



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2018



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

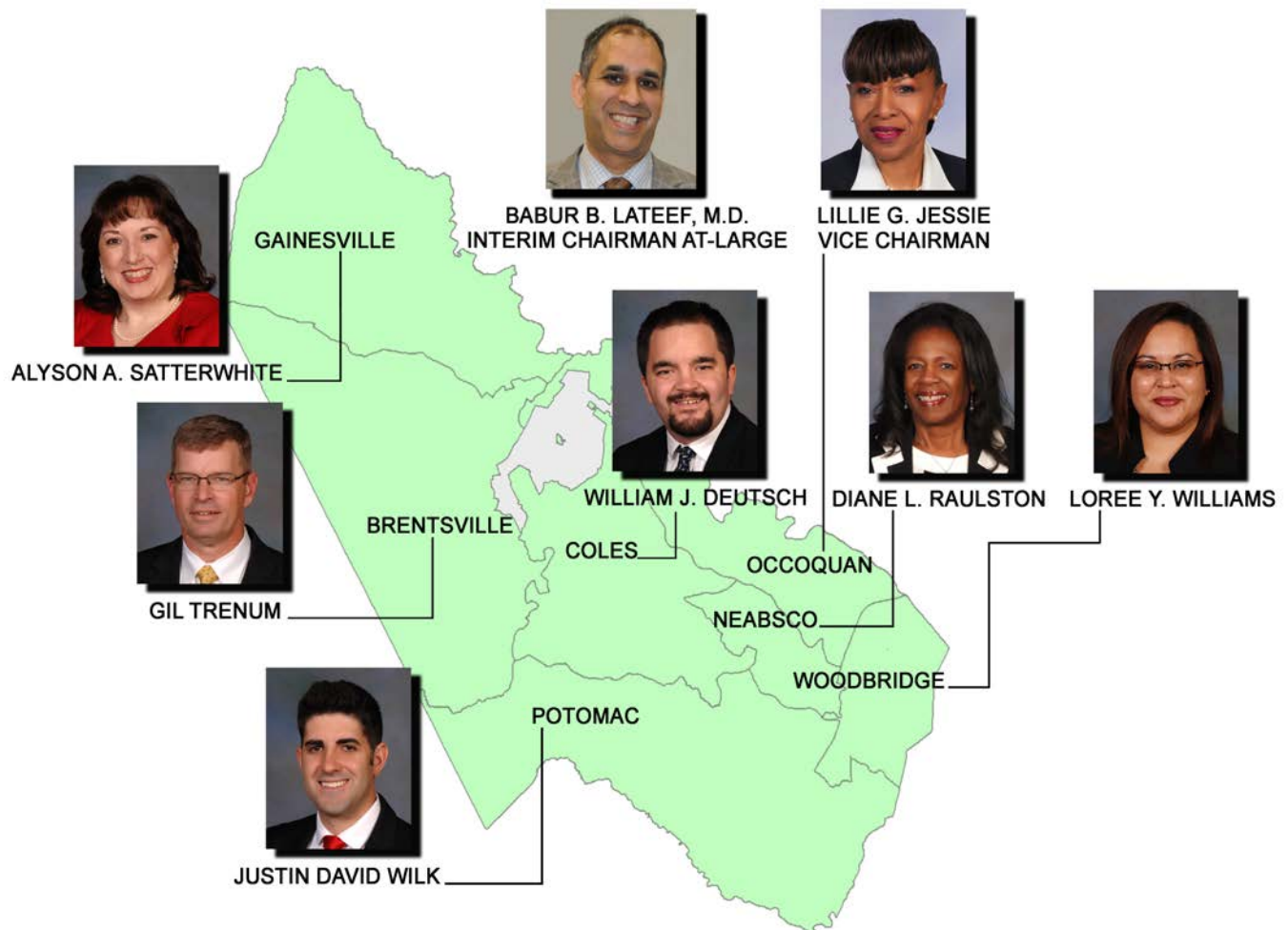
PUBLIC SCHOOLS

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, 2018

School Board Members *



* as of June 30, 2018

Prince William County Public Schools (PWCS) does not discriminate in employment or in its educational programs and activities against qualified individuals on the basis of race, color, religion, national origin, sex, pregnancy, childbirth or related medical conditions, age, marital status, veteran status, or disability.

Prince William County Public Schools Administration*



Dr. Steven L. Walts
Superintendent of Schools



Mr. Keith A. Imon
Deputy Superintendent of Schools



Mrs. Rita Everett Goss
Associate Superintendent
for Student Learning and
Accountability



Mr. Philip B. Kavits
Associate Superintendent
for Communications and
Technology Services



Mr. Keith Johnson
Associate Superintendent
for Human Resources



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



Ms. Denise M. Huebner
Associate Superintendent for
Eastern Elementary Schools



Mrs. Jarcelynn 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 Mulgrew
Associate Superintendent
for High Schools

* as of June 30, 2018

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
Taft Kelly

Accountants
Alicia Burdick
Cassie Carbajal
Tao Leng
Victoria McConchie
Darrell Phillips
Sara Smith
Natascha Zombro

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	1 - 7
GFOA Certificate of Achievement	8
ASBO Certificate of Achievement	9
List of Elected and Appointed Officials.....	10
Organizational Chart	11

FINANCIAL SECTION

Report of Independent Auditor	13 - 14
Management's Discussion and Analysis (Unaudited)	15 - 28

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1	Statement of Net Position.....	31
Exhibit 2	Statement of Activities.....	32 - 33

Fund Financial Statements

Exhibit 3	Balance Sheet - Governmental Funds.....	34
Exhibit 4	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	35
Exhibit 5	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	36
Exhibit 6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
Exhibit 7	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	38
Exhibit 8	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Food & Nutrition Services Fund.....	39
Exhibit 9	Statement of Fund Net Position – Proprietary Funds – Enterprise Fund and Internal Service Funds.....	40
Exhibit 10	Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – Enterprise Fund and Internal Service Funds.....	41
Exhibit 11	Statement of Cash Flows – Proprietary Funds – Enterprise Fund and Internal Service Funds.....	42
Exhibit 12	Statement of Assets and Liabilities – Agency Funds	43

Notes to the Financial Statements

Note 1	Summary of significant accounting policies	44 - 54
Note 2	Stewardship, compliance, and accountability	54
Note 3	Receivables, due to and from other governmental units, deferred inflows and outflows of resources, and unearned revenue.....	54 - 55
Note 4	Interfund receivables, payables, and transfers	55 - 56
Note 5	Related party transactions	56
Note 6	Long-term liabilities.....	56 - 58
Note 7	Self-insurance funds	58 - 59

Table of Contents (continued)

Note 8	Capital assets	59 - 60
Note 9	Contingent liabilities	61
Note 10	Employee retirement systems and pension plans	61 - 78
Note 11	Other postemployment benefits (OPEB)	78 - 85
Note 12	Subsequent events	85

Required Supplementary Information

Virginia Retirement System Schedule of Non-professional Group Employer Contributions	88
Virginia Retirement System Schedule of Changes in the Non-Professional Group Net Pension Liability and Related Ratios	88
Virginia Retirement System Schedule of Professional Group Employer Contributions	89
Virginia Retirement System Schedule of Professional Group Employer's Share of Net Pension Liability and Related Ratios	89
Virginia Retirement System Health Insurance Program Schedule of Non-Professional Group Employer Contributions	90
Virginia Retirement System Health Insurance Program Schedule of Non-Professional Group Employer's Share of Net HIC OPEB Liability and Related Ratios	90
Virginia Retirement System Health Insurance Program Schedule of Professional Group Employer Contributions	91
Virginia Retirement System Health Insurance Program Schedule of Non-Professional Group Employer's Share of Net HIC OPEB Liability and Related Ratios	91
Virginia Retirement System Group Life Insurance Program Schedule of Non-Professional Group Employer Contributions	92
Virginia Retirement System Group Life Insurance Program Schedule of Non-Professional Group Employer's Share of Net GLI OPEB Liability and Related Ratios	92
Virginia Retirement System Group Life Insurance Program Schedule of Professional Group Employer Contributions	93
Virginia Retirement System Group Life Insurance Program Schedule of Professional Group Employer's Share of Net GLI OPEB Liability and Related Ratios	93
PWCS Postretirement Medical and Retiree Health Insurance Premium Contribution Plan Schedule of Employer Contributions	94
PWCS Postretirement Medical and Retiree Health Insurance Premium Contribution Plan Schedule of Change in Net OPEB Liability and Related Ratios	94

Notes to the Required Supplementary Information

Note 1	Changes of benefit terms	95
Note 2	Changes of assumptions	95

Supplementary Information

Schedule 1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Facilities Use Fund	100
Schedule 2	Combining Statement of Fund Net Position - Proprietary Funds - Internal Service Funds	102
Schedule 3	Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds - Internal Service Funds	103
Schedule 4	Combining Statement of Cash Flows - Proprietary Funds - Internal Service Funds	104
Schedule 5	Combining Statement of Assets and Liabilities - Agency Funds	106
Schedule 6	Combining Statement of Changes in Assets and Liabilities - Agency Funds	107

Table of Contents (continued)

STATISTICAL SECTION (Unaudited)

Introduction Page	109
-------------------------	-----

Financial Trends

Table 1	Net Position by Component	112
Table 2	Changes in Net Position	113
Table 3	Fund Balances, Governmental Funds (Presented Pre-GASB 54)	114
Table 3A	Fund Balances, Governmental Funds (Presented in Accordance with GASB 54)	115
Table 4	Changes in Fund Balances, Governmental Funds	116

Revenue Capacity - Prince William County, Virginia

This information is inserted from the Prince William County CAFR because Prince William County Public Schools has no own source revenue.

Table 5	General Governmental Revenues by Source	118
Table 5A	General Governmental Tax Revenues by Source	118
Table 6	Assessed Value and Actual Value of Taxable Real Property	119
Table 6A	Commercial to Total Assessment Ratio, Construction and Bank Deposits	119
Table 7	Direct and Overlapping Real Estate Tax Rates	120
Table 8	Principal Real Property Tax Payers	121
Table 9	Real Property Tax Levies and Collections	122

Debt Capacity - Prince William County, Virginia

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

Table 10	Ratios of Outstanding Debt by Type, Primary Government and Component Units	124
Table 11	Ratios of General Bonded Debt Outstanding	125
Table 12	Direct and Overlapping Governmental Activities Debt	126
Table 13	Debt Ratio Information	127
Table 14	Revenue Bond Coverage for Solid Waste System Revenue Bonds	128

Demographic and Economic Information – Prince William County, Virginia

Table 15	Demographic and Economic Statistics	130
Table 15A	Comparative Demographic Statistics	130
Table 16	Principal Employers	131

Operating Information

Table 17	Full-time-Equivalent School Employees by Positions	134
Table 18	Student Enrollment	135
Table 19	Operating Statistics	136
Table 20	Teacher Base Salaries	137
Table 21	Food & Nutrition Services Program	138
Table 22	School Building Information	139
Table 23	Miscellaneous Statistical Data	140

(This page intentionally left blank)

Introductory Section

Letter of Transmittal

Certificates of Achievement

List of Elected and Appointed Officials

Organizational Chart



December 20, 2018

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, 2018. 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 accordance with accounting principles generally accepted in the United States of America and audited in accordance with governmental auditing 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, 2018 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, 2018, are fairly presented in conformity with GAAP. The report of independent auditor 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. WALTZ
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 89,861 students while managing the 60 elementary schools, 16 middle schools, 12 high schools, 3 special education schools, 2 alternative schools, and 3 combined 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 15, 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, which is arguably one of the most dynamic in the world. Increasingly key to this dynamic economy is the abundance of technology infrastructure, namely electricity and cable fiber, propelling Northern Virginia as America's largest data center market; housing the most data centers in the nation. In a time of uncertain federal budgets, this robust and rapidly growing industry is proving critical to diversifying the region's economy, which has historically relied on federal government spending. The County economy continues to exhibit healthy signs. The residential real estate market faces low housing inventory – the most influential factor affecting average sold prices. The average days on the market and available inventory have significantly decreased over the prior year and unemployment in the County continues to hold well below the national rate. Latest at-place employment data from the Virginia Employment Commission's (VEC's) Labor Market Information (LMI) indicates continued growth in the number of establishments,

employment, and wages in the County. And, the County's vacancy rates for commercial inventory remain in line with the five-year average vacancy rate.

