somewhat uncertain for yet another year.

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 Position
June 30, 2015

Exhibit 1

	Governmental Activities	Business-Type Activities	Total Reporting Entity
ASSETS			
Equity in cash and pooled investments	\$ 234,485,324	481,908	234,967,232
Accounts receivable and other current assets	1,389,749	1,254	1,391,003
Due from other governmental units	32,841,085	-	32,841,085
Inventory	3,755,923	-	3,755,923
Net OPEB asset	2,466,786	-	2,466,786
Restricted assets:			
Restricted cash	42,745,498	-	42,745,498
Deposits	548,070	-	548,070
Capital assets:			
Land	67,311,200	-	67,311,200
Construction in progress	125,998,283	-	125,998,283
Depreciable/amortizable capital assets	1,505,985,436	-	1,505,985,436
Less: accumulated depreciation/amortization	(438,124,924)	-	(438,124,924)
Total assets	<u>1,579,402,430</u>	<u>483,162</u>	<u>1,579,885,592</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	74,692,584	-	74,692,584
Total deferred outflows of resources	<u>74,692,584</u>	<u>-</u>	<u>74,692,584</u>
LIABILITIES			
Accounts payable and accrued liabilities	16,048,354	17,148	16,065,502
Salaries payable and withholdings	89,812,196	230	89,812,426
Due to other governmental units	190,625	-	190,625
Retainage	5,650,475	-	5,650,475
Unearned revenue	9,589,982	-	9,589,982
Long-term liabilities:			
Due within one year	20,691,527	-	20,691,527
Due in more than one year	23,872,133	-	23,872,133
Net pension liabilities	774,927,237	-	774,927,237
Total liabilities	<u>940,782,529</u>	<u>17,378</u>	<u>940,799,907</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference in pension investment earnings	123,564,274	-	123,564,274
Total deferred outflows of resources	<u>123,564,274</u>	<u>-</u>	<u>123,564,274</u>
NET POSITION			
Investment in capital assets	1,261,169,995	-	1,261,169,995
Restricted for:			
Capital projects	37,780,732	-	37,780,732
Food & nutrition services	23,922,839	-	23,922,839
Self-insurance	548,070	-	548,070
Grant programs	4,630,408	-	4,630,408
Unrestricted (deficit)	(738,303,833)	465,784	(737,838,049)
Total net position	<u>\$ 589,748,211</u>	<u>465,784</u>	<u>590,213,995</u>

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

Prince William County Public Schools
 Statement of Activities
 For the Year Ended June 30, 2015

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total Reporting Entity
Governmental activities:							
Instruction:							
Regular	\$ 511,206,270	1,478,889	55,055,186	116,200	(454,555,995)	-	(454,555,995)
Special	107,557,399	28,291	60,849,515	-	(46,679,593)	-	(46,679,593)
Other	10,540,278	1,633,514	7,370,783	-	(1,535,981)	-	(1,535,981)
Instructional leadership	59,925,870	-	-	-	(59,925,870)	-	(59,925,870)
Total instruction	689,229,817	3,140,694	123,275,484	116,200	(562,697,439)	-	(562,697,439)
Support services:							
General administration	10,904,748	-	-	-	(10,904,748)	-	(10,904,748)
Student services	13,157,139	-	156,241	-	(13,000,898)	-	(13,000,898)
Curricular/staff development	12,849,139	-	63,474	-	(12,785,665)	-	(12,785,665)
Pupil transportation	55,458,399	69,007	-	-	(55,389,392)	-	(55,389,392)
Operations	22,848,186	311,527	-	-	(22,536,659)	-	(22,536,659)
Utilities	23,714,890	-	-	-	(23,714,890)	-	(23,714,890)
Maintenance	43,989,815	-	-	-	(43,989,815)	-	(43,989,815)
Central business services	51,509,042	430,379	24,057	-	(51,054,606)	-	(51,054,606)
Reimbursement to County for debt service	80,754,615	-	-	-	(80,754,615)	-	(80,754,615)
Food & nutrition services	40,145,126	17,400,821	24,173,206	-	1,428,901	-	1,428,901
Community service operations	1,342,208	1,407,568	-	-	65,360	-	65,360
Total support services	356,673,307	19,619,302	24,416,978	-	(312,637,027)	-	(312,637,027)
Total governmental activities	1,045,903,124	22,759,996	147,692,462	116,200	(875,334,466)	-	(875,334,466)
Business-type activities:							
School Age Child Care	607,294	502,499	-	-	-	(104,795)	(104,795)
Total Reporting Entity	\$ 1,046,510,418	23,262,495	147,692,462	116,200	(875,334,466)	(104,795)	(875,439,261)
General revenues:							
Grants and contributions not restricted to specific programs							
Federal					2,211,927	-	2,211,927
State					366,077,672	-	366,077,672
County					589,319,177	-	589,319,177
Unrestricted investment earnings					3,001,253	10,077	3,011,330
Miscellaneous revenues					3,134,801	-	3,134,801
Total general revenues					963,744,830	10,077	963,754,907
Change in net position					88,410,364	(94,718)	88,315,646
Net position, beginning of year					1,336,229,692	560,502	1,336,790,194
Restatement of beginning net position					(834,891,845)	-	(834,891,845)
Net position, end of year					\$ 589,748,211	465,784	590,213,995

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

Prince William County Public Schools
Balance Sheet
Governmental Funds
June 30, 2015

Exhibit 3

	General Fund	Construction Fund	Food & Nutrition Services Fund	Other Non-major Governmental Fund - Facilities Use Fund	Total Governmental Funds
ASSETS					
Equity in cash and pooled investments	\$ 142,903,359	32,869,141	20,533,135	2,941,191	199,246,826
Restricted cash	-	42,745,498	-	-	42,745,498
Accounts receivable	533,660	128,533	295,221	298,657	1,256,071
Due from other funds	434,495	-	-	-	434,495
Due from other governmental units	26,567,842	-	6,273,243	-	32,841,085
Inventory	1,158,517	-	1,495,025	-	2,653,542
Deposit	48,070	-	-	-	48,070
Total assets	<u>171,645,943</u>	<u>75,743,172</u>	<u>28,596,624</u>	<u>3,239,848</u>	<u>279,225,587</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES and FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	9,104,198	4,099,451	1,333,117	90,213	14,626,979
Salaries payable and withholdings	89,142,829	42,576	584,918	40,972	89,811,295
Retainage payable	-	5,650,475	-	-	5,650,475
Unearned revenue	1,077,197	-	1,260,725	-	2,337,922
Total liabilities	<u>99,324,224</u>	<u>9,792,502</u>	<u>3,178,760</u>	<u>131,185</u>	<u>112,426,671</u>
Deferred Inflows of Resources:					
Cable franchise and County support	326,607	-	-	-	326,607
Fund Balances:					
Nonspendable:					
Inventory	1,158,517	-	1,495,025	-	2,653,542
Restricted:					
Regular instruction	2,442,308	-	-	-	2,442,308
Special instruction	1,556,807	-	-	-	1,556,807
Other instruction	173,660	-	-	-	173,660
General administration	150,000	-	-	-	150,000
Curricular/staff development	301,527	-	-	-	301,527
Student services	6,106	-	-	-	6,106
Food & nutrition services	-	-	23,922,839	-	23,922,839
Capital outlay	-	37,590,107	-	-	37,590,107
For payments to PWC for arbitrage rebate	-	190,625	-	-	190,625
Committed:					
Community service operations	-	-	-	3,108,663	3,108,663
Assigned:					
Regular instruction	12,038,892	-	-	-	12,038,892
Special instruction	5,580,300	-	-	-	5,580,300
Other instruction	835,299	-	-	-	835,299
Instructional leadership	2,903,757	-	-	-	2,903,757
General administration	923,448	-	-	-	923,448
Student services	302,222	-	-	-	302,222
Curricular/staff development	635,479	-	-	-	635,479
Pupil transportation	12,343,420	-	-	-	12,343,420
Operations	339,976	-	-	-	339,976
Utilities	487,391	-	-	-	487,391
Maintenance	1,235,371	-	-	-	1,235,371
Central business services	6,101,850	-	-	-	6,101,850
Capital outlay	-	28,169,938	-	-	28,169,938
Unassigned	22,478,782	-	-	-	22,478,782
Total fund balances	<u>71,995,112</u>	<u>65,950,670</u>	<u>25,417,864</u>	<u>3,108,663</u>	<u>166,472,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 171,645,943</u>	<u>75,743,172</u>	<u>28,596,624</u>	<u>3,239,848</u>	<u>279,225,587</u>

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

Prince William County Public Schools
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Position
 June 30, 2015

Exhibit 4

Total fund balances - governmental funds \$ 166,472,309

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

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

Land	\$ 67,311,200	
Construction in progress	125,998,283	
Buildings and improvements	1,366,495,043	
Library books	3,609,991	
Equipment	39,978,913	
Vehicles	92,385,387	
Software	3,516,102	
Total capital assets	1,699,294,919	
Accumulated depreciation/amortization	(438,124,924)	1,261,169,995

Prepaid other post employment benefits represent irrevocable payments made to the Prince William County, Virginia Other Post Employment Benefits Master Trust for retiree healthcare benefits in advance of total actuarial requirements to date. The advance payments are reported in the Statement of Net Position, but as expenditures in the funds when made. 2,466,786

Deferred inflows of resources are not available to pay for current-period expenditures
 Net difference in pension investment earnings (123,564,274)

Certain amounts due to other governmental units are not due and payable in the current period and, therefore, are not reported in the funds.
 Arbitrage rebate (190,625)

Certain revenues are measurable but not available to pay for current period expenditures and, therefore, are reported in the funds as deferred inflows of resources. 326,607

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

Compensated absences	(29,934,624)	
Net pension liability	(774,927,237)	
Pension contributions	74,692,584	
Pollution remediation	(193,309)	(730,362,586)

Net Position of internal service funds. 13,429,999

Net position - governmental activities \$ 589,748,211

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

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 5

	General Fund	Construction Fund	Food & Nutrition Services Fund	Other Non-major Governmental Fund - Facilities Use Fund	Total Governmental Funds
REVENUES:					
Use of money and property:					
Use of money - interest	\$ 1,443,800	1,178,536	403,734	51,366	3,077,436
Use of property	-	-	-	1,103,669	1,103,669
Charges for services	4,810,793	-	17,393,720	303,898	22,508,411
Intergovernmental:					
Federal	34,089,063	-	22,963,445	-	57,052,508
State	455,635,006	-	735,220	-	456,370,226
County	490,091,329	100,542,092	-	-	590,633,421
Miscellaneous	2,827,845	-	494,059	-	3,321,904
Total revenues	<u>988,897,836</u>	<u>101,720,628</u>	<u>41,990,178</u>	<u>1,458,933</u>	<u>1,134,067,575</u>
EXPENDITURES:					
Current:					
Regular instruction	484,648,443	4,844,753	-	-	489,493,196
Special instruction	107,931,195	-	-	-	107,931,195
Other instruction	10,576,662	-	-	-	10,576,662
Instructional leadership	59,914,857	-	-	-	59,914,857
General administration	9,979,090	-	-	-	9,979,090
Student services	13,887,757	-	-	-	13,887,757
Curricular/staff development	12,962,784	-	-	-	12,962,784
Pupil transportation	58,083,942	-	-	-	58,083,942
Operations	23,236,235	-	-	-	23,236,235
Utilities	24,021,430	-	-	-	24,021,430
Maintenance	26,755,914	17,510,998	-	-	44,266,912
Central business services	53,959,656	-	-	-	53,959,656
Community service operations	-	-	-	1,342,208	1,342,208
Food & nutrition services	-	-	40,108,089	-	40,108,089
Reimbursement to the County for debt service	77,277,706	-	-	-	77,277,706
Capital outlay	-	106,248,851	-	-	106,248,851
Total expenditures	<u>963,235,671</u>	<u>128,604,602</u>	<u>40,108,089</u>	<u>1,342,208</u>	<u>1,133,290,570</u>
Excess of revenues over (under) expenditures	<u>25,662,165</u>	<u>(26,883,974)</u>	<u>1,882,089</u>	<u>116,725</u>	<u>777,005</u>
OTHER FINANCING SOURCES (USES):					
TRANSFERS IN:					
General fund	-	19,363,389	-	-	19,363,389
Construction fund	1,255,028	-	-	-	1,255,028
TRANSFERS OUT:					
General fund	-	(1,255,028)	-	-	(1,255,028)
Construction fund	(19,363,389)	-	-	-	(19,363,389)
Health Insurance fund	(895,654)	-	-	-	(895,654)
Total other financing sources (uses), net	<u>(19,004,015)</u>	<u>18,108,361</u>	<u>-</u>	<u>-</u>	<u>(895,654)</u>
Net change in fund balances	6,658,150	(8,775,613)	1,882,089	116,725	(118,649)
FUND BALANCES, beginning of year	<u>65,336,962</u>	<u>74,726,283</u>	<u>23,535,775</u>	<u>2,991,938</u>	<u>166,590,958</u>
FUND BALANCES, end of year	<u>\$ 71,995,112</u>	<u>65,950,670</u>	<u>25,417,864</u>	<u>3,108,663</u>	<u>166,472,309</u>

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

**Prince William County Public Schools
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2015**

Exhibit 6

Total net change in fund balances - total governmental funds	\$ (118,649)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Certain revenues that are disclosed in the Statement of Activities do not provide current financial resources and, therefore, are not reported in the funds.	245,913
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/ amortization expense. This is the amount by which capital outlay exceeds depreciation/ amortization in the period:	
Capital outlays	\$ 119,209,155
Depreciation/amortization expense	<u>(37,585,419)</u>
	81,623,736
The net effect of various transactions including disposal of capital assets.	(352,260)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Arbitrage	(2,069)
Compensated absences	(165,197)
Other postemployment benefits	472,475
Pension expenses	11,092,918
Pollution remediation	255,305
Activities of Internal Service Funds that serve governmental activities.	<u>(4,641,808)</u>
Change in net position of governmental activities	<u>\$ 88,410,364</u>

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

Prince William County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2015

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 1,443,800	1,443,800	1,443,800	-
Charges for services	3,241,445	4,872,908	4,810,793	(62,115)
Intergovernmental:				
Federal	31,313,694	35,011,850	34,089,063	(922,787)
State	455,025,048	454,430,187	455,635,006	1,204,819
County	490,828,077	489,833,033	490,091,329	258,296
Miscellaneous	1,396,650	1,972,780	2,827,845	855,065
Total revenues	<u>983,248,714</u>	<u>987,564,558</u>	<u>988,897,836</u>	<u>1,333,278</u>
EXPENDITURES:				
Current:				
Regular instruction	505,051,479	499,028,709	484,648,443	14,380,266
Special instruction	106,924,025	110,240,001	107,931,195	2,308,806
Other instruction	11,268,435	12,021,520	10,576,662	1,444,858
Instructional leadership	64,802,108	62,648,482	59,914,857	2,733,625
General administration	8,683,435	8,624,942	9,979,090	(1,354,148)
Student services	13,617,324	13,789,909	13,887,757	(97,848)
Curricular/staff development	12,353,583	13,228,609	12,962,784	265,825
Pupil transportation	62,025,826	60,549,819	58,083,942	2,465,877
Operations	21,922,141	21,750,347	23,236,235	(1,485,888)
Utilities	29,626,160	27,711,518	24,021,430	3,690,088
Maintenance	30,844,473	28,131,248	26,755,914	1,375,334
Central business services	57,528,937	58,721,843	53,959,656	4,762,187
Reimbursement to the County for debt service	77,964,481	77,964,481	77,277,706	686,775
Total expenditures	<u>1,002,612,407</u>	<u>994,411,428</u>	<u>963,235,671</u>	<u>31,175,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,363,693)</u>	<u>(6,846,870)</u>	<u>25,662,165</u>	<u>32,509,035</u>
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Construction fund	1,000,000	1,000,000	1,255,028	255,028
TRANSFERS OUT:				
Construction fund	(15,801,000)	(19,363,389)	(19,363,389)	-
Health Insurance fund	(1,800,000)	(1,800,000)	(895,654)	904,346
Total other financing sources (uses), net	<u>(16,601,000)</u>	<u>(20,163,389)</u>	<u>(19,004,015)</u>	<u>1,159,374</u>
Net change in fund balance	<u>(35,964,693)</u>	<u>(27,010,259)</u>	<u>6,658,150</u>	<u>33,668,409</u>
FUND BALANCE, beginning of year	<u>65,336,962</u>	<u>65,336,962</u>	<u>65,336,962</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 29,372,269</u>	<u>38,326,703</u>	<u>71,995,112</u>	<u>33,668,409</u>

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

Prince William County Public Schools
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Food & Nutrition Services Fund
 For the Year Ended June 30, 2015

Exhibit 8

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 200,000	200,000	403,734	203,734
Charges for services	18,789,413	18,789,413	17,393,720	(1,395,693)
Intergovernmental:				
Federal	22,974,296	22,974,296	22,963,445	(10,851)
State	683,942	683,942	735,220	51,278
Miscellaneous	450,000	450,000	494,059	44,059
Total revenues	<u>43,097,651</u>	<u>43,097,651</u>	<u>41,990,178</u>	<u>(1,107,473)</u>
EXPENDITURES:				
Current:				
Food & nutrition services	45,577,002	43,502,077	40,108,089	3,393,988
Total expenditures	<u>45,577,002</u>	<u>43,502,077</u>	<u>40,108,089</u>	<u>3,393,988</u>
Excess (deficiency) of revenues over (under) expenditures	(2,479,351)	(404,426)	1,882,089	2,286,515
FUND BALANCES, beginning of year	23,535,775	23,535,775	23,535,775	-
FUND BALANCES, end of year	<u>\$ 21,056,424</u>	<u>23,131,349</u>	<u>25,417,864</u>	<u>2,286,515</u>

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

Prince William County Public Schools
Statement of Net Position
Proprietary Funds
June 30, 2015

Exhibit 9

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Equity in cash and pooled investments	\$ 481,908	35,238,498
Accounts receivable and other current assets	1,254	133,678
Inventory	-	1,102,381
Restricted assets:		
Deposits	-	500,000
Total assets	<u>483,162</u>	<u>36,974,557</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	17,148	1,421,375
Salaries payable and withholdings	230	901
Unearned revenue	-	7,252,060
Due to other funds	-	434,495
Incurred but not reported claims	-	9,991,562
Total current liabilities	<u>17,378</u>	<u>19,100,393</u>
Noncurrent liabilities:		
Incurred but not reported claims	-	4,444,165
Total liabilities	<u>17,378</u>	<u>23,544,558</u>
NET POSITION		
Restricted	-	500,000
Unrestricted	465,784	12,929,999
Total net position	<u>\$ 465,784</u>	<u>13,429,999</u>

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

Prince William County Public Schools
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit 10

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 502,499	89,174,802
Total operating revenues	<u>502,499</u>	<u>89,174,802</u>
OPERATING EXPENSES:		
Personnel services	400,592	990,472
Materials/supplies	199,323	274,640
Administrative costs	-	4,321,534
Professional services	7,379	-
Premiums	-	6,760,514
Claims and benefits paid	-	76,142,080
Losses and unallocated loss adjustment	-	2,815,085
Cost of goods sold	-	4,531,450
Total operating expenses	<u>607,294</u>	<u>95,835,775</u>
Operating (loss)	<u>(104,795)</u>	<u>(6,660,973)</u>
NON-OPERATING REVENUE:		
Interest and miscellaneous	10,077	1,123,511
Total non-operating revenues	<u>10,077</u>	<u>1,123,511</u>
(Loss) before contributions and transfers	(94,718)	(5,537,462)
Transfers In	-	895,654
Change in net position	(94,718)	(4,641,808)
NET POSITION, beginning of year	<u>560,502</u>	<u>18,071,807</u>
NET POSITION, end of year	<u>\$ 465,784</u>	<u>13,429,999</u>

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

Prince William County Public Schools
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit 11

	Business-type Activities - Enterprise Fund	Governmental Activities -
	School Age Child Care	Internal Service Funds
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 502,499	90,014,925
Payments to suppliers for goods and services	(189,554)	(94,836,291)
Payments to employees	(400,557)	(991,820)
Net cash (used) by operating activities	<u>(87,612)</u>	<u>(5,813,186)</u>
Cash Flows from Non-capital Financing Activities:		
Advances from other funds	-	154,345
Transfers from other funds	-	895,654
Net cash provided by non-capital financing activities	<u>-</u>	<u>1,049,999</u>
Cash Flows from Investing Activities:		
Interest received from investments	<u>10,349</u>	<u>1,125,114</u>
Net (decrease) in equity in cash and pooled investments	(77,263)	(3,638,073)
Equity in cash and pooled investments, beginning of year	<u>559,171</u>	<u>38,876,571</u>
Equity in cash and pooled investments, end of year	<u>\$ 481,908</u>	<u>35,238,498</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:		
Operating (loss)	\$ (104,795)	<u>(6,660,973)</u>
Adjustments to reconcile operating (loss) to net cash (used) by operating activities		
Change in assets and liabilities:		
Decrease in accounts receivable	-	266,396
(Increase) in inventory	-	(116,763)
Increase in unearned revenue	-	573,727
Increase (decrease) in accounts payable and accrued liabilities	17,148	(672,694)
Increase (decrease) in salaries payable and withholdings	35	(1,348)
Increase in incurred but not reported claims	-	798,469
Net cash (used) by operating activities	<u>\$ (87,612)</u>	<u>(5,813,186)</u>

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

**Prince William County Public Schools
Statement of Assets and Liabilities
Agency Funds
June 30, 2015**

Exhibit 12

ASSETS

Cash and pooled investments
Due from other governmental units
Total assets

Agency Funds

\$ 10,548,741
3,386,785
13,935,526

LIABILITIES

Accounts payable and accrued liabilities

\$ 13,935,526

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

**Prince William County Public Schools
Notes to the Financial Statements
June 30, 2015**

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 86,209 students while managing 93 schools. The mission of PWCS is to provide a world-class education. PWCS receives funding from taxes collected and allocated by the County; tuition and fees; state and federal aid; and other grants and donations from private sources. School construction projects are funded by the proceeds of general obligation bonds issued by the County and approved by the County voters. Other sources of PWCS school construction funding are Virginia Public School Authority (VPSA) bonds, Literary Fund loans, Build America Bonds (BAB), Qualified School Construction Bonds (QSCB), and cash funding. Accounting principles generally accepted in the United States of America establish PWCS as a discretely presented component unit of the County.

B. Government-wide and fund financial statements

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

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

The basic financial statements include both government-wide statements where the focus is on the division as a whole and fund financial statements where the focus is on the major individual funds. In the government-wide statement of net position, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are (a) presented on a consolidated basis and (b) reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of net position - The statement of net position is designed to display the financial position of the primary government and present the governmental and business-type activities on a consolidated basis by column. PWCS reports all capital assets in the government-wide statement of net position and reports depreciation/amortization expense - the cost of "using up" capital assets - in the statement of activities. The net position of PWCS is broken down into three categories: 1) investment in capital assets, 2) restricted, and 3) unrestricted.

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

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

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

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

Fund financial statements Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Business-type activities and internal service funds are reported in separate columns as well.

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

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

PWCS' fiduciary funds are presented in the fund financial statements. 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. Therefore, these funds are not incorporated into the government-wide statements.

Budgetary comparison schedules Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, PWCS has chosen to make its budgetary comparison statement of the General Fund part of the basic financial statements. PWCS and many other governments revise their original budgets over the course of the year for a variety of reasons. PWCS provides budgetary comparison information in their annual reports. PWCS provides the government's original budget alongside the 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. It is PWCS policy to first use restricted resources for expenses incurred for which both restricted and unrestricted resources are available.

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

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 90 days of the end of the current fiscal period. PWCS' primary revenues susceptible to accrual include grants, intergovernmental revenues, charges for services, and interest on investments.

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

PWCS reports the following major funds:

Governmental Funds:

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

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

Food & Nutrition Services Fund: The *Food & Nutrition Services Fund* is a special revenue fund 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.

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

Proprietary Funds:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

Internal service funds account for warehouse services, self-insurance, and health insurance provided to departments of PWCS on a cost reimbursement basis.

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

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

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

Fiduciary Funds:

Fiduciary funds are used to account for assets held by or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include the Governor's School @ Innovation Park Fund, the Regional School Fund, and the Student Activity Fund.

D. Assets, deferred outflows and inflows of resources, liabilities, and net position or equity

Deposits and investments

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

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

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

Deposits

At June 30, 2015 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 the Federal Deposit Insurance Corporation (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 \$42,745,498 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 authorizes the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth or political subdivisions thereof; obligations of other states not in default; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; "prime quality" commercial paper; negotiable certificates of deposits and negotiable bank notes; corporate notes; bankers' acceptances; overnight, term and open repurchase agreements; money market mutual funds; the State Treasurer's Local Government Investment Pool (LGIP) and certificates of deposit. PWCS' pro rata share of the County's pooled cash and investments was approximately 30.36% at June 30, 2015. The investments contained in the County's pool of investments are subject to investment rate and custodial credit risk.

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

Receivables and payables

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

Inventory

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

Capital assets

Capital assets, which include land, buildings and improvements, equipment, vehicles, computer software and library books, are reported in the government-wide financial statements. Capital assets, with the exception of computer software, are defined by PWCS as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Computer software is defined by PWCS as purchased software and software licenses with an initial, individual cost of more than \$250,000 and internally generated software with development costs of more than \$750,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, where no historical records exist. Donated capital assets are recorded at estimated fair value at the date of the donation. Utility, storm

drainage, right-of-way and sight distance easements are often purchased during the construction of new schools. The easements are generally transferred to the applicable utility company or the Virginia Department of Transportation within one year of purchase.

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

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

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

Capital assets are depreciated or amortized using the straight-line method over the estimated useful lives. New buildings use the midyear convention.

Estimated useful lives:	
<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	20-50
Equipment	5-12
Vehicles	4-14
Intangible assets, including computer software	3-10
Library books	5

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until then. Additionally, PWCS has a deferred inflow in the governmental funds for cable franchise tax and County support.

Compensated absences

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

Pollution remediation

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Non-professional group's Retirement Plan and the additions to/deductions from the Non-professional group's Retirement Plan's net fiduciary position and the Virginia Retirement System (VRS) Teacher Retirement Plan (Professional Group) have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund equity

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

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

Encumbrances

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

Commitments

At June 30, 2015 PWCS had contractual commitments of \$17,791,616 in the General Fund, \$128,483,311 in the Construction Fund for construction of various projects, \$2,074,925 in the Food & Nutrition Services Fund for contractual commitments and \$65,742 in the Other Non-major Governmental Funds.

E. Governmental Accounting Standards Board (GASB) pronouncements

PWCS has implemented the following GASB pronouncements during the fiscal year June 30, 2015:

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This statement was effective for periods beginning after December 15, 2013.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement is to address an issue regarding application of the transition provisions of Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement was required to be applied simultaneously with the provisions of Statement 68.

GASB has issued several statements with effective implementation periods subsequent to this fiscal year. The statements deemed to have a future impact on PWCS are as follows:

GASB Statement No. 72 *Fair Value Measurement and Application*. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value and establishes a hierarchy of inputs to valuation techniques used to measure fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. PWCS is in the process of completing their assessment of GASB Statement 72, and does not believe the implementation will have a material impact on the financial statements.

GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. PWCS is in the process of completing their assessment of GASB Statement 73.

GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution Other Postemployment Benefits (OPEB) plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. PWCS is in the process of completing their assessment of GASB Statement 74.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2017. PWCS is in the process of completing their assessment of GASB Statement 75.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. PWCS is in the process of completing their assessment of GASB Statement 76 and does not believe the implementation will have a material impact on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose pertinent information about tax abatement agreements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. PWCS is in the process of completing their assessment of GASB Statement 77 and does not believe the implementation will have a material impact on the financial statements.

F. Subsequent events

PWCS has evaluated subsequent events (events occurring after June 30, 2015 through date of the Report of Independent Auditor) in accordance with the preparation of these financial statements. Such events have been disclosed in Note 11.

G. Restatement of beginning net position

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* became effective for periods beginning after June 15, 2014. The implementation of these standards required a restatement of beginning Net Position. This implementation had the following effect on beginning Net Position:

Governmental Activities

Beginning net position, as previously stated	\$ 1,336,229,692
Less: Pension liability as of measurement date	(893,727,087)
Plus: Fiscal year 2014 employer contributions	58,835,242
Beginning net position, as restated	<u>\$ 501,337,847</u>

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 Prince William Board of County Supervisors (BOCS), 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 BOCS determines the level of funding for PWCS. If the requested level of funding is approved there are no further actions taken by the School Board. If the funding request is changed by the County, the budget is reworked by PWCS staff and then adopted by the School Board. The approved budget is the basis for operating PWCS in the next fiscal year.

Annual budgets are adopted for all funds except for the Student Activity Fund. Project length financial plans are adopted for all capital projects in the Construction Fund. PWCS uses the modified accrual basis of accounting in budgeting for governmental funds. The budgets are on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at year-end. The budget is revised and amended in October based on September 30 student enrollments.

The budget is controlled at both legal and administrative levels. Legal control is placed at the government-wide level of PWCS, while administrative control is placed at the department level. Amendments that change the total level of expenditure budget require the approval of both the School Board and the BOCS.

B. Excess of expenditures over appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the General Fund for the following functional areas: General Administration, Student Services, and Operations. Excess remaining budget in other functions covered the shortfall in the aforementioned functional areas.

Note 3 – Receivables, due to and due from other governmental units, deferred inflows and outflows of resources, and unearned revenue

Receivables and due from other governmental units at June 30, 2015 for PWCS' individual major funds, non-major, internal service, enterprise, and fiduciary funds, in the aggregate, are as follows:

	General Fund	Construction Fund	Non Major Funds	Internal Service Funds	Enterprise Fund	Fiduciary Funds	Total
Other receivables	\$ 533,660	128,533	593,878	133,678	1,254	-	1,391,003
Federal	10,791,643	-	6,273,243	-	-	-	17,064,886
State	15,449,561	-	-	-	-	-	15,449,561
County	326,638	-	-	-	-	-	326,638
Other localities	-	-	-	-	-	3,386,785	3,386,785
Total	\$ 27,101,502	128,533	6,867,121	133,678	1,254	3,386,785	37,618,873

Amounts due from the federal government in the General Fund are attributed primarily to Titles I, II, III and VI-B grants, Head Start grant, 21st Century Community Learning Centers grant, as well as the Carl D. Perkins CTE grant. Title I, II, and III programs provide funds to enhance instruction and train and recruit teachers. Title VI-B is intended to assure that all handicapped children are provided a free and appropriate education. Head Start is a Department of Health and Human Services federally funded comprehensive preschool program for economically disadvantaged three- and four-year-old children. The 21st Century Community Learning Center grants support the creation of community learning centers that provide academic enrichment opportunities during non-school hours for economically disadvantaged children. The Carl D. Perkins CTE grant focuses on academic achievement of career and technical education students.