According to data from Metropolitan Regional Information Systems (MRIS), during June 2018, the average home in the County sold for \$403,217, representing an increase of 2.4% year-over-year. The number of homes sold in the County in June 2018 was 862, a decrease of 8.3% from the 940 homes sold one year earlier. The ratio of homes on the market to homes sold was 1.55, compared to 1.39 one year earlier, marking a slight improvement. Average number of "days on the market" stood at 23 in June 2018 compared to 28 in June 2017. The average sold price of homes sold in the County reached its peak of \$468,900 in December 2005. Although sale prices have not yet returned to that level, June's average days on the market of 23 and average sold price to original list price of 98.9%, closely resemble December 2005. Trending nationwide are low inventory levels. Active County listings in June 2018 stood at 1,333 compared to 2,575 in December 2005. A low level of inventory is generally linked with rising price trends and low or falling average days on the market. Despite persistent inventory constraints, sales transactions are expected to grow moderately as buyers are still able to take advantage of historically low interest rates, coupled with strong consumer confidence and low unemployment.

Residential building permit activity is a leading indicator for housing construction. Since the pre-recession housing boom, permit activity has remained below 3,000 units. According to the County's Department of Development Services, a portion of the spike in 2014/2015 resulted from three multi-family rental occupancy permits. In 2017, the County issued 1,324 residential occupancy permits for 1,415 new homes: 676 single-family homes, 530 townhouses, and 209 multi-family units (including apartments). Since 2014, there has been a 12% increase in the number of permits issued for townhouses while the percentage for single-family homes has stayed fairly consistent at around 50%.

<u>Calendar Year</u>	<u>Single Family</u>	<u>Townhouse</u>	<u>Condo/Apartment</u>	<u>Total</u>
2014	681	378	1,659	2,718
2015	613	469	1,403	2,485
2016	718	500	551	1,769
2017	676	530	209	1,415
2018 (Jan-Jun)	312	293	561	1,166

The County commercial inventory has held steady through June 2018. According to Costar Realty Group (Costar), the vacancy rate on June 30, 2018, was 5.7%. Total commercial property inventory has remained in the range of 40-45 million sq. ft. since 2015. The vast majority of vacancies resulted from new inventory rather than tenant departures, with approximately 80% of this growth coming from the industrial sector. Furthermore, the movement of one or two tenants can significantly affect vacancy rates in certain types of product -- notably flex, often characterized by single large and specific uses. The average rent price per sq. ft. remains in the mid \$15 level. The real estate industry continues to evolve as more businesses downsize office space and the growth of shared workspace (co-working locations) increase competition between the County and localities to the north. Expectations are that the commercial real estate market will continue to be primarily in an absorption phase for office and retail properties.

About 81% of the County's real estate tax base (including apartments) consists of residential housing. Approximately 18% is comprised of commercial, industrial, agricultural, and public service properties and less than 1% is undeveloped land. As values of homes and investment in the community increased, the Board of County Supervisors has been able to stabilize 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 per \$100 of assessed value:

- FY2015 - \$1.148
- FY2016 - \$1.122
- FY2017 - \$1.122
- FY2018 - \$1.125
- FY2019 - \$1.125

Retail sales showed improvement in fiscal year 2018, with fiscal year-over-year sales tax revenue increasing 2.8% between 2017 and 2018. Over the near term, expectations are for a modest improvement over the prior year's results.

The County's population was estimated at 460,457 on June 30, 2018. Population growth will continue with a strong real estate market, proximity to major employment centers, plans for public transportation expansion, and existing capacity for additional residential development. The Metropolitan Washington Council of Governments (COG) predicts the County's population to grow by just over 23% between the current estimate and beyond 2040. According to the U.S. Census American Community Survey 2012-2016 5-Year Estimates and in sync with the County's family-oriented tradition, nearly 33% of the County's households contain married-couple families with children of the household under 18 years old. Just over 64% of the County's residents work in another county or state, and the mean travel time to work is 39.3 minutes, the 22nd highest of all U.S. counties and equivalents. Additionally, according to the U.S. Census American Community Survey 2017 1-Year Estimate, the Washington D.C. Metropolitan Statistical Area (MSA) has the third-highest median household income in the U.S., at \$99,669, with six of the MSA's counties in the top 20 nationwide. The County's median household income of \$100,845 is 67% above the national median of \$60,336 and 41% above the statewide median of \$71,535. The County had the 20th highest median household income in the United States; about 1% higher than the Washington, D.C. MSA. This ranking continues to highlight the County's status as a "Community of Choice."

According to data from VEC's LMI, the County outpaced the Commonwealth in business and job growth over the last five years. At-place employment in the County (127,476 in the 1st quarter of 2018) increased by 2.3% year-over-year. According to the Virginia LMI, establishments of employment in the County increased by 1.2% from 9,007 in the 1st quarter of 2017 to 9,118 in the 1st quarter of 2018. By comparison, Northern Virginia establishments grew by 1.1% from the 1st quarter of 2017, and statewide establishments grew by 2.5%. Employment in the Commonwealth grew by 1.5% in the last year. The largest employers in the County are the Prince William County School Board, Prince William County Government, U.S. Department of Defense, Walmart, and Morale Welfare and Recreation.

The average weekly wages in the County grew 4.1% between the first quarter 2017 and the first quarter 2018, from \$899 to \$936, according to the Virginia LMI. By comparison, during the same period, average weekly wages in Northern Virginia increased 3.2% from \$1,475 to \$1,522, and Virginia weekly wages increased 3.1% from \$1,128 to \$1,163.

Consistent post-recession economic growth in the region has led to a jump in construction in the County. According to the Virginia LMI, in the first quarter of 2010, there were 9,220 construction jobs in the County. As of the first quarter 2018, at-place construction employment increased to 13,571 jobs. Although establishments of employment have grown by nearly 2,000 between 2010 and the 1st quarter of 2018, the County has experienced a decrease in startup firms from a peak of 536 in 2014 to only 391 in 2017. Nevertheless, the County's unemployment rate was 2.9% in June 2018, below the corresponding statewide rate of 3.2% and national rate of 4.0%.

As the County enters fiscal year 2019, the local economy continues to outperform the national economy in a number of areas. However, 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 the County, both of which were major recipients of this good fortune. The Realtor Association of Prince William (PWAR) reports despite mortgage rate increases over the past year, financing remains historically affordable and, coupled with Virginia's low unemployment rate and high consumer confidence, continues to encourage market entry.

Historically, the County's close proximity to federal government agencies and affiliated contractor industries and its enviable participation in the Northern Virginia economy has largely insulated it from the severity of normal business cycle troughs. 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 current U.S. economic expansion has become the nation's second longest on record (dating back to 1850's). The U.S. economy has entered a more mature phase, but does not yet point to a recession as it is characterized by a strong labor market, high consumer confidence along with solid business investment and low unemployment. Trade tensions remain a major economic risk for global growth. In addition, escalating trade wars, weaker housing, higher oil prices and the midterm elections are potential downside risks that will test the Federal Reserve's ability to maintain its projected pace of rate hikes.

Since most of the County's general fund revenues are derived from local property taxes, the County depends heavily on its housing stock and consumer spending to maintain its prosperity and levels of local government services. Although these two sectors were impacted by the Great Recession, the latest trends point to modestly improving conditions in local consumer confidence and real estate activity. And, strong financial policies, practices and ample general fund balance position the County to comfortably manage through any future economic downturn.

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 major components of this Five-Year Budget Plan are as follows:

- Current Programs and Services - include annual adjustments for new students; a step or salary scale adjustment for employees in each year as funding permit; funding for the 5,430 new students expected during the next five years.
- Building Repairs and Renewals – include \$172.8 million for repairs and renewals of older facilities; funding for the infrastructure needed for technology improvements (Voice over IP phones, interactive whiteboards, radio upgrades) is adequately funded; reduced funding for the three-year renewal cycle of essential technology equipment used for instructional and support programs.
- New Schools – include funding for the debt service on \$569.0 million in construction bonds for new schools and renewals. Also included are start-up costs, and operating costs for new schools and additions.

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.

PWCS has a policy to establish and maintain a minimum unassigned fund balance of 1.5% of the current fiscal year's General Fund revenue. As of June 30, 2018, PWCS maintained an unassigned fund balance of 1.5% of the current fiscal year's General Fund revenue.

Major Initiatives

PWCS is the second largest of 132 school divisions in Virginia and among the 35 largest school divisions in the country. The school division provides services to over seven percent of the State student enrollment. During the next five years, student membership is projected to increase by an annual rate of 1.3%. This is projected to result in more than 5,430 additional students by the 2022-2023 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 \$129.8 million over the five-year period.

Providing quality educational facilities is important in providing quality education. PWCS' Capital Program identifies 20 schools for new construction or additions over the next ten years. PWCS endeavors to spend, as is recommended by the National Building Research Board, between 2% and 4% of the total replacement value of buildings on an annual basis on maintenance of existing school facilities. PWCS facilities were constructed between 1918 and 2018, with the oldest school being Dumfries Elementary School constructed 100 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, 2017. This was the sixteenth 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, 2017. This was the sixteenth 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, 2018. 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 2019 to determine the School Board's eligibility for another certificate award.

Acknowledgments

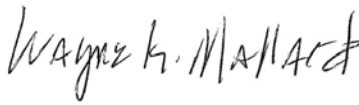
Many professional staff members in the Department of Financial Services of PWCS contributed to the preparation of this report. Their hard work, professional dedication, and continuing efforts to produce and improve the quality of this report are a direct benefit to all that read and use it. We would 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



Wayne K. Mallard
Interim Associate Superintendent
for Finance and Support Services



John Wallingford
Director of Financial Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Prince William County Public Schools
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Prince William County Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE
Executive Director

Prince William County Public Schools

List of Elected and Appointed Officials

June 30, 201,

Elected Officials - The Prince William County School Board*

Chairman At-Large

Lillie G. Jessie, Vice Chairman, *Occoquan District*

William J. Deutsch, *Coles District*

Diane L. Raulston, *Neabsco District*

Alyson A. Satterwhite, *Gainesville District*

Gilbet A. Trenum, *Brentsville District*

Justin David Wilk, *Potomac District*

Loree Y. Williams, *Woodbridge District*

Appointed Officials - School Division Administration*

Steven L. Walts
Superintendent of Schools

Keith A. Imon
Deputy Superintendent

Philip B. Kavits
Associate Superintendent
Communications and Technology Services

Keith J. Johnson
Associate Superintendent
Human Resources

Rita Everett Goss
Associate Superintendent
Student Learning and Accountability

David S. Cline
Associate Superintendent
Finance and Support Services

Denise M. Huebner
Associate Superintendent
Eastern Elementary Schools

William G. Bixby
Associate Superintendent
Middle Schools

R. Todd Erickson
Associate Superintendent
Central Elementary Schools

Jarcelynn M. Hart
Associate Superintendent
Western Elementary Schools

Michael A. Mulgrew
Associate Superintendent
High Schools

John M. Wallingford
Director of Financial Services

Lisa M. Thorne-Izes
Supervisor of Accounting
Services

* as of June 30, 2018



Prince William County

PUBLIC SCHOOLS

Providing A World-Class Education

FY 2018

Organizational Chart

PWCS_OrgChart_FY2018_v7.vsd

April 20, 2018

Citizens of Prince William County, Virginia

Prince William County School Board

Babur B. Lateef, M.D.
Interim Chairman
At-Large

Lillie G. Jessie
Vice Chairman
Occoquan District

William J. Deutsch
Coles District

Diane L. Raulston
Neabsco District

Alyson A. Satterwhite
Gainesville District

Gil Trenum
Brentsville District

Justin David Wilk
Potomac District

Loree Y. Williams
Woodbridge District

Kate Arnold
Student Representative

Associate Superintendent for Eastern Elementary Schools

Denise Huebner

Eastern Elementary Schools	
Antietam ES	The Nokesville School
Belmont ES	Old Bridge ES
Dumfries ES	Potomac View ES
Haymarket ES	Rockledge ES
Kilby ES	Swans Creek ES
Leesylvania ES	Triangle ES
Marumsc Hills ES	Williams ES
Neabsco ES	Yorkshire ES