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

All receivables are considered fully collectable and, therefore, an allowance for uncollectible accounts is not recorded.

Due to other governmental units at June 30, 2015:

	<u>General Fund</u>
Due to other governmental units:	
County - arbitrage	<u>\$ 190,625</u>

In the fund financial statements, governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2015, deferred inflow of resources is recorded in the General Fund for excess revenue receivable for the cable franchise fees agreement and excess general tax supported revenues to be distributed by the County in the amount of \$3,122 and \$323,485 respectively.

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

<u>Governmental Activities</u>	<u>Unearned Revenue</u>
Food & Nutrition Services Fund – Other unearned revenue	\$ 1,260,725
General Fund – prepaid tuition or fees and other unearned revenue	<u>1,077,197</u>
Governmental Funds	2,337,922
Health Insurance Fund (internal service fund) – prepaid health insurance premiums	<u>7,252,060</u>
Total	<u>\$ 9,589,982</u>

Note 4 – Interfund receivables, payables, and transfers

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

	Due to other funds:
	<u>Warehouse Fund</u>
Due from other funds:	
General Fund	<u>\$ 434,495</u>

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

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

Transfers Out:	Transfers In:		
	General Fund	Construction Fund	Health Insurance Fund
General Fund	\$ -	19,363,389	895,654
Construction Fund	1,255,028	-	-
Total	<u>\$ 1,255,028</u>	<u>19,363,389</u>	<u>895,654</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$19,363,389 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications. The General Fund transfer of \$895,654 to the Health Insurance Fund represents funds contributed to the Prince William County Other Post-Employment Benefits trust fund.

Note 5 – Long-term liabilities

A. Long-term debt

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

B. Compensated absences

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

The current portion of accrued compensated absences at June 30, 2015 is the amount of liability expected to be paid within one year. The current and long-term portion of accrued compensated absences is included in long-term liabilities in the government-wide statement of net position. Liabilities for compensated absences are liquidated by the General Fund.

Changes in liability for compensated absences for the year ended June 30, 2015 are inclusive of estimated social security and medicare taxes and are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 29,769,427	10,182,674	(10,017,477)	29,934,624	10,506,656

C. Pollution remediation

PWCS incurs pollution remediation obligations in the form of asbestos abatement upon renovation of various buildings and storm water cleanup. PWCS legally obligates itself to commence work related to asbestos abatement and storm sewer management upon issuance of purchase orders to various asbestos abatement contractors and storm sewer cleanup contractors. PWCS calculates and recognizes a liability based on outstanding commitments related to asbestos abatement and MS4 storm water management at fiscal year-end. The costs of asbestos abatement and storm water management are not recoverable.

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

Changes in liability for pollution remediation for the year ended June 30, 2015 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	\$ 448,614	451,264	(706,569)	193,309	193,309

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. For the fiscal year ended June 30, 2015 PWCS incurred \$1,690,613 for self-insured workers' compensation claims.

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, 2015 PWCS incurred \$75,856,585 in self-insured health insurance claims.

Premiums are paid into the self-insurance internal service funds by the other funds and are available to pay claims, claim reserves, and administrative costs of the programs for all funds.

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 Fund, covering the risks of loss, has \$500,000 per occurrence retention and purchases excess insurance coverage which covers individual claims with a \$75,000,000 limit. PWCS Health Insurance Fund covering the risks of loss, has \$500,000 per member. There have been no significant

reductions in insurance coverage in the prior year, and settlements have not exceeded coverage for each of the past three fiscal years.

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

Changes in aggregate liabilities for claims are as follows:

	Health Insurance	Self- Insurance
Unpaid Claims June 30, 2013	\$ 6,926,138	5,898,624
Incurred Claims	70,187,744	1,047,307
Claims Paid	69,140,359	1,282,196
Unpaid Claims June 30, 2014	<u>7,973,523</u>	<u>5,663,735</u>
Incurred Claims	75,856,585	1,690,613
Claims Paid	75,246,426	1,502,303
Unpaid Claims June 30, 2015	<u>\$ 8,583,682</u>	<u>5,852,045</u>
Due Within One Year	<u>\$ 8,583,682</u>	<u>1,407,880</u>

Note 7 – Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 67,373,629	-	(62,429)	67,311,200
Construction in Progress	52,660,200	105,591,268	(32,253,185)	125,998,283
Total capital assets, not being depreciated	<u>120,033,829</u>	<u>105,591,268</u>	<u>(32,315,614)</u>	<u>193,309,483</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,334,176,435	32,318,608	-	1,366,495,043
Library books	3,455,001	826,725	(671,735)	3,609,991
Equipment	36,807,025	3,399,215	(227,327)	39,978,913
Vehicles	90,051,641	9,326,524	(6,992,778)	92,385,387
Intangibles	3,516,102	-	-	3,516,102
Total capital assets being depreciated/amortized	<u>1,468,006,204</u>	<u>45,871,072</u>	<u>(7,891,840)</u>	<u>1,505,985,436</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	334,453,738	26,845,270	-	361,299,008
Library books	2,163,147	721,998	(671,735)	2,213,410
Equipment	20,929,454	2,910,348	(174,538)	23,665,264
Vehicles	49,442,218	6,605,503	(6,755,736)	49,291,985
Intangibles	1,152,957	502,300	-	1,655,257
Total accumulated depreciation/amortization	<u>408,141,514</u>	<u>37,585,419</u>	<u>(7,602,009)</u>	<u>438,124,924</u>
Total capital assets, being depreciated/amortized, net	<u>1,059,864,690</u>			<u>1,067,860,512</u>
Capital assets, net	<u>\$ 1,179,898,519</u>			<u>1,261,169,995</u>

Depreciation/amortization expense was charged to functional and program areas as follows:

Instruction	
Regular	\$ 27,015,614
Special	362,650
Other	29,732
Support Services	
General administration	1,098,681
Student services	9,062
Curricular/staff development	9,848
Pupil transportation	6,344,811
Operations	38,392
Maintenance	141,544
Central business services	2,498,048
Food & nutrition services	37,037
Total depreciation/amortization expense	<u>\$ 37,585,419</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 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:

All full-time salaried permanent (professional) employees are automatically covered by VRS, a cost-sharing multiple-employer defined benefit plan upon employment. All full-time salaried permanent (non-professional) employees of PWCS are automatically covered by VRS, an agent multiple-employer defined benefit plan upon employment. Both plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active duty military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees; Plan 1, Plan 2, and the Hybrid Plan. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

Plan 1:

- *About Plan 1:* Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- *Eligible Members:* Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- *Hybrid Opt-In Election:* VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Plan and remain as Plan 1 or ORP.
- *Retirement Contributions:* Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. PWCS elected to phase in the required 5% member contribution and all employees will be paying the full 5% contribution by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for future benefit payments.
- *Creditable Service:* Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It may also include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- *Vesting:* Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- *Calculating the Benefit:* The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- *Average Final Compensation:* A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- *Service Retirement Multiplier:* The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible non-professional hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
- *Normal Retirement Age:* Normal retirement age is 65. For non-professional hazardous duty employees, normal retirement age is 60.
- *Earliest Unreduced Retirement Eligibility:* Earliest unreduced retirement age is 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members: earliest unreduced retirement age is 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
- *Earliest Reduced Retirement Eligibility:* Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty members: age 50 with at least five years of creditable service.
- *Cost-of-Living Adjustment (COLA) in Retirement:* The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
 - *Eligibility for COLA:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced

- benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
- *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
 - *Disability Coverage:* Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
 - *Purchase of Prior Service:* Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Plan 2

- *About Plan 2:* Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 and before January 1, 2014, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- *Eligible Members:* Employees are in Plan 2 if their membership date is on or after July 1, 2010 and before January 1, 2014, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- *Hybrid Opt-In Election:* Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan. Members who were eligible for an ORP and have prior service under Plan 2 were not eligible to elect the Hybrid Plan and remain as Plan 2 or ORP.
- *Retirement Contributions:* Same as Plan 1.
- *Creditable Service:* Same as Plan 1.
- *Vesting:* Same as Plan 1.
- *Calculating the Benefit:* Same as Plan 1.
- *Average Final Compensation:* A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- *Service Retirement Multiplier:* Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. For non-professional hazardous duty employees the retirement multiplier is the same as Plan 1. For sheriffs and regional jail superintendents the retirement multiplier is the same as Plan 1.
- *Normal Retirement Age:* Normal Social Security retirement age. Non-professional hazardous duty employees retirement age is the same as Plan 1.
- *Earliest Unreduced Retirement Eligibility:* Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement

age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- *Earliest Reduced Retirement Eligibility:* Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Hazardous duty employees may retire with a reduced benefit at age 50 with at least five years creditable service.
- *COLA in Retirement:* The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
 - *COLA Eligibility:* Same as Plan 1.
 - *Exceptions to COLA Effective Dates:* Same as Plan 1.
- *Disability Coverage:* Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
- *Purchase of Prior Service:* Same as Plan 1.

Hybrid Plan

- *About the Hybrid Plan:* The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
- *Eligible Members:* Employees are in the Hybrid Plan if their membership date is on or after January 1, 2014. This includes:
 - Professional employees
 - Non-professional employees*
 - Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
 - *Non-Eligible Members: Some employees are not eligible to participate in the Hybrid Plan. They include:
 - Non-professional employees who are covered by enhanced benefits for hazardous duty employees
 - Those employees eligible for an ORP must elect the ORP plan or the Hybrid Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- *Retirement Contributions:* A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- *Creditable Service: Defined Benefit Component:* Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance

credit in retirement, if the employer offers the health insurance credit. *Defined Contributions Component:* Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

- *Vesting: Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Plan remain vested in the defined benefit component. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.
 - After two years, a member is 50% vested and may withdraw 50% of employer contributions.
 - After three years, a member is 75% vested and may withdraw 75% of employer contributions.
 - After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

- *Calculating the Benefit: Defined Benefit Component:* See definition under Plan 1. *Defined Contributions Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- *Average Final Compensation:* Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
- *Service Retirement Multiplier:* The retirement multiplier is 1.0%. For members that opted into the Hybrid Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. The service retirement multiplier is not applicable for sheriffs and regional jail superintendents or non-professional hazardous duty employees. The service retirement multiplier is not applicable to the defined contribution component.
- *Normal Retirement Age: Defined Benefit Component:* Same as Plan 2. Not applicable non-professional hazardous duty employees. *Defined Contributions Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- *Earliest Unreduced Retirement Eligibility: Defined Benefit Component:* Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Not applicable to non-professional hazardous duty employees. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- *Earliest Reduced Retirement Eligibility: Defined Benefit Component:* Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Not applicable to non-professional hazardous duty employees. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- *COLA in Retirement: Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable.
 - *COLA Eligibility:* Same as Plan 1 and Plan 2.
 - *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.
 - *Disability Coverage:* Eligible non-professional and professional employees (including Plan 1 and Plan 2 opt-ins) may participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
- **Purchase of Prior Service:** *Defined Benefit Component:* Same as Plan 1, with the following exceptions: 1) Hybrid Plan members are ineligible for ported service, 2) the cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation,

and 3) plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. *Defined Contribution Component:* Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees of the non-professional group were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	634
Inactive members:	
Vested inactive members	122
Non-vested Inactive members	498
Inactive members active elsewhere in VRS	<u>216</u>
Total inactive members	836
Active members	<u>1,793</u>
Total covered employees	<u><u>3,263</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the non-professional and professional groups by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Contributions – Non-professional group

The non-professional group's contractually required contribution rate for the year ended June 30, 2015 was 8.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the non-professional group were \$4,212,300 and \$4,691,242 for the years ended June 30, 2015 and June 30, 2014, respectively.

Contributions – Professional

Each professional group's contractually required contribution rate for the year ended June 30, 2015 was 14.5% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the professional group was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contribution to the pension plan from the professional group were \$69,540,284 and \$54,144,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

Actuarial Assumptions

The total pension liability for General Employees in the non-professional and professional group was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

The actuarial assumptions at June 30, 2013 included (a) an investment rate of return of 7.00%, net of pension plan investment expense, including inflation*, (b) projected salary increases ranging from 3.5% to 5.35% per year for local general government employees and 3.5% to 5.95% per year for the professional group (c) a cost-of-living adjustment of 2.50% per year (d) mortality rates of 14% assumed to be service related for the non-professional group**. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012.

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Mortality rate tables are as follows:

	LEOS and Non-LEOS (Law Enforcement Officers)	Professional Group
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS	All Others (Non 10 Largest) – Non-LEOS	Professional Group
<ul style="list-style-type: none"> ▪ Update mortality table ▪ Decrease in rates of service retirement ▪ Decrease in rates of disability retirement ▪ Reduce rates of salary increase by 0.25% per year 	<ul style="list-style-type: none"> ▪ Update mortality table ▪ Decrease in rates of service retirement ▪ Decrease in rates of disability retirement ▪ Reduce rates of salary increase by 0.25% per year 	<ul style="list-style-type: none"> ▪ Update mortality table ▪ Adjustments to the rates of service retirement ▪ Decrease in rates of disability retirement ▪ Reduce rates of salary increase by 0.25% per year ▪ Decrease in rates of withdrawals for 3 through 9 years of service

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the non-professional and professional groups for VRS will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability

At June 30, 2015, the professional group reported a liability of \$766,482,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The professional group's proportion of the Net Pension Liability was based on the professional group's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the professional group's proportion was 6.34258% as compared to 6.33425% at June 30, 2013.

The non-professional net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. As part of the restatement of net position, PWCS reported a liability of \$8,445,237 at June 30, 2014 for the non-professional retirement plan.

Changes in Net Pension Liability – Non-professional group

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 161,082,517	139,956,430	21,126,087
Changes for the year:			
Service cost	5,560,285	-	5,560,285
Interest	11,031,947	-	11,031,947
Differences between expected and actual experience	-	-	-
Contributions - employer	-	4,691,242	(4,691,242)
Contributions - employee	-	2,628,936	(2,628,936)
Net investment income	-	22,069,344	(22,069,344)
Benefit payments, including refunds of employee contributions	(6,966,544)	(6,966,544)	-
Administrative expenses	-	(117,603)	117,603
Other changes	-	1,163	(1,163)
Net changes	9,625,688	22,306,538	(12,680,850)
Balances at June 30, 2014	\$ 170,708,205	162,262,968	8,445,237

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the non-professional group using the discount rate of 7.00%, as well as what the non-professional group's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Plan's Net Pension Liability	\$ 30,729,753	\$ 8,445,237	\$ (10,105,286)

The following presents the professional group's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the professional group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Professional group's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 1,125,503,000	\$ 766,482,000	\$ 470,890,000

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Non-professional group

For the year ended June 30, 2015, the non-professional group recognized pension expense of \$1,821,666. At June 30, 2015, the non-professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	9,811,274
Employer contributions subsequent to the measurement date	4,212,300	-
Total	<u>\$ 4,212,300</u>	<u>9,811,274</u>

\$4,212,300 reported as deferred outflows of resources related to pensions resulting from PWCS's professional group contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	(2,452,818)
2017		(2,452,818)
2018		(2,452,818)
2019		(2,452,820)
Thereafter		-

Professional Group

For the year ended June 30, 2015, PWCS recognized pension expense of \$60,838,000 related to the professional group. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of contributions.