Parliamentarian

Thomas Balch

Clerk

Deborah Urban

Deputy Clerk

B Simpson

Superintendent

Steven L. Walts

Division Counsel

Mary McGowan

Chief Internal Auditor

Gary R. Maness

Deputy Superintendent

Keith Imon

Associate Superintendent for Finance and Support Services

David Cline

Associate Superintendent for Western Elementary Schools

Jarcelynn Hart

Western Elementary Schools	
Alvey ES	Occoquan ES
Bristow Run ES	Piney Branch ES
Buckland Mills ES	River Oaks ES
Cedar Point ES	Sinclair ES
Covington-Harper ES	Sudley ES
Ellis ES	Tyler ES
Featherstone ES	Vaughan ES
Glenkirk ES	Victory ES
Gravelly ES	West Gate ES
Loch Lomond ES	Wood ES
Mountain View ES	Yung ES
Mullen ES	

Director of Student Learning

Kenneth Bassett

Associate Superintendent for Student Learning and Accountability

Rita Everett Goss

Director of Student Services

Carolyn Custard

Associate Superintendent for Communications and Technology Services

Philip Kavits

Associate Superintendent for Human Resources

Keith Johnson

Director of Risk Management & Security Services

Ronald Crowe

Director of Financial Services

John Wallingford

Associate Superintendent for Central Elementary Schools

Todd Erickson

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

Curriculum Supervisors

Schenell Agee

Roberta Apostolakis

Carol Bass

Kelly Gardner

Jeffrey Girvan

Amy Hickey

Julia Renberg

Ed Stephenson

Emily Utter

Director of Accountability

Jennifer Cassata

Director of Special Education

Michelle Roper

Supervisor of Secondary Counseling and Student Support Services

Rebekah Schlatter

Director of Information Technology Services

AJ Phillips

Supervisor of Community & Business Engagement

Sharon Henry

Director of Human Resources

Amy White

Director of Transportation Services

Shirley Posey

Supervisor of Budget

Kathleen Addison

Supervisor of Financial Services

Nartaya Mastrippolito

Supervisor of Accounting Services

Lisa Thorne

Supervisor of Purchasing

James Totty

Supervisor of Supply Services

Charles Wheeler

Associate Superintendent for Middle Schools

William Bixby

Middle Schools	
Benton MS	Parkside MS
Beville MS	Pennington Traditional
Bull Run MS	Porter Traditional
Gainesville MS	Potomac MS
Graham Park MS	Reagan MS
Hampton MS	Rippon MS
Lake Ridge MS	Saunders MS
Lynn MS	Stonewall MS
Marsteller MS	Woodbridge MS

Curriculum Supervisor Career & Technical Education

Douglas Wright

Supervisor of Testing

Paul Parker

Supervisors of Special Education

Morphoula Daoulas

Cary Dougher

Heather Grim

Jan Hornbeck

Amanda Mallory

Ronald Pannell

Jessica Tra

David Williams

Rebecca Yellets

Supervisor of Elementary Counseling and Related Services

Deborah Ransom

Supervisor of Student Information Systems

Janice Improta

Supervisor of Network Services & Central Ops

Chris Hinzman

Supervisor of Elementary Staffing Personnel

Michele Salzano

Supervisor of Middle School Staffing Personnel

Paulajane Hancock

Supervisor of Bus Operations

Adrian Frierson

Supervisor of Transportation Planning

Scott Withee

Director of School Food and Nutrition Services

Adam Russo

Associate Superintendent for High Schools

Michael Mulgrew

High Schools	
Battlefield HS	Osborn Park HS
Brentsville HS	PACE West SE
Colgan HS	Patriot HS
Forest Park HS	Potomac HS
Freedom HS	Stonewall Jackson HS
Gar-Field HS	Woodbridge HS
Hylton HS	

Supervisor of Gifted Education & Special Programs

Jim Mudd

Director of Student Management and Alternative Programs

Dara Dugger

Director of Professional Learning

Christie D. Taylor

Supervisor of Student Assistance and Prevention Programs

Richmond Hill

Supervisor of Information Security Services

Andrew Wolfenbarger

Supervisor of Business Applications

Vincent Bess

Supervisor of High School Staffing Personnel

Tony Jones

Supervisor of Classified Personnel

Julie Vuillemot

Supervisor of Recruiting & Specialty Pgms

Vacant

Supervisor of Substitute & Temporary Employment

Christi Hetrick

Assistant Director

Mary Shildneek

Supervisor of Title I

Michelle Rowe

Supervisor of Student Management

Karyn Riddle

Supervisor of Global Learning and Culturally Responsive Instruction

Maria D. Burgos

Supervisor of School Health

Teresa Polk

Supervisor of Help Desk & Workstation Support

John Harrison

Supervisor of Information Systems Support

Debbie Pflugshaupt

Supervisor of Field Operations

Neil Bagnell

Supervisor of Construction

John Mills

Supervisor of Planning and Financial Services

David Beavers

Supervisor of Land Acquisition & CIP Planning

Maureen Hannan

Supervisor of Planning

Matthew Cartledge

Supervisor of Head Start

Kathy Channell

Non-Traditional Schools

New Directions Alt

New Dominion Alt

PACE East SE

Supervisor of Leadership Development

Natalie Bonshire

Supervisor of School Social Workers

Elizabeth Young

Director of Communications Services

Diana Gulotta

Supervisor of Web and Social Media

Karla Tilgner

Supervisor of Benefits and Retirement Services

Deborah Sparks

Project Managers

Shelly Clayborn

Jason Mastrangelo

Greg Miller

Roger Wilder

Tony Thompson

Vacant

Director of English Learner Programs and Services

Vacant

Supervisor of EL Instruction

Christina Lo

Supervisor of School Age Child Care (SACC)

Glynis Taylor

Supervisor of Community Relations

Irene Cromer

Supervisor of Media Production Services

Richard Shahan

(This page intentionally left blank)

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, the aggregate discretely presented component units, 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, 2018, and the related notes to the financial statements, which collectively comprise PWCS's 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, which represents 59% of the total assets of the aggregate total agency funds and 11% of the total assets of the aggregate remaining fund information, nor did we audit the financial statements of the Prince William County Public Schools Education Foundation, Inc., the component unit of PWCS, which represents 100% of the total assets, total revenue, and net position of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Student Activity Funds and Prince William County Public Schools Education Foundation, Inc., are based solely on the reports 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. The financial statements of Prince William County Public Schools Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. 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 reports 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of PWCS, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and food and nutrition services fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter**Change in Accounting Principle**

As described in Note 1 to the financial statements, PWCS adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, PWCS reported a restatement for the change in accounting principle. Our opinion is not modified with respect to the restatement.

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 on pages 15-28 and 88-95 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 and other auditors 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 PWCS's basic financial statements. The Introductory Section, Supplementary Information Section, 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 Section 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 reports 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 20, 2018, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PWCS's 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 PWCS's internal control over financial reporting and compliance.

Handwritten signature of Cherry Bekant in black ink, followed by the text "LLP".

Tysons Corner, Virginia
December 20, 2018

Prince William County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018 (FY 2018). 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) are expressed in thousands).

Financial Highlights

- The School Division's General revenues accounted for \$1,112,628 or 85.4% of total revenues of \$1,302,685. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$190,057 or 14.6% of total revenues.
- The School Division had \$1,157,171 in expenses of which \$190,057 was offset by program specific charges, grants, or contributions. General revenues, primarily Prince William County (the County) and Commonwealth (State) of Virginia, were adequate to fund the remaining expenses.
- The Implementation of GASB Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulted in a restatement of FY 2017 net position from \$942,849 to \$775,672. The beginning net position for School Division reduced by \$167,177.
- Total net position in FY 2018 increased by \$145,514 to a total of \$921,186. 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 the County. As such, all debt related to School Division assets are shown on the County's Statement of Net Position.
- On September 30, 2017 (FY 2018) student membership was 89,861, an increase of 941 students, or 1.1% greater than FY 2017. However, the student membership was 775 students less than projected for FY 2018.

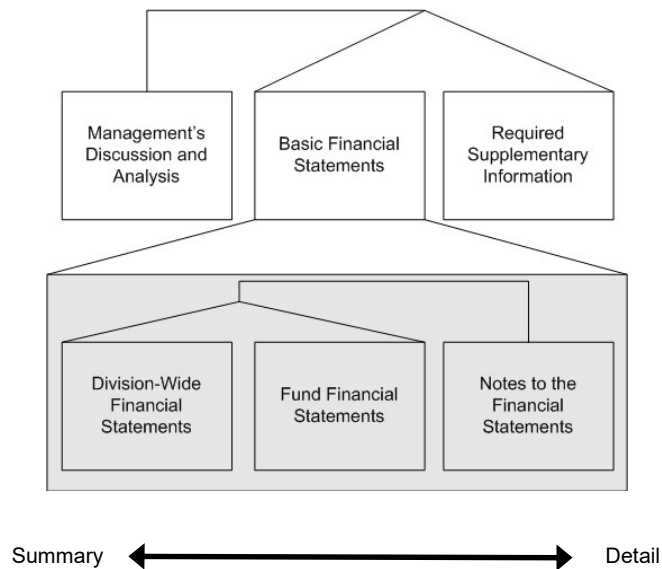
Using this Comprehensive Annual Financial Report

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



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) and its component unit	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 distribution center, school age child care, and aquatics center	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 net position •Statement of revenues, expenses and changes in 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 financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the 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 the School Division 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 2018?” The Statement of Net Position and the Statement of Activities answer this question. These statements report all of the assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 the School Division’s 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.

The government-wide financial statements of PWCS are divided into three categories:

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, community service operations, and the Education Foundation.

Business-type activities – include enterprise funds for School Age Child Care (SACC) and the Aquatics Center.

Component unit – PWCS includes a discretely presented component unit, the Education Foundation for Prince William County Public Schools (SPARK). Although legally separate, it is considered a “component unit” because SPARK is closely related to PWCS and as such, exclusion could cause PWCS’ financial statements to be misleading.

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 two enterprise funds: SACC fund and the Aquatics Center fund; and three internal service funds: the Self-Insurance fund, the Health Insurance fund, and the Distribution Center 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, 2018. 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 163.5% of the total net position and have increased by \$47,325 since June 30, 2017. 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 \$57,094 during the current fiscal year reflecting an increase in PWCS' resources restricted for specific construction projects of \$50,214 and a net increase in restricted for food & nutrition services and grant programs of \$6,880. 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 \$(814,857), an increase of \$41,095 from FY 2017. The increase in unrestricted net position was offset partially by the increase in OPEB liability as a result of the impact of the GASB 75 implementation. Invested in capital assets and restricted components of net position show positive balances.

Condensed Statement of Net Position

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total School Division	
	2018	2017	2018	2017	2018	2017
		As restated				As restated
Current and other assets	\$ 541,110	\$ 464,935	162	327	541,272	465,262
Capital assets	1,496,855	1,449,348	8,876	9,058	1,505,731	1,458,406
Total assets	2,037,965	1,914,283	9,038	9,385	2,047,003	1,923,668
Pension and OPEB	140,581	162,863	-	-	140,581	162,863
Total deferred outflows of resources	140,581	162,863	-	-	140,581	162,863
Current liabilities	132,215	125,852	114	53	132,329	125,905
Long-term liabilities	1,033,701	1,154,073	-	-	1,033,701	1,154,073
Total liabilities	1,165,916	1,279,925	114	53	1,166,030	1,279,978
Pension and OPEB	100,368	30,881	-	-	100,368	30,881
Total deferred inflows of resources	100,368	30,881	-	-	100,368	30,881
Net position						
Investment in capital assets	1,496,855	1,449,348	8,876	9,058	1,505,731	1,458,406
Restricted	230,312	173,218	-	-	230,312	173,218
Unrestricted (deficit)	(814,905)	(856,226)	48	274	(814,857)	(855,952)
Total net position	\$ 912,262	\$ 766,340	8,924	9,332	921,186	775,672

Changes in Net Position

The change in net position in Governmental activities was \$145,922 compared to \$82,048 in FY 2017, or an increase of \$63,874. This increase was primarily due to a \$19,116 increase in State aid and an increase of \$48,145 from general revenue funding from the County. The increase of net position was offset partially by the increase of total expenditures in the amount of \$12,394.

The change in net position in Business-type activities was \$(408), compared to \$8,992 in FY 2017, or a decrease of \$9,400. This decrease was primarily due to the transfer in of cash, land, and buildings to the Aquatics Center to support its first year of operations in FY 2017.

Total revenues went up by \$67,190 for a 5.4% increase over FY 2017. This is primarily the result of the increase in general revenues from the County and the increase in State aid.

Changes in Net Position

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total School Division	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 24,614	\$ 24,413	1,048	822	25,662	25,235
Operating grants and contributions	164,272	164,137	-	-	164,272	164,137
Capital grants and contributions	123	119	-	-	123	119
General revenues:						
Federal	802	891	-	-	802	891
State	413,495	394,379	-	-	413,495	394,379
County	690,845	642,700	-	-	690,845	642,700
Unrestricted investment earnings	2,731	2,638	1	(4)	2,732	2,634
Miscellaneous revenues and other	4,754	5,400	-	-	4,754	5,400
Total revenues	1,301,636	1,234,677	1,049	818	1,302,685	1,235,495
Expenses						
Instruction:						
Regular	560,440	562,799	-	-	560,440	562,799
Special	119,230	115,150	-	-	119,230	115,150
Other	13,315	13,279	-	-	13,315	13,279
Instructional leadership	70,159	65,905	-	-	70,159	65,905
Support Services:						
General administration	10,029	12,185	-	-	10,029	12,185
Student services	15,356	16,267	-	-	15,356	16,267
Curricular/staff development	15,762	14,935	-	-	15,762	14,935
Pupil transportation	58,863	57,032	-	-	58,863	57,032
Operations	24,100	24,977	-	-	24,100	24,977
Utilities	22,822	23,030	-	-	22,822	23,030
Maintenance	40,971	42,245	-	-	40,971	42,245
Central business services	55,008	58,559	-	-	55,008	58,559
Reimbursement to County for debt	101,582	89,728	-	-	101,582	89,728
Food & nutrition services	45,631	44,879	-	-	45,631	44,879
Community service operations	1,514	1,441	-	-	1,514	1,441
Education Foundation	532	509	-	-	532	509
School Age Child Care	-	-	619	633	619	633
Aquatics Center	-	-	1,238	902	1,238	902
Total expenses	1,155,314	1,142,920	1,857	1,535	1,157,171	1,144,455
Change in net position before transfers	146,322	91,757	(808)	(717)	145,514	91,040
Transfers	(400)	(9,709)	400	9,709	-	-
Change in net position	145,922	82,048	(408)	8,992	145,514	91,040
Net position, beginning of year	766,340	851,469	9,332	340	775,672	851,809
Restatement of beginning net position	-	(167,177)	-	-	-	(167,177)
Net position, end of year	\$ 912,262	\$ 766,340	8,924	9,332	921,186	775,672

PWCS' revenue comes from the primary government (53.0% - the County), 31.8% from the State, .1% from the Federal government, 14.5% from program revenues (charges for services, operating, and capital grants and contributions), and .6% 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 2017 by \$43,052 or 51.1% while all other components of "county revenue" increased by \$5,093 or 0.9%. For FY 2018 there was a net 7.5% increase of all components of "county revenue" or \$48,145. This increase is primarily a function of the increase in County bond issuance in FY 2018.

State revenue increased \$19,116 or 4.8% compared to prior year due to both the increased student enrollment and the change in the State’s funding calculation, which increased several Standards of Quality (SOQ) allocations.

Federal revenue decreased \$89 or 10.0% due to a change in computation methodology, which reduced the percentage of actual expenditures allowed on the Medicaid administrative claims.

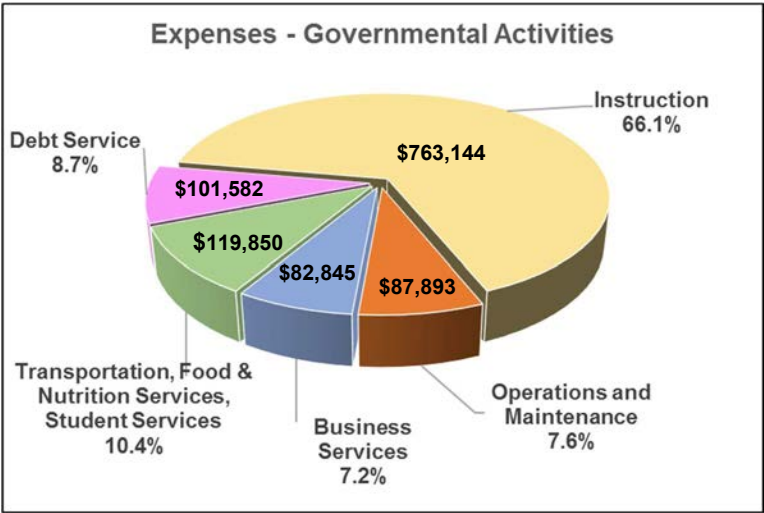
Business type activity revenue increased \$231 or 28.2%, primarily due to the increased revenue from aquatics center, including membership enrollment, facility utilization, activity registration, and daily admissions.

The total cost of all programs increased by 1.1% to \$1,157,171 in FY 2018. This increase is a function of the increase in the student population by 1.1% and related instructional needs, as well as a salary-step increase for eligible employees of 2.7% and other benefit costs.

Of the Division’s governmental activity expenses, 76.5% 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 7.2% of total costs while operations and maintenance amounted to 7.6% of total cost. Reimbursements to the County for debt service totaled 8.7% of FY 2018 costs. The Division’s business type activity expenses increased \$322 or 21.0%, mainly related to the growth of aquatics center business.

For the FY 2018, revenues exceeded expenses by \$145,514. A substantial portion of this excess is due to the increased revenue funding from the County due to the new bond issuance; the revenue increase in State aid and the increase in programs revenues, as well as 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

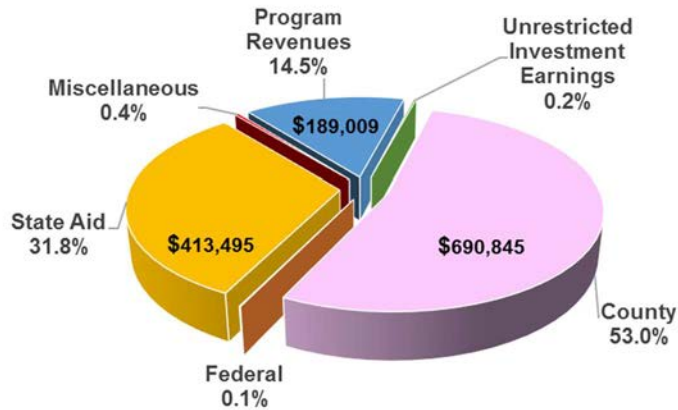


The two primary sources of revenue for the School Division are from the County and the State. Funding from the County is provided through a revenue sharing agreement whereby the School Division received 57.23% of general county revenue. The budget was developed based upon projected revenue for that year. 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 2019 related to additional recognized revenues from FY 2018 in the amount of \$6,915. Also, \$1,338 was needed to maintain the 7.5% of unassigned General Fund balance. This netted to an increase in revenue from FY 2018 in the amount of \$5,577.

Revenue by Source - Governmental Activities



State funding is provided through a formula that calculates the State share of the cost of education, as determined in the SOQ, including basic aid, categorical areas, and sales tax. State funding in FY 2018 increased as a result of the State funding its share of the SOQ cost of the additional 941 students in the School Division.

The FY 2018 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			Net Cost of Services		
	2018	2017	Percent Change	2018	2017	Percent Change
Instruction						
Regular	\$ 560,440	\$ 562,799	-0.4%	500,083	502,304	-0.4%
Special	119,230	115,150	3.5%	54,974	49,669	10.7%
Other	13,315	13,279	0.3%	854	1,409	-39.4%
Instructional leadership	70,159	65,905	6.5%	70,159	65,905	6.5%
Total instruction	<u>763,144</u>	<u>757,133</u>	<u>0.8%</u>	<u>626,070</u>	<u>619,287</u>	<u>1.1%</u>
Support services						
General administration	10,029	12,185	-17.7%	10,029	12,185	-17.7%
Student services	15,356	16,267	-5.6%	15,008	15,721	-4.5%
Curricular/staff development	15,762	14,935	5.5%	15,687	14,814	5.9%
Pupil transportation	58,863	57,032	3.2%	58,785	56,923	3.3%
Operations	24,100	24,977	-3.5%	23,777	24,651	-3.5%
Utilities	22,822	23,030	-0.9%	22,822	23,029	-0.9%
Maintenance	40,971	42,245	-3.0%	40,971	42,245	-3.0%
Central business services	55,008	58,559	-6.1%	54,116	58,118	-6.9%
Reimbursement to County for debt service	101,582	89,728	13.2%	101,582	89,728	13.2%
Food & nutrition services	45,631	44,879	1.7%	(3,036)	(2,846)	6.7%
Community service operations	1,514	1,441	5.1%	(38)	(113)	-66.4%
Education Foundation	532	509	4.5%	532	509	4.5%
Total support services	<u>392,170</u>	<u>385,787</u>	<u>1.7%</u>	<u>340,235</u>	<u>334,964</u>	<u>1.6%</u>
Total expenses	<u>\$ 1,155,314</u>	<u>\$ 1,142,920</u>	<u>1.1%</u>	<u>966,305</u>	<u>954,251</u>	<u>1.3%</u>

- The cost of all governmental activities was \$1,155,314.
- The net cost of governmental activities was \$966,305.
- The amount the citizens of Prince William County paid for these activities through County taxes was \$563,579. Additional revenue from the County consisted of bond sales in the amount of \$127,266.
- The State contributed general revenue of \$413,495.
- The Federal Government contributed general revenue of \$802.
- Some of the other costs were paid for by:
 - Users who benefited from the programs: \$24,614;
 - Total Grants and Contributions: \$164,395;
 - Other payments: \$7,485.
- There are significant activity changes in the net cost of services:
 - Other instruction net costs decreased significantly primarily due to the increased Federal funding of Preschool and Head Start grants as we expand our preschool programs.
 - General administration net costs went down in FY 2018 due to the reduction of payments related to cable franchise tax, as well as the retirement of several reimbursable grants.
 - Reimbursement to County for debt service costs increased due to increased interest expense, bond issuance fees and other debt charges.

Business-type Activities

Revenues of the School Division's business-type activities increased 28.2% to \$1,049, and expenses increased 21.0% to \$1,857. Both revenue and expense increases are mainly attributable to the operation of the Aquatics Center, which just completed its second year in business and continued to develop services to increase the revenues.

Financial Analysis of the Division's Funds

Information about PWCS' major funds begins on page 34. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of \$1,303,361 and expenditures of \$1,234,875. The increase of \$68,486 in fund balance was most significant in the Construction Fund amounting to an increase of \$50,313. This increase is primarily due to an increase in the payment from the County for the proceeds from the sale of bonds. Also attributing to the increased fund balance was the decline of expenses in construction of capital projects.

The General Fund net increase in fund balance of \$13,879 mainly resulted from increase in State and County revenues. The increases in State revenue are a result of increased student enrollment of 941 and the opening of one new school. The increases in funding from the County are a result of increased County tax revenues, as well as a decrease in transfer to the Construction Fund in comparison to FY 2017. The increase in fund balance in the Food & Nutrition Services Fund of \$2,841 is primarily attributable to increased Federal revenues related to the School Breakfast and Lunch programs and USDA commodities.

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 2018, PWCS amended its General Fund budget as follows:

- Amended appropriation of \$8,330 to reflect the carryover of encumbrances from FY 2017 to FY 2018.
- Supplemental appropriations totaled \$13,248; of which \$9,746 related to the carryover of unencumbered FY 2017 budget and appropriations, a \$3,502 increase in Federal, State and local grants.

PWCS' final budget for the General Fund anticipated that expenditures, including transfers, would exceed revenues

by roughly \$28,267. The actual results for the year show revenues exceeded expenditures by \$13,879. The key factor contributing to the significant changes in revenues/appropriations from the final budgeted amounts include:

- Utility expenditures were \$4,137 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 \$3,499.

Capital Assets

At the end of FY 2018, PWCS had \$1,496,855 invested in buildings, land, equipment, vehicles, construction-in-progress, etc. in governmental-type activities. In FY 2017, PWCS purchased information technology system equipment through a capital lease agreement, in an amount of \$470.

At the end of FY 2018, PWCS had \$8,876 invested in land and buildings in business-type activities. The Aquatics Center recorded land in the amount of \$114 and buildings and improvements in the amount of \$8,762, net of depreciation, at the end of the year.

The following table shows FY 2018 balances, net of accumulated depreciation/amortization. Readers interested in more detailed information on capital assets should refer to the Capital assets note in the Notes to the Financial Statements.