At June 30, 2015, the professional group's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	113,753,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	940,000	-
Employer contributions subsequent to the measurement date	69,540,284	-
Total	<u>\$ 70,480,284</u>	<u>113,753,000</u>

\$69,540,284 reported as deferred outflows of resources related to pensions resulting from PWCS's professional group contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	(28,230,000)
2017		(28,230,000)
2018		(28,230,000)
2019		(28,230,000)
Thereafter		107,000

Pension Plan Fiduciary Net Position

The System issues a publicly available CAFR that includes financial statements and required supplementary information (RSI) for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. VRS Health Insurance Credit

Plan description:

The VRS Health Insurance Credit Program is a single-employer, defined benefit postemployment health insurance credit plan. Retirees who have 15 or more years of creditable VRS service are granted the option to participate in the VRS Health Insurance Credit Program by paying 100% of their monthly health insurance premium less a \$1.50 per month per year of service for a maximum health insurance credit of \$45.00 from the VRS. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend the benefit provisions to the General Assembly of Virginia. As of the end of the current fiscal year, there were 3,847 retirees receiving health insurance credits from the VRS. The health insurance credit program is financed by payments from PWCS for all active employees to the VRS. For fiscal year ended June 30, 2015, the contribution made by PWCS was \$5,199,663. 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 RSI 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, 2015 was .22% 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, 2014 using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2014 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Item (a) included an inflation component of 2.50%. The actuarial value of PWCS' assets is equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 20 - 29 years.

Trend information:

The School Board's annual benefit cost (ABC), the percentage of ABC contributed to the plan, and the net benefit obligation for the year ended June 30, 2015 for the non-professional employee group was as follows:

Fiscal Year Ending	Annual Benefit Cost (ABC) Employer Portion	Percentage of ABC Contributed	Net Benefit Obligation
June 30, 2015	\$ 5,199,663	100 %	-
June 30, 2014	5,288,759	100	-
June 30, 2013	5,181,759	100	-

Funding status and funding progress:

As of June 30, 2014, the most recent actuarial valuation date, the VRS health insurance credit program was 58.17% funded. The actuarial accrued liability (AAL) for benefits was \$2,066,144 and the actuarial value of assets was \$1,201,925, resulting in a UAAL of \$864,219. The covered payroll for the fiscal year ended June 30, 2014 was \$52,792,681 and the ratio of the UAAL to covered payroll was 1.64%.

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

C. Supplemental Retirement Plan

PWCS offers a tax deferred compensation supplemental pension plan (TDC) to all employees, including retirees who participate in the Retirement Opportunities Program (ROP), in the form of a single-employer defined contribution plan administered by Lincoln Financial Group. The plan provisions were established under the authority of the School Board. Any amendments to the plan must be approved by the School Board. Employees are eligible to participate in the plan immediately upon employment or anytime thereafter and may continue to participate after retirement while participating in the ROP.

PWCS contributes money on the eligible employee's behalf to purchase annuities after the employee has completed one (1) year of service with PWCS. The School Board's contribution increases each time an employee has completed three (3), five (5), ten (10), and fifteen (15) years of service. At the end of the current year, the cap on the employer contribution was \$3,614 per employee. The total employer contribution for fiscal year 2015 was \$4,393,565. Substitutes, temporary employees, and ROP participants who participate in the TDC plan are not eligible to receive the employer matching contribution.

Note 10 – Other postemployment benefits (OPEB)

A. OPEB Master Trust Fund

Plan description:

PWCS contributes to the Prince William County OPEB Master Trust Fund, an agent multiple-employer defined benefit postemployment benefits trust fund administered by the County. As such, it is reported in accordance to GASB Statement 43, paragraph 13, in the aggregate.

The OPEB Master Trust was established by the BOCS on June 23, 2009 by Resolution No. 09-544 to provide funding for benefit payments on behalf of retiree and Consolidated Omnibus Budget Reconciliation Act (COBRA) participants. On June 30, 2009, funds were transferred to establish three separate trust fund sub-accounts for the County, Prince William County Park Authority, and PWCS. Although the assets of the Trust fund are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the Trust Agreement. Assets accumulated to pay for plan costs or benefits of members from one agent employer cannot be used for plan costs or benefits of another agent employer.

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

The Line of Duty Act (LODA) is authorized Va. Code Section 9.1-400 et seq. On June 5, 2012, the BOCS authorized Res. No. 12-588, pursuant to paragraph B2 of Item 258 of the Commonwealth Appropriations Act, to make an irrevocable election not to participate in the Commonwealth Line of Duty Act Fund on July 1, 2012. The County has assumed all responsibility for existing, pending or prospective claims for benefits approved and associated administrative costs made by the State Comptroller on behalf of the County.

On June 17, 2014, the BOCS authorized Res. No. 14-391 establishing the LODA sub-account to fund covered employees and authorized annual contributions to the OPEB Master Trust Fund. The beginning liability for fiscal year 2014 was also transferred to the OPEB Master Trust Fund.

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

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

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

The following is a summary of fiduciary net position of the OPEB Master Trust Fund as of June 30, 2015:

Summary of Fiduciary Net Position				
As of June 30, 2015				
(in thousands)				
	County	PWCS	LODA	Total OPEB Master Trust Fund
ASSETS				
Restricted investments, at fair value	\$ 27,059	25,851	8,797	61,707
LIABILITIES				
Accounts payable	2,955	6	626	3,587
NET POSITION				
Held in trust for other post employment benefits and other purposes	24,104	25,845	8,171	58,120
Total liabilities and net position	\$ 27,059	25,851	8,797	61,707

The following is a summary of changes in fiduciary net position of the OPEB Master Trust Fund for the year ended June 30, 2015:

Summary of Changes in Fiduciary Net Position For the Year Ended June 30, 2015 (in thousands)				
	County	PWCS	LODA	Total OPEB Master Trust Fund
ADDITIONS				
Contributions:				
Employer	\$ 3,590	896	1,474	5,960
Investment income:				
Interest and dividends	597	587	234	1,418
Net appreciation in fair value of investments	(145)	(127)	(148)	(420)
Total investment income	452	460	86	998
Less investment expense	58	60	24	142
Net investment income	394	400	62	856
Total Additions	3,984	1,296	1,536	6,816
DEDUCTIONS				
Other post employment benefit payments	2,952	-	623	3,575
Administrative expenses	2	9	-	11
Total deductions	2,954	9	623	3,586
Change in net position	1,030	1,287	913	3,230
NET POSITION, beginning of year	23,074	24,558	7,258	54,890
NET POSITION, end of year	\$ 24,104	25,845	8,171	58,120

Summary of significant accounting policies:

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

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

Contribution information:

As of July 1, 2014, the latest actuarial valuation date, membership in the OPEB Master Trust for PWCS' Retiree Health Insurance Premium Plan is as follows:

Active Plan Members	10,561
Retirees and beneficiaries receiving benefits	441
Terminated plan members entitled to but not yet receiving benefits	-

Concentrations:

Permissible asset classes, shown with target investment percentages, include: domestic equity (32%); international equity (20%); REIT (5%); inflation hedged (5%); fixed income (38%). For equities not more than 4% of the total stock portfolio, valued at market, may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 5% of those outstanding. Not more than 20% of stock, valued at market, may be held in any one industry category. The emerging markets allocation, if any, should be limited to 10% of the total portfolio. Fixed income securities of any one issuer shall not exceed 10% of the total bond portfolio. This does not apply to issues of the U.S. Treasury, federal agencies or to debt issued by any issuer containing a full U.S. government guarantee. Not counting specific direct hedging transactions, gross investments in commodities, options, futures, and foreign exchange cannot exceed 8% of the total portfolio. There are no investments in any of these categories as of June 30, 2015. Additionally, the OPEB Finance Board has directed the County's Treasury Management division to move funds to the investment manager (PFM) over time to essentially dollar-cost-average into the equity market. Until those funds are deployed, they are invested in relatively short-term investments consistent with the type of investments the County includes in its own portfolio. At June 30, 2015, the OPEB Master Trust Fund's investments were in money market, bond, and equity mutual funds and therefore, not subject to concentration of credit risk.

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

Plan description:

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

The PWCS single-employer self-insurance medical plan allows retirees under age 65 to remain in the same medical and dental plan as active employees. Membership as of June 30, 2015 is 342.

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 postretirement medical plan depending on the number of sick leave days exchanged. The plan became effective on July 1, 2000. Membership as of June 30, 2015 is 158.

Summary of significant accounting policies:

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

Funding policy:

The School Board establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The School Board currently pays benefits on a pay-as-you-go basis. The School Board contributed \$895,654 to the OPEB Master Trust Fund to fund the current year liability. Plan members received \$6,546,848 in benefits and contributed \$2,742,283 in premiums, resulting in net benefits paid by the School Board of \$3,804,565 for the year ended June 30, 2015.

Annual OPEB cost and net OPEB obligation:

The annual cost of 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. Components of the School Board’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan, and the changes in the School Board’s net OPEB obligation for the healthcare benefits are as follows:

Annual required contribution	\$ 4,006,284
Interest on net OPEB obligation	(139,602)
Adjustment to annual required contribution	361,062
Annual OPEB cost (expense)	<u>4,227,744</u>
Employer contributions:	
To OPEB Master Trust	(895,654)
Subsidies paid under Plan on behalf of retirees	<u>(3,804,565)</u>
Total Employer contributions	<u>(4,700,219)</u>
Decrease in net OPEB asset obligation	(472,475)
Net OPEB asset, beginning of year	<u>(1,994,311)</u>
Net OPEB asset, end of year	<u>\$ (2,466,786)</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, 2015 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 4,227,744	111.2 %	\$ (2,466,786)
June 30, 2014	7,754,426	100.1	(1,994,311)
June 30, 2013	8,103,857	105.9	(1,987,045)

Funded status and funding progress:

As of July 1, 2014, the most recent actuarial valuation date, the plan was 47% funded. The estimated AAL for benefits was \$51,943,151, and the actuarial value of assets was \$24,558,009, resulting in a UAAL of \$27,385,142. The covered payroll (annual payroll of active employees covered by the plan) was \$516,264,593, and the ratio of the UAAL to the covered payroll was 5.0%.

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 RSI 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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.0% 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 7.0% initially, reduced by decrements to an ultimate rate of 5.0% after four years. Both rates include a 2.5% inflation assumption. The actuarial value of assets is based on the current market value of the investments held in the OPEB Trust as of the valuation date. The UAAL is being amortized as a percentage of projected payroll of 2.5% 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, 2014, was 30 years.

Note 11 – Subsequent events

Elections were held by the School Board on November 3, 2015 to select members for the following positions: Chairman At-Large, member representing Coles District, member representing Neabsco District, member representing Occoquan District, and member representing Potomac District. Ryan D. Sawyers was elected as Chairman At-Large. William J. Deutsch was elected as member representing Coles District. Diane L. Raulston was elected as member representing Neabsco District. Lillie G. Jessie was re-elected as member representing Occoquan District. Justin D. Wilk was elected as member representing Potomac District. Gilbert A. Trenum (Brentsville District), Alyson A. Satterwhite (Gainsville District) and Loree Y. Williams (Woodbridge District) were unopposed.

Required Supplementary Information

(Unaudited)

A schedule of employer contributions – non-professional group for the Virginia Retirement System (the System) is provided in the illustration below:

Virginia Retirement System
Schedule of Employer Contributions – Non-professional Group

Date June 30,	Contractually Required Contribution	Contributions in Relation Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	UAAL as a Percentage of Covered Payroll
2015	\$ 4,212,300	\$ 4,212,300	\$ -	\$ 52,522,441	8.02 %
2014	4,691,242	4,691,242	-	52,471,315	8.93

A schedule of changes in the non-professional group for the Virginia Retirement System net pension liability and related ratios is provided in the illustration below:

Virginia Retirement System
Schedule of Changes in the Non-Professional Group Net Pension Liability and Related Ratios

	2014
Total pension liability	
Service cost	\$ 5,560,285
Interest	11,031,947
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	
Benefit payments, including refunds of employee contributions	<u>(6,966,544)</u>
Net change in total pension liability	9,625,688
Total pension liability - beginning	<u>161,082,517</u>
Total pension liability - ending	<u><u>\$ 170,708,205</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 4,691,242
Contributions - employee	2,628,936
Net investment income	22,069,344
Benefit payments, including refunds of employee contributions	(6,966,544)
Administrative expenses	(117,603)
Other changes	<u>1,163</u>
Net change in plan fiduciary net position	22,306,538
Plan fiduciary net position - beginning	<u>139,956,430</u>
Plan fiduciary net position - ending	<u><u>\$ 162,262,968</u></u>
Non-professional groups's net pension liability - ending	<u><u>\$ 8,445,237</u></u>
Plan fiduciary net position as a percentage of the total pension liability	95%
Covered-employee payroll	\$ 52,471,315
Non-professional group's net pension liability as a percentage of covered-employee payroll	16%

A schedule of employer contributions – professional group for the Virginia Retirement System is provided in the illustration below:

Virginia Retirement System
Schedule of Employer Contributions – Professional Group

Date June 30,	Contractually Required Contribution	Contributions in Relation Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	UAAL as a Percentage of Covered Payroll
2015	\$ 69,540,284	\$ 69,540,284	\$ -	\$ 479,588,166	14.5 %

A schedule of the employer's share of net pension liability for the Virginia Retirement System is provided in the illustration below:

Virginia Retirement System
Schedule of Professional Group Employer's Share of Net Pension Liability and Related Ratios

	<u>2015</u>
Proportion of the net pension liability	6.34%
Proportionate share of the net pension liability	\$ 766,482,000
Covered-employee payroll	\$ 479,588,166
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	160%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

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
2014	\$ 1,201,925	\$ 2,066,144	\$ 864,219	58.17 %	\$ 52,792,681	1.6 %
2013	1,011,719	1,937,904	926,185	52.21	51,717,720	1.8
2012	867,618	1,839,228	971,610	47.17	50,363,181	1.9

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

Virginia Retirement System Health Insurance Credit Program
Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 5,199,663	100.0 %
2014	5,288,759	100.0
2013	5,181,759	100.0

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

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

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 4,006,284	117.3 %
2014	7,306,239	106.2
2013	6,794,630	126.3

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

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

Actuarial Valuation Date July 1,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2014	\$ 24,558,009	\$ 51,943,151	\$ 27,385,142	47.00 %	\$ 516,264,593	5.0 %
2012	13,672,786	59,639,069	45,966,283	23.00	546,625,854	8.0
2010	7,072,002	60,171,990	53,099,988	12.00	484,987,933	11.0

Notes to the Required Supplementary Information June 30, 2015

Note 1 – Changes of benefit terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 and went into effect in FY2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of January 30, 2013. Because this was a new benefit and the number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2 – Changes in assumptions

Virginia Retirement System Non-Professional Group

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS (Law enforcement officers): The mortality table was updated, a decrease in rates of service retirement and disability retirement, and reduced rates of salary increases by 0.25% per year.

Largest 10 – LEOS: The mortality table was updated and a decrease in male rates of disability.

All Others (Non 10 Largest) – Non-LEOS: The mortality table was updated, a decrease in rates of service retirement and disability retirement, and reduced rates of salary increases by 0.25% per year.