Capital Assets (net of accumulated depreciation) (amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total School Division	
	2018	2017	2018	2017	2018	2017
Land	\$ 94,728	\$ 95,450	114	114	94,842	95,564
Construction in progress	33,065	46,108	-	-	33,065	46,108
Depreciable/amortizable capital assets	1,369,062	1,307,790	8,762	8,944	1,377,824	1,316,734
Total	\$ 1,496,855	\$ 1,449,348	8,876	9,058	1,505,731	1,458,406

Major capital asset additions for FY 2018 included:

- Completed construction of one new school/building:
 - Alternative Education Facility (Independence Non-Traditional School).
- Continued construction of three new schools:
 - 13th High School;
 - Potomac Shores Middle School;
 - ES East-PW Pkwy ES Site.
- Completed major renovations, additions, replacements at:
 - Pattie Elementary School;
 - River Oaks Elementary School;
 - Benton Middle School;
 - Saunders Middle School;
 - Lake Ridge Middle School;
- Continued major renovations, additions, replacements or renewals at:
 - Minnieville Elementary School;
 - Lake Ridge Elementary School;

- Springwoods Elementary School;
- Stonewall Middle School.
- Purchased 18 school buses and 4 trucks.
- Replaced 98 school buses, 11 trucks, and 22 cars.

The following major capital projects are included in PWCS' FY 2019 capital budget:

- Construction of PW Parkway Elementary School and Western Transportation Facility;
- Major renovations/additions at Antietam Elementary School, Lake Ridge Middle School, Springwoods Elementary School, Leesylvania Elementary School, Minnieville Elementary School, Stonewall Middle School, Marshall Elementary School, Montclair Elementary School and Old Bridge Elementary School.
- Acquisition funds for 14th High School.
- Washington-Reid building conversion to a preschool center.

Funding for the FY 2019 capital projects includes a general fund transfer of \$24,007 and \$121,112 to be financed in the future 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, 2018, the County is liable for \$865,535 in general obligation bonds and other long-term debt outstanding to support school capital projects. During FY 2018, outstanding long-term debt increased by a net \$50,340 consisting of:

- \$65,555 in debt principal retired during the fiscal year.
- \$115,895 in new debt issued during FY 2018 through the sale of general obligation bonds to the VPSA:
 - In addition, a bond premium of \$11,371 was realized on the sale of the VPSA bonds, bringing the total bonds available from the sale to \$127,266.

PWCS had a lease agreement as lessee for financing the acquisition of the information technology system valued at \$470. At June 30, 2018, the long-term obligations on this capital lease was \$157.

The Approved School Board budget for FY 2019 provides funding of \$107,730 to support the payment of debt service by the County. The budgeted sale of \$121,112 in new bonds during FY 2019 is to support school capital projects, as detailed in the FY 2019 – 2028 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 School Division	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds *	\$ 865,535	\$ 815,195	-	-	865,535	815,195
Capital Leases	313	313	-	-	313	313
Total	\$ 865,848	\$ 815,508	-	-	865,848	815,508

*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 2019 budget provides funding for the following significant costs:

- Funding for current programs to support an approximate increase of 418 students;
- Funding to support the capital projects included in the FY 2019 – 2028 CIP;
- A salary scale adjustment of 2.7% to School Division employees;
- An overall increase of 6.6% 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 impact financial health in the future:

- Prince William County Public Schools participates in the Northern Virginia Regional Special Education Program (NVSRP). The NVSRP is a collaborative program through which students with low-incidence special needs receive educational services. Permanent participants of NVSRP include Prince William County, Manassas City, and Manassas Park City. Other Virginia localities also participate in the program on an as-needed basis. A portion of the funding to support NVSRP service costs is provided by the state. To be eligible for state funding, each participating locality must submit an annual rate package, which details related costs associated to educating and servicing low-incidence special needs students. The state funds that participating localities receive is then used to assist in tuition payments, further supporting the NVSRP programs. PWCS currently receives just under 30% of all state revenues allocated to the eleven Virginia localities participating in the NVSRP state-wide. Total funding state-wide has surpassed \$100 million.

In recent years there has been pressure to provide all school divisions in Virginia access to this funding pool. While the details have not been finalized, it is highly likely that as the state allows all Virginia localities access to the NVSRP support funding, the amount of funds allocated to PWCS will be reduced. The current expectation is that the Division will lose revenue associated to these students amounting to as much as \$15 million to \$19 million over the next three to five fiscal years. The FY 2018 reduction of the NVSRP revenue stream for PWCS amounted to \$4.0 million. In FY 2019 (and future years) the number of PWCS students serviced by the NVSRP will be reduced. One result of the declining student population served by

the NVRSP will be that these students will then be included in the PWCS Standards of Quality (SOQ) student counts. Subsequently, increased SOQ funding for PWCS will be generated as the NVRSP funding is being reduced. The Division expects that the increase of SOQ funding will help off-set the reduction of state NVRSP support, resulting in a net revenue loss of \$3.0 million per year. PWCS staff are currently working with Virginia Department of Education (VDOE) to more precisely identify these numbers and will continue to monitor developments regarding this revenue stream.

- PWCS experiences an increase in student enrollment each fiscal year. The precise rate of student enrollment growth has fluctuated significantly in recent years. While unsurpassed student growth occurred during the years FY 2011 and FY 2012, at 2,459 and 2,520 additional students per year, respectively, the following four years saw enrollment growth decelerate. The average increase in student enrollment between FY 2013 and FY 2016 was 1405 students per year. In FY 2017, PWCS enrollment growth rebounded with a total of 1,667 additional students. FY 2018 enrollment was much lower than projected, with 941 additional students enrolled over the prior year. FY 2019 enrollment growth is again experiencing a reduced growth rate compared to the prior year. The forecast for FY 2019 student enrollment was 91,054, an expected growth of 1,193 students. The actual enrollment at September 30th, 2018 (FY 2019) was 90,203, an increase of 342 students over FY 2018. The average annual growth rate in PWCS student population over the last five fiscal years is 1.18%.
- PWCS student membership on September 30, 2018 (FY 2019) was 90,203. This represents an increase of 342 students over FY 2018 student membership, and an overall growth rate of 0.4%. The FY 2019 Approved Budget was formulated with a projected total student membership of 91,054. The lower than projected student enrollment for FY 2019 translates to an estimated net decrease in operation cost of \$4,486.
- PWCS continues to experience enrollment growth, and as a result, continues to build new schools. To keep with the needs of a growing student population, the Division's five-year (financial) plan (FY 2019 to FY 2023) includes the construction of 4 new schools as well as additions and expansions made to 8 existing schools.
- The fluctuating enrollment growth patterns experienced by PWCS over the past several years poses a challenge in the ability to predict the exact growth in enrollment year to year. The current trend of actual enrollment growth rates below forecasted enrollment growth rates, if continued, may impact the Division's capital planning efforts. A slowed enrollment growth rate may result in reduced pressure on the Division to build new schools and expand existing facilities. Although enrollment growth may be softening, the overcrowding of PWCS classrooms remains a critical issue. Capacity issues exist at all levels and in all areas of the county. Efforts to help alleviate crowding include the current placement of over 200 modular classrooms, or learning cottages, on school properties across the Division. Reducing the number of necessary modular classrooms throughout the Division remains a priority and will continue to have impact on the Division's capital planning efforts.
- Regardless of exact student enrollment growth rates, the student demographics in PWCS will continue to evolve in the coming years. PWCS is proud to serve a diverse and ever-changing student population. Changes in student demographics will increase the number of students requiring additional educational services, which in turn increases Division expenditures to meet those needs. Increases in populations of students whose primary language is not English and students with special needs, for example, significantly increase Division operating costs.
- For the fiscal years 2019 and 2020, fund balance will be supporting the General Fund budgets to the extent of \$26.4 million and \$23.6 million, respectively. This is approximately 2.2% to 1.9% of the General Fund budgets for the respective years.
- FY 2019 will be the first year of the 2018-2020 biennial budget process for the Commonwealth of Virginia. The PWCS budget for FY 2019 may be impacted by significant state budgetary changes to include:

- Revisions to locality benchmarking which may result in increased funding to the Division due to an increase in the costs to operate schools;
 - Updates to student enrollment projections;
 - Continued updating of rates for the VRS;
 - Changes made to the composite index of local ability to pay.
- The General Assembly approved a Virginia Retirement System (VRS) teacher retirement employee contribution rate of 15.68% for FY 2019, down from 16.32% in FY 2018.
- PWCS' local composite index (LCI) went from .3787 for the 2012-2014 biennium to .3822 for the 2014-2016 biennium and to .3848 for the 2016-2018 biennium. For the 2018-2020 biennium, the LCI for PWCS decreased to 0.3783. This amounts to a relative increase in funding to PWCS of approximately \$3.5 million. The LCI ties to real estate values and the county has seen dramatic decreases in values in the past relative to the rest of the state. Residential property values in Prince William County have stabilized and have begun to increase. As a result, the LCI for PWCS will most likely increase in the future, resulting in decreased funding in the state formula.
- 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 FY 2012. In FY 2013 the rate was increased to \$1.209, decreased to \$1.181 in FY 2014, \$1.148 in FY 2015, \$1.122 in FY 2016, and for FY 2017 the rate remained at \$1.122 per \$100. The fiscal year 2018 rate was \$1.125, and fiscal year 2019 will held flat at \$1.125.
- In FY 2016, the Board of County Supervisors (BOCS), in a cooperative agreement with the Prince William County School Board, established a five-year 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 FY 2019, the School Division will continue to budget an additional teacher at the 10th, 11th, and 12th grades at each high school and 8th grade at each middle school. The total funding focused on class size reduction associated to this grant will amount to a total of \$2.0 million in FY 2019.
- Apart from the previously mentioned reductions of state revenue, FY 2019 revenues are currently on target to meet projections. However, many factors such as the continued impact of changes in the local economy, the value of residential real estate, and the value of commercial real estate, translate to a revenue picture for FY 2019 that remains somewhat uncertain for the coming year. PWCS staff will continue to monitor revenue streams closely for trends that may impact the financial health of the Division.

Contacting the Prince William County Public Schools' Financial Management

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

Basic Financial Statements

(This page intentionally left blank)

	School Division				
	Governmental Activities	Business-Type Activities	Total School Division	Component Unit	Total Reporting Entity
ASSETS					
Equity in cash and pooled investments	\$ 310,432,772	1,512	310,434,284	155,982	310,590,266
Accounts receivable and other current assets	3,797,508	160,179	3,957,687	38,697	3,996,384
Due from other governmental units	26,019,358	-	26,019,358	-	26,019,358
Due from other funds	59,428	-	59,428	-	59,428
Inventory	4,736,343	515	4,736,858	318,375	5,055,233
Prepaid asset	-	-	-	4,274	4,274
Restricted assets:					
Restricted cash	196,064,500	-	196,064,500	1,242,900	197,307,400
Capital assets:					
Land	94,728,109	114,013	94,842,122	-	94,842,122
Construction in progress	33,065,590	-	33,065,590	-	33,065,590
Depreciable/amortizable capital assets	1,907,458,007	9,095,044	1,916,553,051	-	1,916,553,051
Less: accumulated depreciation/amortization	(538,396,337)	(333,235)	(538,729,572)	-	(538,729,572)
Total assets	2,037,965,278	9,038,028	2,047,003,306	1,760,228	2,048,763,534
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to Pension and OPEB	140,580,656	-	140,580,656	-	140,580,656
Total deferred outflows of resources	140,580,656	-	140,580,656	-	140,580,656
LIABILITIES					
Accounts payable and accrued liabilities	15,604,904	4,234	15,609,138	18,033	15,627,171
Salaries payable and withholdings	101,901,652	18,878	101,920,530	-	101,920,530
Due to other funds	-	59,428	59,428	-	59,428
Retainage	2,576,514	-	2,576,514	-	2,576,514
Unearned revenue	12,132,598	31,744	12,164,342	703,280	12,867,622
Long-term liabilities:					
Due within one year	22,836,708	-	22,836,708	-	22,836,708
Due in more than one year	26,463,014	-	26,463,014	-	26,463,014
Net pension liabilities	814,142,000	-	814,142,000	-	814,142,000
Net OPEB liabilities	170,259,095	-	170,259,095	-	170,259,095
Total liabilities	1,165,916,485	114,284	1,166,030,769	721,313	1,166,752,082
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to Pension and OPEB	100,367,617	-	100,367,617	-	100,367,617
Total deferred inflows of resources	100,367,617	-	100,367,617	-	100,367,617
NET POSITION					
Net investment in capital assets	1,496,855,369	8,875,822	1,505,731,191	-	1,505,731,191
Restricted for:					
Capital projects	193,540,334	-	193,540,334	-	193,540,334
Food & nutrition services	30,208,469	-	30,208,469	-	30,208,469
Grant programs	6,562,869	-	6,562,869	-	6,562,869
Education foundation	-	-	-	895,155	895,155
Unrestricted (deficit)	(814,905,209)	47,922	(814,857,287)	143,760	(814,713,527)
Total net position	\$ 912,261,832	8,923,744	921,185,576	1,038,915	922,224,491

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Division:				
Governmental activities:				
Instruction:				
Regular	\$ 560,440,457	1,737,556	58,496,752	123,055
Special	119,229,874	115,239	64,140,426	-
Other	13,824,531	1,563,337	10,896,854	-
Instructional leadership	70,158,993	-	-	-
Total instruction	763,653,855	3,416,132	133,534,032	123,055
Support services:				
General administration	10,028,954	-	-	-
Student services	15,355,899	-	347,718	-
Curricular/staff development	15,762,494	-	75,785	-
Pupil transportation	58,862,763	77,706	-	-
Operations	24,100,005	322,642	-	-
Utilities	22,821,529	-	-	-
Maintenance	40,461,252	-	-	-
Central business services	55,008,341	830,769	61,600	-
Reimbursement to County for debt service	101,582,251	-	-	-
Food & nutrition services	45,630,847	18,414,587	30,252,218	-
Community service operations	1,513,883	1,552,332	-	-
Education Foundation	531,919	-	-	-
Total support services	391,660,137	21,198,036	30,737,321	-
Total governmental activities	1,155,313,992	24,614,168	164,271,353	123,055
Business-type activities:				
School Age Child Care	618,992	537,500	-	-
Aquatics Center	1,237,977	510,038	-	-
Total business-type activities	1,856,969	1,047,538	-	-
Total school division	1,157,170,961	25,661,706	164,271,353	123,055
Component unit:				
Education Foundation	6,620,653	-	6,403,602	-
Total component unit	\$ 6,620,653	-	6,403,602	-

General revenues:
Grants and contributions not restricted to specific programs:
 Federal
 State
 County
Unrestricted investment earnings
Revenue from school division
Miscellaneous revenues
Transfer
Total general revenues and transfers

Change in net position

Net position, beginning of year
Restatement of beginning net position
Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position					
School Division					Functions/Programs
Governmental Activities	Business - type Activities	Total School Division	Component Unit	Total Reporting Entity	
					School Division:
					Governmental activities:
(500,083,094)	-	(500,083,094)	-	(500,083,094)	Instruction:
(54,974,209)	-	(54,974,209)	-	(54,974,209)	Regular
(1,364,340)	-	(1,364,340)	-	(1,364,340)	Special
(70,158,993)	-	(70,158,993)	-	(70,158,993)	Other
(626,580,636)	-	(626,580,636)	-	(626,580,636)	Instructional leadership
					Total instruction
					Support services:
(10,028,954)	-	(10,028,954)	-	(10,028,954)	General administration
(15,008,181)	-	(15,008,181)	-	(15,008,181)	Student services
(15,686,709)	-	(15,686,709)	-	(15,686,709)	Curricular/staff development
(58,785,057)	-	(58,785,057)	-	(58,785,057)	Pupil transportation
(23,777,363)	-	(23,777,363)	-	(23,777,363)	Operations
(22,821,529)	-	(22,821,529)	-	(22,821,529)	Utilities
(40,461,252)	-	(40,461,252)	-	(40,461,252)	Maintenance
(54,115,972)	-	(54,115,972)	-	(54,115,972)	Central business services
(101,582,251)	-	(101,582,251)	-	(101,582,251)	Reimbursement to County for debt service
3,035,958	-	3,035,958	-	3,035,958	Food & nutrition services
38,449	-	38,449	-	38,449	Community service operations
(531,919)	-	(531,919)	-	(531,919)	Education Foundation
(339,724,780)	-	(339,724,780)	-	(339,724,780)	Total support services
(966,305,416)	-	(966,305,416)	-	(966,305,416)	Total governmental activities
					Business-type activities:
-	(81,492)	(81,492)	-	(81,492)	School Age Child Care
-	(727,939)	(727,939)	-	(727,939)	Aquatics Center
-	(809,431)	(809,431)	-	(809,431)	Total business-type activities
(966,305,416)	(809,431)	(967,114,847)	-	(967,114,847)	Total school division
					Component unit:
-	-	-	(217,051)	(217,051)	Education Foundation
-	-	-	(217,051)	(217,051)	Total component unit
					General revenues:
					Grants and contributions not restricted to specific programs:
802,261	-	802,261	-	802,261	Federal
413,495,311	-	413,495,311	-	413,495,311	State
690,844,810	-	690,844,810	-	690,844,810	County
2,730,978	993	2,731,971	2,216	2,734,187	Unrestricted investment earnings
-	-	-	531,919	531,919	Revenue from school division
4,753,285	-	4,753,285	-	4,753,285	Miscellaneous revenues
(400,000)	400,000	-	-	-	Transfer
1,112,226,645	400,993	1,112,627,638	534,135	1,113,161,773	Total general revenues and transfers
145,921,229	(408,438)	145,512,791	317,084	145,829,875	Change in net position
933,517,214	9,332,182	942,849,396	721,831	943,571,227	Net position, beginning of year
(167,176,611)	-	(167,176,611)	-	(167,176,611)	Restatement of beginning net position
<u>\$ 912,261,832</u>	<u>8,923,744</u>	<u>921,185,576</u>	<u>1,038,915</u>	<u>922,224,491</u>	Net position, end of year

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, 2018

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	\$ 198,770,925	24,284,930	31,598,399	3,373,908	258,028,162
Restricted cash	-	196,064,500	-	-	196,064,500
Accounts receivable	539,347	252,634	456,815	92,772	1,341,568
Due from other funds	793,095	-	-	-	793,095
Due from other governmental units	25,256,662	-	762,696	-	26,019,358
Inventory	1,638,848	-	1,696,151	-	3,334,999
Total assets	<u>226,998,877</u>	<u>220,602,064</u>	<u>34,514,061</u>	<u>3,466,680</u>	<u>485,581,682</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES and FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	6,221,047	4,179,815	334,112	4,641	10,739,615
Salaries payable and withholdings	101,228,117	36,136	598,547	38,131	101,900,931
Retainage payable	-	2,576,514	-	-	2,576,514
Unearned revenue	1,581,745	-	1,676,782	4,057	3,262,584
Total liabilities	<u>109,030,909</u>	<u>6,792,465</u>	<u>2,609,441</u>	<u>46,829</u>	<u>118,479,644</u>
Deferred Inflows of Resources:					
County support	5,577,167	-	-	-	5,577,167
Total deferred inflows of resources	<u>5,577,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,577,167</u>
Fund Balances:					
Nonspendable:					
Inventory	1,638,848	-	1,696,151	-	3,334,999
Restricted:					
Regular instruction	2,276,702	-	-	-	2,276,702
Special instruction	963,640	-	-	-	963,640
Other instruction	221,503	-	-	-	221,503
General administration	157,921	-	-	-	157,921
Curricular/staff development	21,049	-	-	-	21,049
Student services	263,020	-	-	-	263,020
Central business services	2,659,034	-	-	-	2,659,034
Food & nutrition services	-	-	30,208,469	-	30,208,469
Capital outlay	-	193,540,334	-	-	193,540,334
Committed:					
Community service operations	-	-	-	3,419,851	3,419,851
Assigned:					
Regular instruction	34,051,157	-	-	-	34,051,157
Special instruction	9,514,515	-	-	-	9,514,515
Other instruction	577,878	-	-	-	577,878
Instructional leadership	3,863,242	-	-	-	3,863,242
General administration	1,281,976	-	-	-	1,281,976
Student services	1,110,013	-	-	-	1,110,013
Curricular/staff development	1,223,849	-	-	-	1,223,849
Pupil transportation	14,841,070	-	-	-	14,841,070
Operations	1,236,128	-	-	-	1,236,128
Utilities	3,671,587	-	-	-	3,671,587
Maintenance	3,143,763	-	-	-	3,143,763
Central business services	14,414,891	-	-	-	14,414,891
Capital outlay	-	20,269,265	-	-	20,269,265
Unassigned	15,259,015	-	-	-	15,259,015
Total fund balances	<u>112,390,801</u>	<u>213,809,599</u>	<u>31,904,620</u>	<u>3,419,851</u>	<u>361,524,871</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 226,998,877</u>	<u>220,602,064</u>	<u>34,514,061</u>	<u>3,466,680</u>	<u>485,581,682</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, 2018

Exhibit 4

Total fund balances - governmental funds **\$ 361,524,871**

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	\$ 94,728,109	
Construction in progress	33,065,590	
Buildings and improvements	1,743,855,204	
Library books	3,465,683	
Equipment	47,919,542	
Vehicles	106,377,146	
Software	<u>5,840,432</u>	
Total capital assets	2,035,251,706	
Accumulated depreciation/amortization	<u>(538,396,337)</u>	1,496,855,369

Deferred inflows of resources are not available to pay for current-period expenditures		
Net difference in pension investment earnings		(93,392,000)
OPEB		(6,975,617)

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.	5,577,167
--	-----------

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	(33,051,588)	
Net pension liability	(814,142,000)	
Pension	123,376,000	
Net OPEB liability	(170,259,095)	
OPEB	17,204,656	
Capital lease	(313,242)	
Pollution remediation	<u>(493,166)</u>	(877,678,435)

Net Position of internal service funds.	<u>26,350,477</u>
---	-------------------

Net position - governmental activities	<u>\$ 912,261,832</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 Balances
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 5

	General Fund	Construction Fund	Food & Nutrition Services Fund	Other Non-major Governmental Fund	Total Governmental Funds
REVENUES:					
Use of money and property:					
Use of money - interest	\$ 2,565,155	1,697,910	64,079	11,305	4,338,449
Use of property	-	-	-	1,122,710	1,122,710
Charges for services	5,319,228	-	18,410,101	429,622	24,158,951
Intergovernmental:					
Federal	41,289,977	-	28,416,537	-	69,706,514
State	506,397,352	-	1,074,050	-	507,471,402
County	557,497,028	133,466,288	-	-	690,963,316
Miscellaneous	3,412,216	1,411,667	775,973	-	5,599,856
Total revenues	<u>1,116,480,956</u>	<u>136,575,865</u>	<u>48,740,740</u>	<u>1,563,637</u>	<u>1,303,361,198</u>
EXPENDITURES:					
Current:					
Regular instruction	540,176,092	6,452,362	-	-	546,628,454
Special instruction	123,051,338	-	-	-	123,051,338
Other instruction	13,674,296	-	-	-	13,674,296
Instructional leadership	70,158,993	-	-	-	70,158,993
General administration	10,394,633	-	-	-	10,394,633
Student services	17,298,227	-	-	-	17,298,227
Curricular/staff development	16,314,198	-	-	-	16,314,198
Pupil transportation	65,507,883	-	-	-	65,507,883
Operations	25,433,368	-	-	-	25,433,368
Utilities	23,460,787	-	-	-	23,460,787
Maintenance	27,902,790	12,689,490	-	-	40,592,280
Central business services	56,484,494	-	-	-	56,484,494
Community service operations	-	-	-	1,513,883	1,513,883
Food & nutrition services	-	-	45,570,157	-	45,570,157
Capital outlay:	-	77,209,524	-	-	77,209,524
Intergovernmental:					
Reimbursement to the County for debt service	101,582,251	-	-	-	101,582,251
Total expenditures	<u>1,091,439,350</u>	<u>96,351,376</u>	<u>45,570,157</u>	<u>1,513,883</u>	<u>1,234,874,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,041,606</u>	<u>40,224,489</u>	<u>3,170,583</u>	<u>49,754</u>	<u>68,486,432</u>
OTHER FINANCING SOURCES (USES):					
Transfers In:					
General fund	-	11,388,640	-	4,175	11,392,815
Construction fund	1,630,521	-	-	-	1,630,521
Food & nutrition service fund	-	330,000	-	-	330,000
Transfers Out:					
General fund	-	(1,630,521)	-	-	(1,630,521)
Construction fund	(11,388,640)	-	(330,000)	-	(11,718,640)
Health insurance fund	(1,000,000)	-	-	-	(1,000,000)
Aquatics center fund	(400,000)	-	-	-	(400,000)
Facilities use fund	(4,175)	-	-	-	(4,175)
Total other financing sources (uses), net	<u>(11,162,294)</u>	<u>10,088,119</u>	<u>(330,000)</u>	<u>4,175</u>	<u>(1,400,000)</u>
Net change in fund balances	13,879,312	50,312,608	2,840,583	53,929	67,086,432
FUND BALANCES, beginning of year	<u>98,511,489</u>	<u>163,496,991</u>	<u>29,064,037</u>	<u>3,365,922</u>	<u>294,438,439</u>
FUND BALANCES, end of year	<u>\$ 112,390,801</u>	<u>213,809,599</u>	<u>31,904,620</u>	<u>3,419,851</u>	<u>361,524,871</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, 2018