All Others (Non 10 Largest) – LEOS: The mortality table was updated, adjustments to rates of service retirement for females, increase in rates of withdrawal, and a decrease in male and female rates of disability.

Virginia Retirement System Professional Group

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012: The mortality table was updated, adjustments were made to the rates of service retirement, decrease in rates of withdrawals for three through nine years of service, decrease in rates of disability, and reduced rates of salary increases by 0.25% per year.

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Supplementary Information

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Other Governmental Funds

Special Revenue Funds

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
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Facilities Use Fund
 For the Year Ended June 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	-	51,366	51,366
Use of property	999,974	999,974	1,103,669	103,695
Charges for services	<u>365,259</u>	<u>365,259</u>	<u>303,898</u>	<u>(61,361)</u>
Total revenues	<u>1,365,233</u>	<u>1,365,233</u>	<u>1,458,933</u>	<u>93,700</u>
EXPENDITURES:				
Current:				
Community service operations	<u>1,579,533</u>	<u>1,513,791</u>	<u>1,342,208</u>	<u>171,583</u>
Total expenditures	<u>1,579,533</u>	<u>1,513,791</u>	<u>1,342,208</u>	<u>171,583</u>
Excess (deficiency) of revenues over (under) expenditures	(214,300)	(148,558)	116,725	265,283
FUND BALANCES, beginning of year	2,991,938	2,991,938	2,991,938	-
FUND BALANCES, end of year	<u>\$ 2,777,638</u>	<u>2,843,380</u>	<u>3,108,663</u>	<u>265,283</u>

Internal Service Funds

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

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

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

Prince William County Public Schools
 Combining Statement of Fund Net Position
 Proprietary Funds - Internal Service Funds
 June 30, 2015

Schedule 2

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ -	6,033,304	29,205,194	35,238,498
Accounts receivable and other current assets	-	64,461	69,217	133,678
Inventory	1,102,381	-	-	1,102,381
Restricted assets:				
Deposits	-	500,000	-	500,000
Total assets	<u>1,102,381</u>	<u>6,597,765</u>	<u>29,274,411</u>	<u>36,974,557</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	203,548	24,606	1,193,221	1,421,375
Salaries payable and withholdings	-	43	858	901
Unearned revenue	-	-	7,252,060	7,252,060
Due to other funds	434,495	-	-	434,495
Incurred but not reported claims	-	1,407,880	8,583,682	9,991,562
Total current liabilities	<u>638,043</u>	<u>1,432,529</u>	<u>17,029,821</u>	<u>19,100,393</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	4,444,165	-	4,444,165
Total liabilities	<u>638,043</u>	<u>5,876,694</u>	<u>17,029,821</u>	<u>23,544,558</u>
NET POSITION				
Restricted	-	500,000	-	500,000
Unrestricted	464,338	221,071	12,244,590	12,929,999
Total net position	<u>\$ 464,338</u>	<u>721,071</u>	<u>12,244,590</u>	<u>13,429,999</u>

Prince William County Public Schools
 Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2015

Schedule 3

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 4,505,141	3,474,840	81,194,821	89,174,802
Total operating revenues	<u>4,505,141</u>	<u>3,474,840</u>	<u>81,194,821</u>	<u>89,174,802</u>
OPERATING EXPENSES:				
Personnel services	-	427,721	562,751	990,472
Materials/supplies	-	121,609	153,031	274,640
Administrative costs	-	-	4,321,534	4,321,534
Premiums	-	1,856,030	4,904,484	6,760,514
Claims and benefits paid	-	-	76,142,080	76,142,080
Losses and unallocated loss adjustment	-	2,204,926	610,159	2,815,085
Cost of goods sold	4,531,450	-	-	4,531,450
Total operating expenses	<u>4,531,450</u>	<u>4,610,286</u>	<u>86,694,039</u>	<u>95,835,775</u>
Operating (loss)	<u>(26,309)</u>	<u>(1,135,446)</u>	<u>(5,499,218)</u>	<u>(6,660,973)</u>
NON-OPERATING REVENUE:				
Interest and miscellaneous	-	146,022	977,489	1,123,511
Total non-operating revenues	<u>-</u>	<u>146,022</u>	<u>977,489</u>	<u>1,123,511</u>
(Loss) before transfers	(26,309)	(989,424)	(4,521,729)	(5,537,462)
Transfers In	-	-	895,654	895,654
Change in net position	(26,309)	(989,424)	(3,626,075)	(4,641,808)
NET POSITION, beginning of year	<u>490,647</u>	<u>1,710,495</u>	<u>15,870,665</u>	<u>18,071,807</u>
NET POSITION, end of year	<u>\$ 464,338</u>	<u>721,071</u>	<u>12,244,590</u>	<u>13,429,999</u>

Prince William County Public Schools
 Combining Statement of Cash Flows
 Proprietary Funds - Internal Service Funds
 For the Year Ended June 30, 2015

Schedule 4

	Warehouse Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,505,141	3,427,550	82,082,234	90,014,925
Payments to suppliers for goods and services	(4,659,486)	(4,014,468)	(86,162,337)	(94,836,291)
Payments to employees	-	(427,678)	(564,142)	(991,820)
Net cash (used) by operating activities	<u>(154,345)</u>	<u>(1,014,596)</u>	<u>(4,644,245)</u>	<u>(5,813,186)</u>
Cash Flows from Non-capital Financing Activities:				
Advances from other funds	154,345	-	-	154,345
Transfers from other funds	-	-	895,654	895,654
Net cash provided by non-capital financing activities	<u>154,345</u>	<u>-</u>	<u>895,654</u>	<u>1,049,999</u>
Cash Flows from Investing Activities:				
Interest received from investments	-	148,866	976,248	1,125,114
Net (decrease) in equity in cash and pooled investments	-	(865,730)	(2,772,343)	(3,638,073)
Equity in cash and pooled investments, beginning of year	-	6,899,034	31,977,537	38,876,571
Equity in cash and pooled investments, end of year	<u>\$ -</u>	<u>6,033,304</u>	<u>29,205,194</u>	<u>35,238,498</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:				
Operating (loss)	\$ (26,309)	(1,135,446)	(5,499,218)	(6,660,973)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities				
Change in assets and liabilities:				
Decrease in accounts receivable	-	(47,290)	313,686	266,396
(Increase) in inventory	(116,763)	-	-	(116,763)
Increase in unearned revenue	-	-	573,727	573,727
(Decrease) in accounts payable and accrued liabilities	(11,273)	(20,213)	(641,208)	(672,694)
Increase (decrease) in salaries payable and withholdings	-	43	(1,391)	(1,348)
Increase (decrease) in incurred but not reported claims	-	188,310	610,159	798,469
Net cash (used) by operating activities	<u>\$ (154,345)</u>	<u>(1,014,596)</u>	<u>(4,644,245)</u>	<u>(5,813,186)</u>

Agency Funds

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

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

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

Prince William County Public Schools
 Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2015

Schedule 5

	Governor's School @ Innovation Park	Regional School Fund	Student Activity Fund	Total Agency Funds
ASSETS				
Cash and pooled investments	\$ 259,110	2,917,355	7,372,276	10,548,741
Due from other governmental units	11,255	3,375,530	-	3,386,785
Total assets	<u>270,365</u>	<u>6,292,885</u>	<u>7,372,276</u>	<u>13,935,526</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 270,365</u>	<u>6,292,885</u>	<u>7,372,276</u>	<u>13,935,526</u>

Prince William County Public Schools
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2015

Schedule 6

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Governor's School @ Innovation Park				
ASSETS				
Cash and pooled investments	\$ 263,456	1,136,032	1,140,378	259,110
Due from other governmental units	-	11,255	-	11,255
Total assets	<u>263,456</u>	<u>1,147,287</u>	<u>1,140,378</u>	<u>270,365</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 263,456</u>	<u>1,147,287</u>	<u>1,140,378</u>	<u>270,365</u>
Regional School Fund				
ASSETS				
Cash and pooled investments	\$ 3,103,840	45,374,705	45,561,189	2,917,355
Due from other governmental units	2,942,686	3,375,530	2,942,686	3,375,530
Total assets	<u>6,046,526</u>	<u>48,750,235</u>	<u>48,503,875</u>	<u>6,292,885</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 6,046,526</u>	<u>48,750,235</u>	<u>48,503,875</u>	<u>6,292,885</u>
Student Activity Fund				
ASSETS				
Cash and pooled investments	\$ 7,096,842	13,719,296	13,443,862	7,372,276
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 7,096,842</u>	<u>13,719,296</u>	<u>13,443,862</u>	<u>7,372,276</u>
Total Agency Funds				
ASSETS				
Cash and pooled investments	\$ 10,464,138	60,230,033	60,145,429	10,548,741
Due from other governmental units	2,942,686	3,386,785	2,942,686	3,386,785
Total assets	<u>13,406,824</u>	<u>63,616,818</u>	<u>63,088,115</u>	<u>13,935,526</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 13,406,824</u>	<u>63,616,818</u>	<u>63,088,115</u>	<u>13,935,526</u>

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Statistical Section

(unaudited)

Statistical Section

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

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

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

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

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

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

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

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

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Financial Trends

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 1 - Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested in capital assets	\$ 718,755	777,983	860,721	917,228	973,667	1,040,236	1,077,167	1,125,015	1,179,899	1,261,170
Restricted	91,598	106,607	86,387	81,904	88,347	39,065	34,791	43,092	49,769	66,882
Unrestricted	77,145	95,163	77,490	100,241	121,821	112,851	94,042	104,037	106,562	(738,303)
Total governmental activities net position	<u>\$ 887,498</u>	<u>979,753</u>	<u>1,024,598</u>	<u>1,099,373</u>	<u>1,183,835</u>	<u>1,192,152</u>	<u>1,206,000</u>	<u>1,272,144</u>	<u>1,336,230</u>	<u>589,749</u>
Business-type activities: ⁽¹⁾										
Invested in capital assets	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	302	939	838	664	560	466
Total business-type activities net position	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>939</u>	<u>838</u>	<u>664</u>	<u>560</u>	<u>466</u>
Total reporting entity:										
Invested in capital assets	\$ 718,755	777,983	860,721	917,228	973,667	1,040,236	1,077,167	1,125,015	1,179,899	1,261,170
Restricted	91,598	106,607	86,387	81,904	88,347	39,065	34,791	43,092	49,769	66,882
Unrestricted	77,145	95,163	77,490	100,241	122,123	113,790	94,880	104,701	107,122	(737,837)
Total reporting entity net position	<u>\$ 887,498</u>	<u>979,753</u>	<u>1,024,598</u>	<u>1,099,373</u>	<u>1,184,137</u>	<u>1,193,091</u>	<u>1,206,838</u>	<u>1,272,808</u>	<u>1,336,790</u>	<u>590,215</u>

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 2 - Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
Instruction:										
Regular	\$ 331,903	392,821	416,988	432,322	434,441	438,872	461,883	485,165	489,514	511,206
Special	83,794	90,322	95,345	99,166	94,105	91,911	107,521	101,696	104,231	107,557
Other	8,657	9,151	9,521	8,807	8,241	9,130	9,047	9,565	9,607	10,540
Instructional leadership	43,389	48,346	51,412	52,235	52,762	51,393	54,417	57,215	57,186	59,926
Support services:										
General administration	6,045	6,856	7,622	8,841	8,771	9,191	8,400	10,023	9,988	10,905
Student services	8,820	9,892	10,604	10,985	11,139	9,190	9,699	10,446	13,323	13,157
Curricular/staff development	12,036	12,735	13,353	12,736	12,072	13,469	13,625	14,092	12,707	12,849
Pupil transportation	40,152	45,570	49,304	46,684	48,536	49,830	49,379	53,658	55,479	55,458
Operations	21,618	20,120	21,172	22,033	22,577	21,554	21,856	22,858	23,168	22,848
Utilities	19,586	21,448	23,682	25,175	24,290	25,430	25,331	23,321	22,649	23,715
Maintenance	19,547	23,284	23,707	24,432	24,404	25,054	32,431	31,147	35,983	43,990
Central business services	42,117	37,801	45,996	45,021	45,069	43,445	44,687	52,343	51,164	51,510
Reimbursement to County for debt service	48,220	52,929	57,493	59,566	60,790	63,800	68,440	70,605	74,691	80,755
Food & nutrition services	23,163	25,492	27,191	30,459	30,950	32,480	36,597	38,551	37,430	40,145
Community service operations	649	698	785	1,132	866	897	1,205	1,267	1,200	1,342
Total governmental activities expenses	<u>709,696</u>	<u>797,465</u>	<u>854,175</u>	<u>879,594</u>	<u>879,013</u>	<u>885,980</u>	<u>944,518</u>	<u>981,952</u>	<u>998,320</u>	<u>1,045,903</u>
Business-type activities: ⁽¹⁾										
School Age Child Care	-	-	-	-	11	334	508	594	592	607
Total reporting entity expenses	<u>\$ 709,696</u>	<u>797,465</u>	<u>854,175</u>	<u>879,594</u>	<u>879,024</u>	<u>885,980</u>	<u>945,026</u>	<u>982,546</u>	<u>998,912</u>	<u>1,046,510</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 2,189	2,354	2,998	3,499	3,128	2,748	2,879	3,498	3,185	3,140
Curricular/staff development	-	-	-	-	-	40	-	-	-	-
Pupil transportation	146	129	118	171	110	111	99	80	61	69
Operations	-	-	-	-	-	282	170	392	306	312
Central business services	6	13	110	133	229	281	301	380	403	430
Food & nutrition services	15,326	16,676	17,741	18,071	17,079	16,951	18,318	17,924	17,870	17,401
Community service operations	804	886	1,039	933	1,027	814	921	1,026	1,289	1,408
Other activities	58	38	92	183	118	-	-	-	-	-
Operating grants and contributions	84,723	93,536	98,392	106,649	112,243	134,064	134,204	136,285	138,511	147,692
Capital grants and contributions	961	990	1,029	1,008	99	96	98	113	108	116
Total governmental activities program revenues	<u>104,213</u>	<u>114,622</u>	<u>121,519</u>	<u>130,647</u>	<u>134,033</u>	<u>155,387</u>	<u>156,990</u>	<u>159,698</u>	<u>161,733</u>	<u>170,568</u>
Business-type activities:										
School Age Child Care	-	-	-	-	-	658	389	425	475	503
Charges for services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	312	303	-	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312</u>	<u>961</u>	<u>389</u>	<u>425</u>	<u>475</u>	<u>503</u>
Total reporting entity program revenues	<u>\$ 104,213</u>	<u>114,622</u>	<u>121,519</u>	<u>130,647</u>	<u>134,345</u>	<u>156,348</u>	<u>157,379</u>	<u>160,123</u>	<u>162,208</u>	<u>171,071</u>
Net (Expense) Revenues										
Governmental activities	(605,483)	(682,843)	(732,656)	(748,947)	(744,980)	(730,259)	(787,528)	(822,254)	(836,587)	(875,335)
Business-type activities	-	-	-	-	301	627	(119)	(169)	(117)	(104)
Total reporting entity net (expense) revenues	<u>\$ (605,483)</u>	<u>(682,843)</u>	<u>(732,656)</u>	<u>(748,947)</u>	<u>(744,679)</u>	<u>(729,632)</u>	<u>(787,647)</u>	<u>(822,423)</u>	<u>(836,704)</u>	<u>(875,439)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted grants and contributions	\$ 691,987	764,084	769,061	815,818	822,930	733,426	795,676	883,194	890,805	957,609
Unrestricted investment earnings	5,409	6,712	6,665	5,874	4,792	3,555	3,045	1,724	3,123	3,001
Miscellaneous revenues	3,229	4,302	1,775	2,030	1,720	1,595	2,655	3,480	6,745	3,135
Total governmental activities general revenues	<u>700,625</u>	<u>775,098</u>	<u>777,501</u>	<u>823,722</u>	<u>829,442</u>	<u>738,576</u>	<u>801,376</u>	<u>888,398</u>	<u>900,673</u>	<u>963,745</u>
Business-type activities:										
Unrestricted investment earnings	-	-	-	-	1	10	18	(5)	13	10
Total reporting entity general revenues and other changes in net position	<u>\$ 700,625</u>	<u>775,098</u>	<u>777,501</u>	<u>823,722</u>	<u>829,443</u>	<u>738,586</u>	<u>801,394</u>	<u>888,393</u>	<u>900,686</u>	<u>963,755</u>
Change in Net Position										
Governmental activities	\$ 95,142	92,255	44,845	74,775	84,462	8,317	13,848	66,144	64,086	88,410
Business-type activities	-	-	-	-	302	637	(101)	(174)	(104)	(94)
Total reporting entity ⁽²⁾	<u>\$ 95,142</u>	<u>92,255</u>	<u>44,845</u>	<u>74,775</u>	<u>84,764</u>	<u>8,954</u>	<u>13,747</u>	<u>65,970</u>	<u>63,982</u>	<u>88,316</u>