Exhibit 6

Total net change in fund balances - total governmental funds		\$ 67,086,432
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.		(1,725,977)
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	\$ 95,856,205	
Depreciation/amortization expense	<u>(45,058,567)</u>	50,797,638
The net effect of various transactions including disposal of capital assets.		(758,683)
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:		
Compensated absences		329,631
Other postemployment benefits		2,817,968
Pension expenses		23,920,000
Pollution remediation		(312,207)
Activities of Internal Service Funds that serve governmental activities.		<u>3,766,427</u>
Change in net position of governmental activities		<u>\$ 145,921,229</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, 2018

Exhibit 7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 2,562,579	2,562,579	2,565,155	2,576
Charges for services	3,399,048	4,413,890	5,319,228	905,338
Intergovernmental:				
Federal	41,764,113	40,991,711	41,289,977	298,266
State	513,590,678	513,722,276	506,397,352	(7,324,924)
County	552,126,518	553,807,557	557,497,028	3,689,471
Miscellaneous	1,664,356	2,875,935	3,412,216	536,281
Total revenues	<u>1,115,107,292</u>	<u>1,118,373,948</u>	<u>1,116,480,956</u>	<u>(1,892,992)</u>
EXPENDITURES:				
Current:				
Regular instruction	575,942,076	559,309,378	540,176,092	19,133,286
Special instruction	123,669,790	126,435,853	123,051,338	3,384,515
Other instruction	14,567,394	13,903,274	13,674,296	228,978
Instructional leadership	74,402,981	72,667,360	70,158,993	2,508,367
General administration	10,136,001	10,673,690	10,394,633	279,057
Student services	16,711,954	16,947,425	17,298,227	(350,802)
Curricular/staff development	15,255,750	17,270,695	16,314,198	956,497
Pupil transportation	67,159,089	67,422,361	65,507,883	1,914,478
Operations	23,772,230	24,117,512	25,433,368	(1,315,856)
Utilities	31,096,762	27,597,924	23,460,787	4,137,137
Maintenance	33,776,303	30,040,305	27,902,790	2,137,515
Central business services	60,252,544	68,613,226	56,484,494	12,128,732
Intergovernmental:				
Reimbursement to the County for debt service	101,045,974	101,045,974	101,582,251	(536,277)
Total expenditures	<u>1,147,788,848</u>	<u>1,136,044,977</u>	<u>1,091,439,350</u>	<u>44,605,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,681,556)</u>	<u>(17,671,029)</u>	<u>25,041,606</u>	<u>42,712,635</u>
OTHER FINANCING SOURCES (USES):				
Transfers In:				
Construction fund	2,200,000	2,200,000	1,630,521	(569,479)
Transfers Out:				
Construction fund	(8,161,000)	(11,388,640)	(11,388,640)	-
Health Insurance fund	(1,000,000)	(1,000,000)	(1,000,000)	-
Aquatics center fund	(400,000)	(400,000)	(400,000)	-
Facility use fund	-	(6,891)	(4,175)	2,716
Total other financing sources (uses), net	<u>(7,361,000)</u>	<u>(10,595,531)</u>	<u>(11,162,294)</u>	<u>(566,763)</u>
Net change in fund balance	<u>(40,042,556)</u>	<u>(28,266,560)</u>	<u>13,879,312</u>	<u>42,145,872</u>
FUND BALANCE, beginning of year	<u>98,511,489</u>	<u>98,511,489</u>	<u>98,511,489</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 58,468,933</u>	<u>70,244,929</u>	<u>112,390,801</u>	<u>42,145,872</u>

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

Prince William County Public Schools

Exhibit 8

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Food & Nutrition Services Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ 112,500	112,500	64,079	(48,421)
Charges for services	19,372,244	19,372,244	18,410,101	(962,143)
Intergovernmental:				
Federal	27,640,226	27,640,226	28,416,537	776,311
State	870,892	870,892	1,074,050	203,158
Miscellaneous	800,850	800,850	775,973	(24,877)
Total revenues	<u>48,796,712</u>	<u>48,796,712</u>	<u>48,740,740</u>	<u>(55,972)</u>
EXPENDITURES:				
Current:				
Food & nutrition services	<u>52,503,696</u>	<u>49,415,647</u>	<u>45,570,157</u>	<u>3,845,490</u>
Total expenditures	<u>52,503,696</u>	<u>49,415,647</u>	<u>45,570,157</u>	<u>3,845,490</u>
Excess (deficiency) of revenues over (under) expenditures	(3,706,984)	(618,935)	3,170,583	3,789,518
OTHER FINANCING (USES):				
Transfers Out:				
Construction fund	<u>(330,000)</u>	<u>(330,000)</u>	<u>(330,000)</u>	<u>-</u>
Total other financing (uses), net	<u>(330,000)</u>	<u>(330,000)</u>	<u>(330,000)</u>	<u>-</u>
Net change in fund balances	(4,036,984)	(948,935)	2,840,583	3,789,518
FUND BALANCES, beginning of year	29,064,037	29,064,037	29,064,037	-
FUND BALANCES, end of year	<u>\$ 25,027,053</u>	<u>28,115,102</u>	<u>31,904,620</u>	<u>3,789,518</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, 2018

Exhibit 9

	Business-type Activities - Enterprise Fund			Governmental Activities -
	School Age Child Care	Aquatics Center	Total	Internal Service Funds
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ 1,512	-	1,512	52,404,610
Accounts receivable and other current assets	137,686	22,493	160,179	2,455,940
Inventory	-	515	515	1,401,344
Total current assets	139,198	23,008	162,206	56,261,894
Noncurrent assets:				
Nondepreciable capital assets:				
Land	-	114,013	114,013	-
Depreciable capital assets:				
Buildings	-	9,095,044	9,095,044	-
Less: accumulated depreciation	-	(333,235)	(333,235)	-
Total noncurrent assets	-	8,875,822	8,875,822	-
Total assets	139,198	8,898,830	9,038,028	56,261,894
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	244	3,990	4,234	4,865,289
Salaries payable and withholdings	337	18,541	18,878	721
Unearned revenue	-	31,744	31,744	8,870,014
Due to other funds	-	59,428	59,428	733,667
Incurred but not reported claims	-	-	-	10,903,691
Total current liabilities	581	113,703	114,284	25,373,382
Noncurrent liabilities:				
Incurred but not reported claims	-	-	-	4,538,035
Total liabilities	581	113,703	114,284	29,911,417
NET POSITION				
Net investment in capital assets	-	8,875,822	8,875,822	-
Unrestricted	138,617	(90,695)	47,922	26,350,477
Total net position	\$ 138,617	8,785,127	8,923,744	26,350,477

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, 2018

Exhibit 10

	Business-type Activities - Enterprise Fund			Governmental Activities -
	School Age Child Care	Aquatics Center	Total	Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 537,500	510,038	1,047,538	108,874,858
Total operating revenues	537,500	510,038	1,047,538	108,874,858
OPERATING EXPENSES:				
Personnel services	460,799	751,270	1,212,069	1,068,321
Materials/supplies	15,555	64,485	80,040	294,611
Administrative costs	-	-	-	5,024,814
Utilities	-	162,288	162,288	-
Contractual services	142,638	76,671	219,309	136,140
Premiums	-	-	-	1,762,225
Claims and benefits paid	-	-	-	90,288,615
Losses and unallocated loss adjustment	-	-	-	2,856,104
Cost of goods sold	-	1,362	1,362	4,811,397
Depreciation	-	181,901	181,901	-
Total operating expenses	618,992	1,237,977	1,856,969	106,242,227
Operating income (loss)	(81,492)	(727,939)	(809,431)	2,632,631
NON-OPERATING REVENUES:				
Interest earnings	993	-	993	133,796
Total non-operating income	993	-	993	133,796
Income (loss) before transfers	(80,499)	(727,939)	(808,438)	2,766,427
OTHER FINANCING SOURCES:				
Transfers In:				
General Fund	-	400,000	400,000	1,000,000
Total other financing sources	-	400,000	400,000	1,000,000
Change in net position	(80,499)	(327,939)	(408,438)	3,766,427
NET POSITION, beginning of year	219,116	9,113,066	9,332,182	22,584,050
NET POSITION, end of year	\$ 138,617	8,785,127	8,923,744	26,350,477

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, 2018

Exhibit 11

	Business-type Activities - Enterprise Fund			Governmental Activities -
	School Age Child Care	Aquatics Center	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 525,000	512,476	1,037,476	108,321,867
Payments to suppliers for goods and services	(159,451)	(308,717)	(468,168)	(101,122,867)
Payments to employees	(460,568)	(746,204)	(1,206,772)	(1,068,585)
Net cash provided (used) by operating activities	(95,019)	(542,445)	(637,464)	6,130,415
Cash Flows from Non-capital Financing Activities:				
Due to other funds	-	59,428	59,428	191,785
Transfers from other funds	-	400,000	400,000	1,000,000
Net cash provided by non-capital financing activities	-	459,428	459,428	1,191,785
Cash Flows from Investing Activities:				
Interest paid for investments	1,786	268	2,054	72,746
Net cash provided by investing activities	1,786	268	2,054	72,746
Net increase (decrease) in equity in cash and pooled investments	(93,233)	(82,749)	(175,982)	7,394,946
Equity in cash and pooled investments, beginning of year	94,745	82,749	177,494	45,009,664
Equity in cash and pooled investments, end of year	\$ 1,512	-	1,512	52,404,610
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$ (81,492)	\$ (727,939)	\$ (809,431)	\$ 2,632,631
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Change in assets and liabilities:				
Depreciation expense	-	181,901	181,901	-
(Increase) decrease in accounts receivable	(12,500)	1,157	(11,343)	(1,366,222)
(Increase) in inventory	-	(515)	(515)	(169,961)
Increase in unearned revenue	-	1,281	1,281	813,231
Increase (decrease) in accounts payable and accrued liabilities	(1,258)	(3,395)	(4,653)	3,535,831
Increase (decrease) in salaries payable and withholdings	231	5,065	5,296	(264)
Increase in incurred but not reported claims	-	-	-	685,169
Net cash provided (used) by operating activities	\$ (95,019)	(542,445)	(637,464)	6,130,415

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, 2018

Exhibit 12

	<u>Agency Funds</u>
ASSETS	
Cash and pooled investments	\$ 11,896,341
Interest receivable	21,767
Due from other governmental units	1,802,402
Capital assets:	
Depreciable capital assets	14,750
Less: accumulated depreciation	<u>(4,407)</u>
Total assets	<u><u>13,730,853</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	<u><u>\$ 13,730,853</u></u>

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, 2018

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. In April 2018, Dr. Babur B. Lateef was appointed as the interim Chairman At-Large for the School Board after the resignation of former Chairman Ryan Sawyers in early March. PWCS is organized to focus on meeting the needs of its 89,861 students while managing 96 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, 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 while the Education Foundation for Prince William County Public Schools (SPARK) is a discretely presented component unit of PWCS.

The accompanying financial statements present the financial data of the school division and its component unit over which the school division exercises significant influence. Significant influence or accountability is based primarily on operational or financial benefit/burden relationship with PWCS (as distinct from legal relationships). PWCS and its component unit are together referred to herein as the reporting entity.

Component unit and the reporting method

SPARK is organized under the laws of the Commonwealth of Virginia as a not-for-profit corporation. The purpose of SPARK is to engage community partners to fund and promote initiatives that enhance educational excellence. SPARK's purpose is to promote and aid endeavors of every kind for PWCS. Inclusion criteria consists of separately elected board members one of which is on the School Board and financial benefit/burden relationship exists. Therefore, SPARK is a discretely presented component unit.