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

⁽²⁾ PWCS implemented GASB 68 in fiscal year 2015, thus a prior period adjustment of \$834,892 for prior pension liabilities was added.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved for:					
Inventory	\$ 814	824	808	803	837
Prepays	-	-	56	-	-
Unreserved:					
Designated for encumbrances	20,048	25,431	19,777	21,569	14,165
Designated for future years' expenditures	12,736	13,242	8,516	24,540	36,890
Designated for grants and special projects	-	58	74	444	388
Undesignated	<u>6,904</u>	<u>6,120</u>	<u>13,382</u>	<u>7,632</u>	<u>15,810</u>
Total General Fund	<u>40,502</u>	<u>45,675</u>	<u>42,613</u>	<u>54,988</u>	<u>68,090</u>
All Other Governmental Funds:					
Capital Projects					
Unreserved:					
Designated for encumbrances	48,134	76,784	77,099	95,026	84,816
Designated for future years' expenditures	76,858	75,045	40,337	25,376	46,101
Designated for payments to PWC for arbitrage rebate	402	811	1,255	952	890
Nonmajor Special Revenue Funds					
Reserved for:					
Inventory	1,113	1,103	1,706	1,245	996
Unreserved:					
Designated for encumbrances	59	42	523	45	56
Designated for future years' expenditures	118	712	340	944	703
Undesignated reported in special revenue funds	<u>3,152</u>	<u>5,326</u>	<u>8,061</u>	<u>10,980</u>	<u>14,342</u>
Total all other governmental funds	<u>\$ 129,836</u>	<u>159,823</u>	<u>129,321</u>	<u>134,568</u>	<u>147,904</u>

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

TABLE 3A - Fund Balances, Governmental Funds (Presented in Accordance with GASB 54)
Last Five Fiscal Years ⁽¹⁾
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	\$ 930	997	1,079	1,091	1,159
Restricted	482	5,524	5,008	5,253	4,630
Assigned	79,933	71,315	60,554	49,227	43,727
Unassigned	1,030	3,042	15,404	9,766	22,479
Total General Fund	<u>82,375</u>	<u>80,878</u>	<u>82,045</u>	<u>65,337</u>	<u>71,995</u>
All Other Governmental Funds:					
Capital Projects					
Restricted	12,544	7,604	19,418	22,123	37,781
Committed	3,078	-	-	-	-
Assigned	32,382	21,158	30,704	52,603	28,170
Nonmajor Special Revenue Funds					
Nonspendable	971	1,149	1,534	1,642	1,495
Restricted	15,454	17,349	18,165	21,894	23,922
Committed	2,750	2,787	2,848	2,992	3,109
Total all other governmental funds	<u>\$ 67,179</u>	<u>50,047</u>	<u>72,669</u>	<u>101,254</u>	<u>94,477</u>

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Federal sources:										
Food & nutrition services	\$ 9,431	10,578	11,570	14,015	15,281	17,418	19,314	21,115	21,975	22,963
Other federal sources	24,660	26,335	26,960	28,102	71,812	58,566	44,145	34,231	33,322	34,090
Total federal sources	34,091	36,913	38,530	42,117	87,093	75,984	63,459	55,346	55,297	57,053
State sources:										
Basic aid	165,957	189,043	194,121	225,563	194,124	206,773	221,759	232,907	230,776	241,848
Food & nutrition services	349	393	410	451	490	535	632	685	722	735
Lottery proceeds ⁽¹⁾	9,502	9,150	8,988	7,952	4,818	-	-	-	-	-
Regional school program	11,646	11,297	12,005	13,261	14,081	15,016	16,532	19,926	20,605	21,598
Sales tax	58,257	65,004	62,998	59,695	60,182	62,525	66,475	73,929	75,529	80,774
Special education SOQ ⁽²⁾	16,485	15,079	15,410	16,574	17,279	17,221	17,721	16,823	17,358	17,451
Other state sources	43,539	58,402	71,217	61,831	55,379	56,079	67,594	85,023	91,311	93,964
Total state sources	305,735	348,368	365,149	385,327	346,353	358,149	390,713	429,293	436,301	456,370
County sources:										
County bond sale transfer	63,958	68,141	49,233	55,773	82,585	9,685	48,681	88,930	70,276	89,792
County general transfer ⁽³⁾	362,035	390,017	404,322	430,650	405,968	412,881	436,079	435,195	469,571	493,164
County proffer transfer	10,906	10,687	7,104	8,018	9,263	3,224	-	10,954	-	7,677
Total county sources	436,899	468,845	460,659	494,441	497,816	425,790	484,760	535,079	539,847	590,633
Local sources:										
Charges for services	5,468	5,422	3,317	3,834	3,548	3,762	4,042	4,532	4,444	4,811
Food & nutrition services sales	15,196	16,641	17,701	18,014	17,045	16,699	18,027	17,901	18,135	17,698
Interest and other income	6,922	10,939	10,375	6,899	4,968	3,722	3,118	1,839	3,200	3,077
Use of property	804	886	1,039	933	1,027	814	921	1,027	1,007	1,104
Other local sources	48	1,705	2,250	2,603	2,239	2,253	3,376	3,225	4,260	3,322
Total local sources	28,438	35,593	34,682	32,283	28,827	27,250	29,484	28,524	31,046	30,012
Total revenues	805,163	889,719	899,020	954,168	960,089	887,173	968,416	1,048,242	1,062,491	1,134,068
Expenditures										
Instruction:										
Regular	322,684	378,732	400,959	412,562	412,490	416,900	439,685	457,948	461,647	489,493
Special	83,897	90,532	94,645	98,453	93,426	91,384	107,463	100,384	102,987	107,931
Other	8,673	9,175	9,462	8,802	8,201	9,062	8,986	9,446	9,495	10,577
Instructional leadership	43,389	48,346	51,412	52,235	52,762	51,393	54,417	57,212	57,167	59,915
Support services:										
General administration	6,077	6,856	7,235	7,969	7,507	8,090	7,678	8,843	8,489	9,979
Student services	8,826	9,909	10,533	10,914	11,060	9,143	9,704	10,340	13,205	13,888
Curricular/staff development	12,060	12,770	13,281	12,664	12,027	13,441	13,628	13,979	12,652	12,963
Pupil transportation	37,656	43,359	50,403	43,851	43,390	49,191	52,400	55,568	58,945	58,084
Operations	21,641	20,091	21,000	21,859	22,389	21,419	21,842	22,613	22,944	23,236
Utilities	19,586	21,448	23,662	25,175	24,290	25,430	25,331	23,321	22,649	24,021
Maintenance	19,520	23,358	23,592	23,352	24,772	24,601	32,872	30,886	35,988	44,267
Central business services	43,192	43,327	46,159	43,994	44,254	43,626	45,624	51,017	48,608	53,960
Community service operations	649	698	785	1,132	866	897	1,205	1,267	1,200	1,342
Food & nutrition service	23,162	25,488	27,198	30,436	30,927	32,451	36,582	38,544	37,518	40,108
Reimbursement to County for debt service	47,977	52,520	57,049	59,869	60,853	64,425	68,516	70,605	74,691	77,278
Capital Outlay	90,689	68,050	95,188	78,279	82,438	88,159	57,076	70,681	78,829	106,249
Total expenditures	789,678	854,659	932,583	931,546	931,652	949,612	983,009	1,022,654	1,047,014	1,133,291
Excess (deficiency) of revenues over (under) expenditures	15,485	35,060	(33,563)	22,622	28,437	(62,439)	(14,593)	25,588	15,477	777
Other Financing Sources (Uses):										
Transfers in:										
General fund	1,000	1,200	2,000	1,000	1,000	1,000	1,000	1,943	1,490	1,255
Construction fund	23,606	16,864	11,094	35,026	5,916	7,842	8,143	17,588	44,297	19,363
Transfers out:										
General fund	(23,606)	(16,864)	(11,094)	(40,026)	(7,916)	(11,842)	(12,179)	(19,388)	(47,897)	(20,259)
Construction fund	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,943)	(1,490)	(1,255)
Other Governmental funds	-	(100)	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	100	-	(5,000)	(2,000)	(4,000)	(4,036)	(1,800)	(3,600)	(896)
Net change in fund balances	\$ 15,485	35,160	(33,563)	17,622	26,437	(66,439)	(18,629)	23,788	11,877	(119)

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

⁽²⁾ Standards of Quality

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

Revenue Capacity

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

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

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

Fiscal Year	Taxes ⁽²⁾	Licenses, Fees & Permits	Fines & Forfeitures	Use of Money & Property ⁽⁴⁾	Charges for Services	Inter-Governmental ⁽³⁾			Total
						PPTRA	All Others	Miscellaneous	
2006	\$ 620,011	\$ 18,793	\$ 2,469	\$ 26,200	\$ 38,476	\$ 59,994	\$ 495,108	\$ 26,463	\$ 1,287,514
2007	664,725	14,596	2,767	42,906	37,528	54,274	618,695	26,591	1,462,082
2008	686,107	13,607	2,664	43,952	39,947	54,288	574,967	28,013	1,443,545
2009	744,490	11,374	2,759	31,019	36,836	54,288	614,146	28,953	1,523,865
2010	677,954	10,617	2,866	33,903	34,877	54,288	641,187	24,324	1,480,016
2011	688,372	11,495	3,241	12,406	34,953	54,288	656,758	18,029	1,479,542
2012	714,658	13,836	3,435	17,909	43,295	54,288	627,418	13,724	1,488,563
2013	752,856	16,354	3,260	(3,386)	50,179	54,288	690,633	30,529	1,594,713
2014	783,654	17,389	3,252	18,762	50,964	54,288	722,269	17,749	1,668,327
2015	825,162	17,057	3,168	16,747	51,847	54,288	757,092	23,128	1,748,489
Change									
2006 - 2015	33.09%	-9.24%	28.31%	-36.08%	34.75%	-9.51%	52.91%	-12.60%	35.80%

Source: County of Prince William, Virginia.

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

⁽²⁾ Tax revenues exclude reimbursements from the Commonwealth under the Personal Property Tax Relief Act.

⁽³⁾ Beginning with fiscal year 2000, the State reimbursed the County for personal property tax for non-business use vehicles under the Personal Property Tax Relief Act (PPTRA). The State reimbursement is classified as inter-governmental revenue. The PPTRA reimbursement rates were 70.0% for fiscal years 2002 through 2006, and 61.5% for FY 2007 through 2008. The reimbursement for fiscal year 2013 was set at the fiscal year 2008 amount, irrespective of any reimbursement rate.

⁽⁴⁾ Use of Money changes can be substantially attributed to favorable or unfavorable mark to market conditions.

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

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

Fiscal Year	Real Estate	Personal Property ⁽¹⁾	Public Service	Total General Property Taxes ⁽²⁾	Sales Tax	Utility Taxes	BPOL Tax	All Other	Total
2007	451,319	71,290	10,861	533,470	47,921	18,522	22,810	42,002	664,725
2008	472,960	73,311	12,120	558,391	46,155	12,354	21,173	48,034	686,107
2009	530,120	75,986	15,156	621,262	45,055	12,596	19,931	45,646	744,490
2010	494,299	63,666	17,518	575,483	46,155	12,840	20,269	23,207	677,954
2011	492,738	68,792	19,207	580,737	49,554	13,190	20,965	23,926	688,372
2012	510,053	74,567	18,776	603,396	52,003	13,075	21,725	24,459	714,658
2013	533,024	81,783	19,511	634,318	55,169	13,490	22,913	26,966	752,856
2014	553,875	92,370	18,809	665,054	56,511	13,766	23,772	18,458	777,561
2015	581,640	100,093	18,649	700,382	59,709	13,974	24,744	30,570	829,379
Change									
2006 - 2015	41.82%	69.43%	53.73%	45.51%	28.00%	-46.86%	7.25%	-28.34%	33.09%

Source: County of Prince William, Virginia.

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

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

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

Fiscal Year	Residential ⁽¹⁾	Apartments ⁽¹⁾	Commercial & Industrial ⁽¹⁾	Public Service ⁽¹⁾	Vacant Land & Other ⁽¹⁾	Total Taxable Assessed Value	Total Direct Tax Rate ⁽²⁾	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	\$ 36,143,674	\$ 1,338,215	\$ 4,721,938	\$ 1,253,506	\$ 282,495	\$ 43,739,828	\$ 0.97	\$ 60,203,453	72.65%
2007	48,617,154	1,588,255	5,667,015	1,355,894	428,530	57,656,848	0.81	64,002,474	90.09%
2008	48,185,629	1,759,043	6,592,385	1,448,737	305,617	58,291,411	0.84	61,439,875	94.88%
2009	41,980,642	1,904,868	7,595,528	1,471,669	273,037	53,225,744	1.03	51,665,113	103.02%
2010	29,888,134	1,801,532	6,726,623	1,360,944	214,673	39,991,906	1.29	47,228,010	84.68%
2011	30,434,819	1,451,944	5,722,158	1,466,645	180,505	39,256,071	1.31	48,535,035	80.88%
2012	32,477,281	1,642,125	5,899,244	1,472,610	163,184	41,654,444	1.28	46,901,818	88.81%
2013	33,752,576	1,885,172	6,210,118	1,487,336	163,590	43,498,792	1.29	47,946,579	90.72%
2014	38,949,187	2,480,941	6,781,231	1,531,397	160,672	49,903,428	1.26	54,238,588	92.01%
2015	41,864,134	2,824,215	7,164,000	1,546,711	166,696	53,565,756	1.22	57,877,241	92.55%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

2006 - \$2,567,585	2011 - \$3,119,173
2007 - \$3,049,599	2012 - \$3,183,169
2008 - \$3,867,736	2013 - \$3,316,592
2009 - \$3,722,543	2014 - \$3,705,018
2010 - \$3,451,863	2015 - \$3,761,235

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

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

Fiscal Year	Commercial as a Percent of Total Taxable		New Construction ⁽¹⁾				Bank Deposits ⁽²⁾
	Commercial to Total	Commercial & Public Service to Total	Permits	Value	Permits	Value	
2006	10.8%	13.7%	3,871	\$ 552	299	\$ 576	\$ 2,681
2007	9.8%	12.2%	2,744	397	301	379	2,864
2008	11.3%	13.8%	1,568	228	259	183	2,863
2009	14.3%	17.0%	1,782	270	203	195	3,135
2010	16.8%	20.2%	1,996	297	152	92	3,322
2011	14.6%	18.3%	1,377	242	99	53	3,531
2012	14.2%	17.7%	1,398	278	161	94	3,866
2013	14.3%	17.7%	1,542	282	233	233	4,082
2014	13.6%	16.7%	1,396	290	193	236	4,201
2015	13.4%	16.3%	1,401	261	225	145	4,378

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. 2006-2015, Federal Deposit Insurance Corporation, (commercial and savings bank deposits) and National Credit Union Administration (credit union deposits).

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

Type of Tax	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PRINCE WILLIAM COUNTY										
<i>Countywide Tax Levies:</i>										
Real Estate - General Fund	\$0.91000	\$0.75800	\$0.78700	\$0.97000	\$1.21200	\$1.23600	\$1.20400	\$1.20900	\$ 1.18100	\$ 1.14800
Fire and Rescue Levy (Countywide)	0.05600	0.04660	0.04840	0.05970	0.07460	0.07610	0.07410	0.07440	0.07270	0.07070
Gypsy Moth Levy (Countywide)	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250	0.00250
Total Direct Tax Rate	\$0.96850	\$0.80710	\$0.83790	\$1.03220	\$1.28910	\$1.31460	\$1.28060	\$1.28590	\$ 1.25620	\$ 1.22120
Sanitary District Levy										
Bull Run	\$0.00001	--	--	--	--	--	--	--	--	--
Occoquan Forest	0.00001	--	--	--	--	--	--	--	--	--
Service District Levies -										
Bull Run	0.10000	0.12000	0.12000	0.13800	0.19900	0.20100	0.20100	0.20100	0.18300	0.14710
Lake Jackson	0.11000	0.11000	0.11000	0.12300	0.17200	0.17500	0.17500	0.17500	0.16500	0.16500
Circuit Court	0.23000	0.19000	0.19000	0.15000	--	--	--	--	--	--
Transportation District Levies -										
Prince William Parkway	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000
234-Bypass	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
Foremost Court Service	--	--	--	--	--	--	--	--	--	--
OVERLAPPING GOVERNMENTS										
<i>Real Estate Tax Levy:</i>										
Town of Dumfries	0.13000	0.18000	0.18000	0.18000	0.35330	0.33350	0.33330	0.27733	0.27330	0.23330
Town of Haymarket	0.14000	0.12000	0.12800	0.16400	0.16400	0.16400	0.16400	0.16400	0.13900	0.13900
Town of Occoquan	0.05000	0.08500	0.08500	0.10000	0.10000	0.10000	0.10000	0.10000	0.11000	0.11000
Town of Quantico	0.15000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000	0.20000

Source: County of Prince William, Virginia

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

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value ⁽¹⁾
Virginia Electric & Power Company	\$ 767,489	1	1.43%	\$ 657,482	1	1.50%
Mall at Potomac Mills, LLC	514,705	2	0.96%	368,806	2	0.84%
Northern Virginia Electric Co-op	276,856	3	0.52%	210,073	3	0.48%
Verizon South, Inc.	154,434	4	0.29%	156,600	5	0.36%
Harbor Station Communities, LLC	107,521	5	0.20%	-	-	-
Washington Gas Light Company	102,796	6	0.19%	83,125	9	0.19%
Stellar Chatsworth LLC	102,565	7	0.19%	70,634	13	0.16%
KIR Smoketown Station LP	92,041	8	0.17%	71,237	12	0.16%
Woodbridge Station Apartments LLC	88,236	9	0.16%	-	-	-
Fairfield Potomac Club, Inc.	82,452	10	0.15%	-	-	-
Dominion Country Club, LP	-	-	-	189,506	4	0.43%
Brookfield Braemar II LLC	-	-	-	102,853	6	0.24%
Manassas Mall LLC	-	-	-	93,029	7	0.21%
AOL LLC	-	-	-	91,565	8	0.21%
WNH Limited Partnership	-	-	-	81,936	10	0.19%
	<u>\$ 2,289,095</u>		<u>4.26%</u>	<u>\$ 2,176,846</u>		<u>4.97%</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	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 420,203	\$ 418,111	99.5%	\$ 1,973	\$ 420,084	100.0%
2007	461,108	458,438	99.4%	2,505	460,943	100.0%
2008	484,124	481,069	99.4%	2,717	483,786	99.9%
2009	544,909	541,235	99.3%	3,263	544,498	99.9%
2010	510,988	508,264	99.5%	2,513	510,777	100.0%
2011	511,316	509,154	99.6%	1,871	511,025	99.9%
2012	527,838	525,737	99.6%	1,516	527,253	99.9%
2013	553,424	551,222	99.6%	1,617	552,839	99.9%
2014	573,203	571,425	99.7%	1,133	572,558	99.9%
2015	603,171	601,267	99.7%	--	601,267	99.7%

Source: County of Prince William, Virginia

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

Debt Capacity

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 10 - Ratios of Outstanding Debt by Type, Primary Government and Component Units
Last Ten Fiscal Years

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 128,525	\$ 149,362	\$ 136,200	\$ 165,649	\$ 151,352	\$ 156,520	\$ 139,782	\$ 127,400	\$ 140,032	\$ 126,438
School Board-Related	467,363	502,453	515,486	531,815	576,826	549,775	556,747	579,969	594,188	628,638
Park Authority-Related	6,267	5,537	4,810	8,477	7,842	7,210	7,126	6,651	9,746	9,069
IDA Lease Revenue Bonds	11,140	10,430	9,680	8,870	8,030	7,160	6,260	5,325	4,355	3,345
Literary Fund Loans	4,918	4,520	4,124	3,749	3,374	3,000	2,750	2,500	2,250	2,000
Real Property Capital Leases										
General Government	132,825	150,189	151,039	179,298	169,012	156,854	145,695	133,415	122,609	110,756
Adult Detention Center	--	68,005	66,275	64,550	34,825	33,100	25,875	23,405	21,680	19,955
Park Authority	--	594	561	528	495	462	429	385	352	319
Commuter Rail Capital Leases**	2,258	1,863	1,442	992	511	--	--	--	--	--
Equipment Capital Leases	228	68	--	--	--	485	398	1,456	951	432
Installment Notes Payable	657	509	351	182	--	--	--	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds**	\$ 12,550	\$ 11,065	\$ 9,535	\$ 7,945	\$ 6,295	\$ 4,595	\$ 3,004	\$ 1,590	\$ --	\$ --
Parks & Recreation Revenue Bonds	--	--	--	--	--	--	--	11,031	10,525	10,555
Parks & Recreation Equipment Capital Leases	--	--	--	--	--	--	--	889	596	295
Taxable Revenue Notes	3,250	3,250	--	--	--	--	--	--	--	--
Total Primary Government	\$ 769,981	\$ 907,845	\$ 899,503	\$ 972,055	\$ 958,562	\$ 919,161	\$ 888,066	\$ 894,016	\$ 907,284	\$ 911,802
Percentage of Personal Income ⁽²⁾	4.71%	5.13%	4.86%	5.03%	4.69%	4.20%	3.95%	3.94%	3.80%	3.66%
Per Capita ⁽²⁾	2,196	2,528	2,444	2,594	2,384	2,262	2,118	2,077	2,069	2,044
Component Units										
Park Authority Component Unit ⁽³⁾⁽⁴⁾ :										
Series 1999 Revenue Bonds**	\$ 18,459	\$ 18,101	\$ 17,725	\$ 17,323	\$ 12,481	\$ 12,008	\$ 11,528	\$ --	\$ --	\$ --
Equipment Capital Leases**	2,249	1,710	3,116	2,800	2,254	1,689	2,793	--	--	--
Installment Notes Payable**	780	651	517	376	230	78	--	--	--	--
Total Component Units	21,488	20,462	21,358	20,499	14,965	13,775	14,321	--	--	--
Total Reporting Entity Outstanding Debt	791,469	928,307	920,861	992,554	973,527	932,936	902,387	894,016	907,284	911,802
Less: Self-Supporting Revenue and Other Bonds	36,296	33,390	32,335	29,436	21,771	18,370	17,325	13,510	11,121	10,850
Net Tax-Supported Debt	\$ 755,173	\$ 894,917	\$ 888,526	\$ 963,118	\$ 951,756	\$ 914,566	\$ 885,062	\$ 880,506	\$ 896,163	\$ 900,952

Source: County of Prince William, Virginia

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

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

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

⁽³⁾ Parks & Recreation revenue bonds are presented net of unamortized premium and unamortized deferred loss on refunding.

See PWC Illustration 11-7 in the Notes to the Financial Statements for details.

⁽⁴⁾ Note: The Park Authority component unit was dissolved and became the County Department of Parks & Recreation effective FY 2013.

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

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

Fiscal Year	General Obligation Bonds ⁽¹⁾	IDA Lease Revenue Bonds	Solid Waste System Revenue Bonds	Total	Percentage of Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2006	\$ 602,155	\$ 11,140	\$ 12,550	\$ 625,845	1.04%	\$ 1,785
2007	657,352	10,430	11,065	678,847	1.06%	1,890
2008	656,496	9,680	9,535	675,711	1.10%	1,836
2009	705,941	8,870	7,945	722,756	1.40%	1,929
2010	736,020	8,030	6,295	750,345	1.59%	1,867
2011	713,505	7,160	4,595	725,260	1.49%	1,785
2012	703,655	6,260	3,004	712,919	1.52%	1,700
2013	714,020	5,325	1,590	720,935	1.50%	1,675
2014	743,966	4,355	--	748,321	1.38%	1,706
2015	764,145	3,345	--	767,490	1.33%	1,720

Source: County of Prince William, Virginia

⁽¹⁾ Includes general obligation bonds associated with School Board-Related and Park Authority-Related Debt; excludes Literary Fund loan of \$2,000. See also 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, 2015
(amounts expressed in thousands)

	Outstanding on 6/30/2015	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 900,952	100.00%	\$ 900,952	1.6820%
Overlapping:				
Town of Dumfries	4,781	100.00%	4,781	0.0089%
Town of Quantico	174	100.00%	174	0.0003%
Town of Haymarket	1,533	100.00%	1,533	0.0029%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 A and B	1,212	100.00%	1,212	0.0023%
Virginia Gateway Community Development Authority Special Assessment Bond Series 1999 and 2003 B	10,720	100.00%	10,720	0.0200%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	73,124	32.32%	23,633	0.0441%
Northern Virginia Criminal Justice Training Academy (NVCJTA) ⁽³⁾	11,990	26.56%	3,185	0.0059%
Total Overlapping Governmental Activities Debt	<u>\$ 103,533</u>	<u>43.69%</u>	<u>\$ 45,238</u>	<u>0.0845%</u>
Total Direct and Overlapping Governmental Activities Debt	<u>\$ 1,004,485</u>	<u>94.20%</u>	<u>\$ 946,190</u>	<u>1.7664%</u>

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 \$326,695 in general obligation bonds authorized in referenda which have not been issued as of June 30, 2015. These authorized bonds are for the construction of roads, road improvements, parks, libraries, and schools.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government ⁽¹⁾										
Principal	\$ 47,584	\$ 52,060	\$ 59,741	\$ 61,303	\$ 91,742	\$ 66,299	\$ 74,760	\$ 69,858	\$ 72,969	\$ 76,750
Interest ⁽²⁾	32,995	37,524	39,865	41,032	43,272	43,783	42,803	41,991	42,546	42,476
Internal Service Fund Debt Service ⁽³⁾	--	--	--	--	--	--	--	--	--	--
Debt Service on Net Tax-Supported Debt	80,579	89,584	99,606	102,335	135,014	110,082	117,563	111,849	115,515	119,226
Total Government Expenditures ⁽⁴⁾	1,125,453	1,310,566	1,325,488	1,331,692	1,386,901	1,337,189	1,427,543	1,461,113	1,491,794	1,557,703
Ratio of Debt Service to Expenditures	7.2%	6.8%	7.5%	7.7%	9.7%	8.2%	8.2%	7.7%	7.7%	7.7%
Total Revenues ⁽⁵⁾	1,188,320	1,360,579	1,364,972	1,441,690	1,392,237	1,439,786	1,460,245	1,493,495	1,636,801	1,611,230
Ratio of Debt Service to Revenues	6.8%	6.6%	7.3%	7.1%	9.7%	7.6%	8.1%	7.5%	7.1%	7.4%
Net Tax-Supported Debt ⁽⁶⁾	755,173	894,917	888,526	963,118	951,756	914,566	885,062	880,506	896,163	900,952
Assessed Value of Taxable Property ⁽⁷⁾	47,160,546	61,267,297	62,011,351	56,999,051	43,359,775	42,750,432	45,413,737	47,586,736	54,212,783	58,095,475
Ratio of Net Tax-Supported Debt to Assessed Value	1.6%	1.5%	1.4%	1.7%	2.2%	2.1%	1.9%	1.9%	1.7%	1.6%

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

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

⁽²⁾ Excludes bond issuance and other costs.

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

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

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

⁽⁶⁾ From Table 10.

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

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

Fiscal Year	System Revenues ⁽¹⁾	Operating Expenses and Transfers ⁽²⁾	Closure Payment ⁽³⁾	Net Revenue Available for Debt	Debt Service Payments ⁽⁴⁾		Total	Coverage ⁽⁵⁾
					Principal	Interest		
2006	\$ 14,653	\$ 9,615	\$ 2,594	\$ 2,444	\$ 1,370	\$ 501	\$ 1,871	1.31
2007	16,535	9,970	2,199	4,366	1,485	562	2,047	2.13
2008	17,342	10,651	3,015	3,676	1,530	504	2,034	1.81
2009	17,795	15,027	--	2,768	1,590	435	2,025	1.37
2010	17,925	10,423	--	7,502	1,650	362	2,012	3.73
2011	18,861	11,694	749	6,418	1,700	295	1,995	3.22
2012	18,064	12,031	1,503	4,530	1,470	226	1,696	2.67
2013	18,339	10,735	1,749	5,855	1,535	156	1,691	3.46
2014	18,820	5,623	3,775	9,422	1,590	--	1,590	5.93
2015	19,735	12,673	2,386	4,676	--	--	--	n/a ⁽⁶⁾

Source: County of Prince William, Virginia.

⁽¹⁾ Includes "Total Operating Revenues" , "Grants from the Commonwealth," and "Interest and Miscellaneous Income" from the Statement of Revenues, Expenses and Changes in Fund Net Position.

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

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

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

⁽⁵⁾ 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⁾
2006	350,612	\$ 16,333,066	\$ 40,101	68,458	197,085	2.4%
2007	359,174	17,687,364	42,552	70,948	200,311	2.5%
2008	368,016	18,493,099	43,783	72,988	206,086	3.3%
2009	374,776	19,315,508	43,970	73,917	208,416	5.5%
2010	402,002	20,418,655	44,476	76,861	218,394	6.1%
2011	406,392	21,881,770	46,155	79,358	225,329	5.7%
2012	419,268	22,466,232	46,167	81,937	229,184	5.3%
2013	430,289	22,717,023	45,760	83,551	231,521	5.2%
2014	438,580	23,902,844	46,954	85,055	232,150	4.8%
2015	446,094	24,943,113	47,965	86,641	232,649	4.4%

Source: County of Prince William, Virginia

⁽¹⁾ US Census Bureau, Population Estimates Program (data as of July 1, 2013).

⁽²⁾ Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of March, 2013). 2014 and 2015 data estimated based upon ten-year growth rates on BEA data from 2004 through 2013.

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

⁽⁴⁾ Bureau of Labor Statistics, LAUS data (data are annual averages as of July 1, 2015 with the exception of the most recent monthly data)

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

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

Source: County of Prince William, Virginia

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

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

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

Employer ⁽¹⁾	2015			2006		
	Ownership	Rank	Number of Employees ⁽²⁾	Ownership	Rank	Number of Employees ⁽²⁾
Prince William County School Board	Local Government	1	1000 and over	Local Government	2	1000 and over
U.S. Department of Defense	Federal Government	2	1000 and over	Federal Government	1	1000 and over
County of Prince William	Local Government	3	1000 and over	Local Government	3	1000 and over
U.S. Federal Bureau of Investigation	Federal Government	4	1000 and over			
Walmart	Private	5	1000 and over	Private	5	1000 and over
Morale Welfare and Recreation	Federal Government	6	1000 and over			
Sentara Healthcare/Potomac Hospital Corp	Private	7	1000 and over	Private	4	1000 and over
Northern Virginia Community College	State Government	8	500 to 999	State Government	8	500 to 999
Wegmans Store #07	Private	9	500 to 999			
Minnieland Private Day School	Private	10	500 to 999	Private	6	500 to 999
S.W. Rogers Corporation				Private	5	1000 and over
General Dynamics Land Systems				Private	7	500 to 999
Wm. T Hazel				Private	9	250 to 499
Aliant/Atlantic Food Services, Inc.				Private	10	250 to 499

Source: County of Prince William, Virginia

⁽¹⁾ All data provided by the Virginia Employment Commission (1st Quarter, 2015 & 2006).

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

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Operating Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 17 - Full-time-Equivalent School Employees by Positions
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
School-Based Positions										
Teachers	4,950	5,263	5,406	5,459	5,360	5,363	5,584	5,730	5,746	5,874
School-Based Administrators	240	222	238	211	212	250	265	264	286	289
Education Specialist	106	112	98	103	126	17	72	78	81	79
Instructional Assistants	599	669	771	734	689	655	656	656	642	640
Other Positions	1,039	1,076	1,031	1,102	1,137	1,111	1,102	1,124	1,270	1,280
Total School-Based Positions	6,934	7,342	7,544	7,609	7,525	7,396	7,678	7,851	8,024	8,160
Nonschool-Based Positions										
Leadership team	10	10	10	11	11	11	11	12	12	12
Technical support	244	206	146	170	134	123	165	163	161	165
Management	138	143	149	148	148	96	112	121	141	144
Education specialist	33	32	86	31	32	201	223	223	112	123
Office assistants	122	136	139	143	140	146	148	138	99	101
Custodial/maintenance	230	258	299	308	302	231	235	245	248	249
Total Nonschool-Based Positions	777	786	829	811	766	808	893	902	773	794
Total Authorized Positions	7,710	8,128	8,373	8,420	8,291	8,204	8,571	8,753	8,797	8,954
Other Operating Fund Positions	807	804	815	829	815	876	892	879	930	938
Total Non-Operating Fund Positions	524	527	535	540	555	566	603	628	647	670
Total Positions	9,041	9,458	9,723	9,789	9,661	9,646	10,066	10,259	10,374	10,562

Source: FY 2015 WABE Guide

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

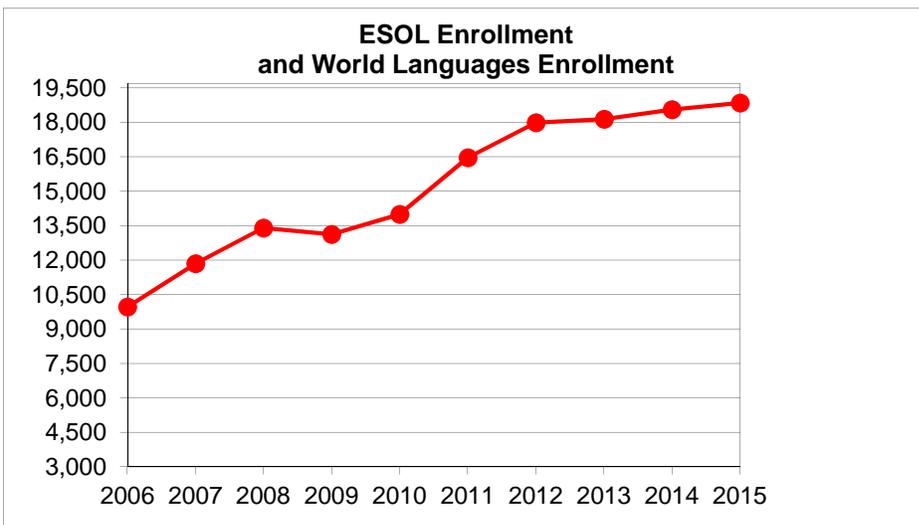
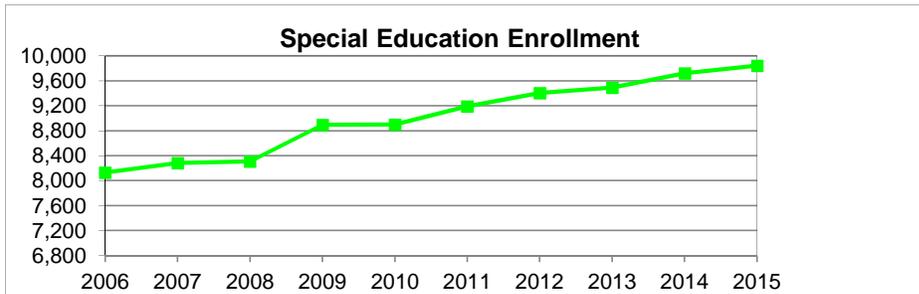
Fiscal Year	Total Student Enrollment ⁽¹⁾	Special Education Enrollment ⁽²⁾	ESOL and World Languages Enrollment ⁽³⁾
2006	68,225	8,134	9,963
2007	70,723	8,283	11,847
2008	72,654	8,312	13,409
2009	73,657	8,898	13,130
2010	76,656	8,900	13,999
2011	79,115	9,195	16,467
2012	81,635	9,406	17,988
2013	83,551	9,496	18,139
2014	85,055	9,721	18,555
2015	86,209	9,848	18,853

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

⁽¹⁾ Source: School Board Approved Budget fiscal year 2016.

⁽²⁾ Student Enrollment at October 1, 2015. Source: Special Education Office Prince William County Public Schools.

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



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

Fiscal Year	Student Enrollment ⁽¹⁾	Operating Expenditures ⁽²⁾	Cost per Pupil	Percentage Change	Expenses	Cost per Pupil	Percentage Change	Teaching Staff ⁽³⁾	Pupil-Teacher Ratio
2006	68,225	\$ 646,400,810	\$ 9,475	5.7%	\$ 709,695,642	\$ 10,402	6.1%	4,261	16.0
2007	70,723	719,045,975	10,167	7.3%	797,464,538	11,276	8.4%	4,533	15.6
2008	72,654	752,843,056	10,362	1.9%	854,174,576	11,757	4.3%	4,672	15.6
2009	73,657	777,018,397	10,549	1.8%	879,594,362	11,942	1.6%	4,699	15.7
2010	76,656	756,589,970	9,870	-6.4%	879,012,541	11,467	-4.0%	4,629	16.6
2011	79,115	756,111,504	9,557	-3.2%	885,645,725	11,194	-2.4%	4,705	16.8
2012	81,635	809,283,061	9,913	3.7%	944,517,699	11,570	3.4%	4,900	16.7
2013	83,551	846,594,481	10,133	2.2%	981,952,608	11,753	1.6%	5,032	16.6
2014	85,055	887,010,587	10,429	2.9%	998,320,009	11,737	-0.1%	5,079	16.7
2015	86,209	905,321,354	10,501	0.7%	1,045,903,458	12,132	3.4%	5,148	16.7

⁽¹⁾ The student enrollment as of September 30th for each fiscal year. Source: School Board Approved Budget fiscal year 2016.

⁽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, ESOL/ESL teachers and vocational education teachers.

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>
2006	\$ 37,615	\$ 51,607	\$ 53,533	\$ 83,548
2007	40,788	53,413	55,245	86,372
2008	41,604	55,788	56,350	90,656
2009	42,354	57,406	57,364	94,969
2010	42,863	59,330	57,309	97,723
2011	42,863	60,163	57,309	97,723
2012	43,612	59,367	58,312	99,433
2013	44,048	58,893	58,895	100,427
2014	45,370	60,408	60,662	106,448
2015	45,998	61,525	62,482	109,609

Source: Washington Area Boards of Education (WABE) Guide FY2015

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

Fiscal Year	Number of Lunches Served Daily	Student Lunch Price			Lunch Sites	Number of Breakfasts Served Daily	Student Breakfast Price	Breakfast Sites	Free and Reduced Eligibility	Free and Reduced Eligibility %	Adult Breakfast	Adult Lunch
		Elementary	Middle School	High School								
2006	41,057	1.85	1.90	1.90	82	8,210	1.10	78	19,166	28.1%	1.35	2.40
2007	44,288	2.00	2.15	2.25	84	9,619	1.20	85	20,588	29.2%	1.75	3.00
2008	45,725	2.00	2.15	2.25	86	8,904	1.20	87	21,459	30.2%	1.75	3.00
2009	46,714	2.10	2.25	2.35	88	10,102	1.20	88	24,152	32.6%	1.75	3.10
2010	48,828	2.10	2.25	2.35	88	11,659	1.20	88	27,289	35.3%	1.75	3.10
2011	50,777	2.10	2.25	2.35	88	13,413	1.20	88	29,108	36.8%	1.75	3.10
2012	51,576	2.15	2.30	2.40	90	14,154	1.35	90	30,792	37.8%	1.90	3.10
2013	52,056	2.25	2.40	2.50	90	15,387	1.40	90	32,062	38.1%	1.95	3.20
2014	52,519	2.35	2.50	2.60	92	15,877	1.40	92	33,883	40.2%	1.95	3.30
2015	53,192	2.40	2.55	2.65	93	16,275	1.40	93	35,669	41.3%	1.95	3.35

Source: Food & Nutrition Services Department of Prince William County Public Schools.

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

Fiscal Year	Elementary Schools					Middle Schools					High Schools				
	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
2006	51	3,030,766	30,824	191	939.1	13	1,690,958	14,659	27	452	10	2,844,241	21,284	9	719.5
2007	53	3,221,129	31,986	182	858.1	14	1,813,410	15,892	20	476.4	10	2,843,179	21,284	14	722.6
2008	55	3,422,613	33,990	166	887.3	15	1,948,719	17,125	20	515.8	10	2,843,179	21,284	21	722.6
2009	55	3,496,885	35,114	149	887.3	15	1,948,719	17,125	21	515.8	10	2,843,179	21,284	36	722.6
2010	55	3,559,956	35,600	143	887.3	15	1,948,719	17,125	21	515.8	10	2,843,179	21,284	39	722.6
2011	57	3,842,068	37,448	132	934.9	15	1,949,341	17,125	31	515.8	11	3,202,296	23,337	21	782.6
2012	57	3,891,216	37,736	136	929.7	16	2,084,650	18,358	29	557.7	11	3,202,296	23,337	18	782.6
2013	57	3,953,299	39,194	126	918.2	16	2,116,292	18,820	23	557.7	11	3,256,983	24,144	30	782.6
2014	57	4,060,688	39,964	121	932.4	16	2,202,953	19,134	22	557.7	11	3,256,983	24,144	37	734.4
2015	58	4,188,138	41,052	122	953.2	16	2,127,452	19,134	27	557.7	11	3,256,983	24,144	46	734.4

Fiscal Year	Alternative Schools					Special Schools					Traditional Schools				
	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres	Buildings	Square feet	Capacity	Trailers	Acres
2006	2	34,994	**	0	9.3	4	104,241	**	5	28.7	2	127,575	1,320	2	31.9
2007	2	34,994	**	12	5	4	104,241	**	10	28.7	2	127,575	1,320	2	31.9
2008	2	34,994	**	12	5	4	104,241	**	9	28.7	2	127,575	1,320	2	31.9
2009	2	34,994	**	10	5	4	104,241	**	10	28.7	2	127,575	1,320	2	31.9
2010	2	34,994	**	10	5	3	90,021	**	10	23.9	2	127,575	1,320	2	31.9
2011	2	34,994	**	10	5	3	90,021	**	10	23.9	2	127,575	1,320	-	31.9
2012	2	34,994	**	10	5	3	97,522	**	9	29.4	2	127,575	1,320	-	31.9
2013	2	34,994	**	11	5	3	97,522	**	9	28.6	2	127,575	1,320	-	31.9
2014	2	34,994	**	11	5	3	97,522	**	9	25.4	3	269,407	2,351	-	80.1
2015	2	34,994	**	11	5	3	97,522	**	9	25.4	3	269,407	2,351	-	80.1

Fiscal Year	Total School Buildings ⁽¹⁾				
	Buildings	Square feet	Capacity	Trailers	Acres
2006	82	7,832,775	68,087	234	2,180.5
2007	85	8,144,528	70,482	240	2,122.7
2008	88	8,481,321	73,719	230	2,191.3
2009	88	8,555,593	74,843	228	2,191.3
2010	87	8,604,444	75,329	225	2,186.5
2011	90	9,246,295	79,230	204	2,294.1
2012	91	9,438,253	80,751	202	2,336.3
2013	91	9,586,665	83,478	199	2,323.9
2014	92	9,922,547	85,593	200	2,335.0
2015	93	9,974,496	86,681	215	2,355.8

Source: School Board Construction and Planning Office.

** Data not available.

⁽¹⁾ Represents completed school buildings at June 30th.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 23 - Miscellaneous Statistical Data
June 30, 2015

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	575
Number of volunteers	686
Police protection:	
Number of police officers	610
Public Safety Communications:	
Number of employees	103
Recreation (Parks & Recreation Department):	
Acres developed or reserved for County parks	4,220
Services not included in the Primary Government:	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	81
Number of public high schools	11
Fall Membership, fiscal year 2015	85,055 ⁽¹⁾
Number of personnel (full-time equivalent)	10,337 ⁽²⁾
Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	568
Capacity of central jail	340
Capacity of work-release center	75
Number of personnel (full-time equivalent)	339
Tourism (Convention & Visitors Bureau Component Unit)	
Tourist information center visitors	18,678
Other statistical data:	
Elections:	
Registered voters at last general election	248,940
Number of votes cast in last general election	97,394
Percent voting in last general election	39%
Water and Wastewater Treatment:	
<i>(provided by Prince William County Service Authority)</i>	
Miles of water mains	1,204
Miles of sanitary sewer mains	1,114

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 2016 Approved Budget Book. Number differs from other sources due to criteria used for determining membership.

⁽²⁾ Source: Prince William County Schools Fiscal Year 2015 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