SPARK issues separately audited financial statements. Copies of these financial statements may be obtained by writing to the Education Foundation for Prince William County Public Schools, P.O. Box 389, Manassas, Virginia 20118.

B. Government-wide and fund financial statements

The basic financial statements include both government-wide statements, based on the entity as a whole, including its component unit, 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, is 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 activities of the school division and its component unit. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets, deferred outflows of resources, long-term liabilities, and deferred inflows of resources. 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. The discretely presented component unit is presented separate from the school division. 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, including component unit, 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 total reporting entity 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 these 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 statements of the General Fund and Food & Nutrition Services 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 general revenues, interest on investments, and charges for services 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 intergovernmental revenues, federal, state and other reimbursable grants, whose purpose is funding specific expenditures and are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. Additional County revenue identified after June 30 is not considered available and is therefore, a deferred inflow of resources.

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 measurement focus is based on determination of operating income, changes in net position, financial position and cash flows which is similar to a business enterprise. PWCS' business-type activity funds include the School Age Child Care (SACC) Fund and the Aquatics Center Fund.

The SACC 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 provider for the operation of the program, the school board administers the program. Revenues are derived from a flat-fee charged to the provider.

The Aquatics Center Fund accounts for the operation of the PWCS aquatics center. Financing is provided by General Fund transfers and fees collected for aquatics programs and other services.

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

Distribution Center Fund: The *Distribution Center Fund* was created to account for the operations of the distribution center. This distribution center operation maintains inventories for maintenance, educational supplies, and office supplies. Revenues and expenses are predominantly a result of operations of the distribution center 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 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, 2018 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 \$196,064,500 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.

Fair Value Measurements

Fair value was estimated for each class of financial instrument for which it was practical to estimate fair value. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not acting under duress. Fair value hierarchy disclosures are based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. The three levels of the fair value hierarchy are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, significant other observable inputs, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

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), non-negotiable certificates of deposit, and insured deposits. PWCS' pro rata share of the County's pooled cash and investments was approximately 29.91% at June 30, 2018. 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 downloading 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.

Inventory

Inventory in the General, Distribution Center, Food & Nutrition Services, and Aquatics Center 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 Distribution Center Fund inventory is determined by the weighted average cost method. The value of the General Fund, Food & Nutrition Services Fund, and Aquatics Center 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 \$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 \$250,000 and internally generated software with development costs of \$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 acquisition cost 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. Donated easement with estimated acquisition cost of \$75,000 are recorded as capital assets. Utility, storm drainage, right-of-way and sight distance easements are often acquired 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. Assets acquired through capital lease purchase agreements are recorded at the present value of the minimum lease payments, and each minimum lease payment is allocated between a reduction of the obligation and interest expense.

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 County support.

Compensated absences

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

Pensions

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan (Professional Group) is a multiple-employer, cost-sharing plan. The VRS Political Subdivision Retirement Plan (Non-professional Group) is a multiple-employer, agent plan. 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 Professional Group's Retirement Plan and the additions to/deductions from the Non-professional Group's Retirement Plan's net fiduciary position and the VRS Professional Group's Retirement Plan 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.

Other Postemployment Benefits

PWCS' other postemployment benefits (OPEB) include a single-employer defined benefit self-insurance medical plan and a retiree health insurance premium contribution plan. The benefits are set by the School Board and subject to change through board action. OPEB cost for retiree healthcare and benefits is measured and disclosed using the accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75.

PWCS also participates in the VRS Teacher (professional) Employee Health Insurance Credit (HIC) OPEB program which is a multiple-employer, cost-sharing plan, defined benefit plan. The VRS Political Subdivision (non-professional) HIC OPEB program is an agent, multiple-employer, defined benefit plan. The HIC OPEB program provides a credit toward the cost of health insurance coverage for retired professional and non-professional employees. For purposes of measuring the net HIC OPEB program liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and HIC OPEB expense, information about the fiduciary net position of the VRS HIC OPEB program; and the additions to/deductions from the VRS HIC OPEB program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition, PWCS participates in the VRS Group Life Insurance (GLI) OPEB program to provide other postemployment benefits to eligible retired employees. The VRS GLI OPEB program is a multiple-employer, cost-sharing, defined benefit plan. The GLI OPEB program provides a basic group life insurance benefit for eligible employees. For purposes of measuring the net GLI OPEB program liability, deferred outflows of resources and deferred inflows of resources related to the GLI program OPEB, and GLI OPEB program expense, information about the fiduciary net position of the VRS GLI OPEB program and the additions to/deductions from the VRS GLI OPEB program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments 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 to establish and maintain a minimum unassigned fund balance of 1.5% of the current fiscal year's General Fund revenue.

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, 2018 PWCS had contractual commitments of \$10,337,885 in the General Fund, \$120,192,500 in the Construction Fund for construction of various projects, \$3,088,049 in the Food & Nutrition Services Fund for contractual commitments and \$10,943 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, 2018:

GASB 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 was effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, *Irrevocable Split – Interest Agreement*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement was effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

GASB Statement No. 85, *Omnibus*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This statement was effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement addresses in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement was effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. PWCS is in the process of completing their assessment of GASB Statement 89. This statement was adopted early by PWCS for the year ended June 30, 2018.

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. 83, *Certain Asset Retirement Obligations*. This statement requires that a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. PWCS is in the process of completing their assessment of GASB Statement 83.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. PWCS is in the process of completing their assessment of GASB Statement 84.

GASB Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. PWCS is in the process of completing their assessment of GASB Statement 87.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. PWCS is in the process of completing their assessment of GASB Statement 88 and does not believe the implementation will have a material impact the financial statements.

GASB statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. PWCS is in the process of completing their assessment of GASB Statement 90.

F. Subsequent events

PWCS has evaluated subsequent events (events occurring after June 30, 2018 through date of the Report of Independent Auditor) in accordance with the preparation of these financial statements. Such events have been disclosed in Note 12.

G. Restatement of beginning net position

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, became effective for periods beginning after June 15, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The implementation of GASB 75 had the following effect on FY18 beginning Net Position of Governmental Activities:

Governmental Activities

June 30, 2017 - Beginning net position, as previously stated	\$ 933,517,214
Less: Net OPEB asset	(1,796,714)
Less: OPEB liability as of measurement date	(175,294,897)
Plus: Deferred outflows subsequent to measurement date	9,915,000
June 30, 2017 - Beginning net position, as restated	<u>\$ 766,340,603</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, 2018, expenditures exceeded appropriations in the General Fund for the following functional areas: Student services, Operations, and Reimbursement to County for Debt Services. Excess remaining budget in other functions covered the shortfall in the aforementioned functional areas. Expenditures also exceeded appropriations in the Facilities Use Fund for community service operations. However, excess revenues from use of property and charges for services covered the shortfall in expenses.

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, 2018 for PWCS' individual major funds, non-major, internal service, enterprise, and fiduciary funds, in the aggregate, are as follows:

	Other Receivables	Federal	State	County	Other Localities	Total
General Fund	\$ 539,347	7,744,575	11,934,920	5,577,167	-	25,796,009
Construction Fund	252,634	-	-	-	-	252,634
Food & Nutrition Services Fund	456,815	762,696	-	-	-	1,219,511
Non-major Fund - Facilities Use Fund	92,772	-	-	-	-	92,772
Internal Service Funds	2,455,940	-	-	-	-	2,455,940
Enterprise Fund	160,179	-	-	-	-	160,179
Fiduciary Funds	21,767	-	26,000	-	1,776,402	1,824,169
Total	<u>\$ 3,979,454</u>	<u>8,507,271</u>	<u>11,960,920</u>	<u>5,577,167</u>	<u>1,776,402</u>	<u>31,801,214</u>

Amounts due from the federal government in the General Fund are attributed primarily to Titles I, III and VI-B grants, as well as the Carl D. Perkins CTE grant. Title I and III programs provide funds to enhance instruction and train and recruit teachers. Title VI-B is intended to assure that all individuals with disabilities are provided a free and equitable education. 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.

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, 2018, deferred inflow of resources is recorded in the General Fund for excess general tax supported revenues to be distributed by the County in the amount of \$5,577,167.

Governmental activities report unearned revenue in connection with resources that have been received, but not yet earned. Business-type activities report unearned revenue in Aquatics Center in connection with resources received for events and programs that have not yet occurred.

At the end of the current fiscal year, the various components of unearned revenue were as follows:

<u>Governmental Activities</u>	Unearned Revenue
Food & Nutrition Services Fund – Other unearned revenue	\$ 1,676,782
General Fund – prepaid tuition or fees and other unearned revenue	1,581,745
Facilities Use Fund - unearned revenue - catering deposit	4,057
Governmental Funds	<u>3,262,584</u>
Health Insurance Fund (internal service fund) – prepaid health insurance premiums	8,870,014
Total Governmental Activities	<u><u>\$ 12,132,598</u></u>
<u>Business-type Activities</u>	
Aquatics Center Fund - prepaid fees related to events and programs not yet occurred	\$ 31,744
Total Business-type Activities	<u><u>\$ 31,744</u></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:		
	Distribution Center Fund	Aquatics Center Fund	Total
Due from other funds:			
General Fund	<u>\$ 733,667</u>	<u>\$ 59,428</u>	<u>\$ 793,095</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 Distribution Center 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

Distribution Center Fund. General Fund advances money to Aquatics Center Fund to offset year-end cash deficits due to a temporary cash shortage. PWCS Aquatics Center has just completed its second year of business. It continues to refine its strategy and develop services to generate additional revenues to cover the expenditures.

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

Transfers In:	Transfers Out:		
	General Fund	Construction Fund	Food and Nutrition Services Fund
General Fund	\$ -	1,630,521	-
Construction Fund	11,388,640	-	330,000
Facilities Use Fund	4,175	-	-
Health Insurance Fund	1,000,000	-	-
Aquatics Center Fund	400,000	-	-
Total	<u>\$ 12,792,815</u>	<u>1,630,521</u>	<u>330,000</u>

Interfund transfers are generally made for the purpose of providing operational support to the receiving fund. The General Fund transfer of \$11,388,640 and Food and Nutrition Services Fund transfer of \$330,000 to the Construction Fund represents funds required for building, maintenance, classroom equipment, and facility modifications. The Construction Fund transfer of \$1,630,521 to the General Fund represents funds contributed to debt service expenditures. The General Fund transfer of \$4,175 to the Facilities Use Fund represents funds contributed to PWCS risk management and security services. The General Fund transfers of \$1,000,000 to the Health Insurance Fund represents support for the self-insured portion of the health insurance fund. The General Fund transfer of \$400,000 to the Aquatics Center Fund represents support for the operation of the Aquatics Center and its programs.

Note 5 – Related party transactions

SPARK is a discretely presented component unit of PWCS. PWCS provided contributions of personnel, equipment and facilities to SPARK in support of their education programs and partnerships. PWCS reported expenses related to these transfers in the amount of \$531,919 for the year ended June 30, 2018.

Note 6 – Long-term liabilities

A. Capital lease

PWCS entered into a non-cancelable capital lease agreement as lessee for the information technology equipment valued at \$469,863 in fiscal year 2017. The capital lease was recorded at the present value of future minimum lease payments as of the inception date. The equipment has a five-year estimated useful life. On June 30, 2018, the depreciation expense and the accumulated depreciation recorded were \$93,973 and \$187,945, respectively.

Due to early payment of first installment, no payment is due in fiscal year 2018. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year ending June 30,	
2019	\$ 164,800
2020	164,800
Total minimum lease payments	329,600
Less: Amount representing interest	(16,358)
Present value of minimum lease payments	<u>\$ 313,242</u>

The long-term portion of the capital lease is included in long-term liabilities in the government-wide statement of net position. Liabilities for the capital lease are liquidated by the General Fund.

The liability for capital lease for the year ended June 30, 2018 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease	\$ 313,242	-	-	313,242	156,621

B. 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 or VPSA 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, BAB, and QSCB issued for PWCS can be found in the County's CAFR.

C. 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, 2018 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, 2018 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	\$ 33,381,219	10,630,309	(10,959,940)	33,051,588	11,283,230

D. Pollution remediation

PWCS incurs pollution remediation obligations in the form of asbestos and lead abatement upon renovation of various buildings and storm water cleanup. PWCS legally obligates itself to commence work related to asbestos and lead abatement and storm sewer management upon issuance of purchase orders to various asbestos and lead abatement contractors and storm sewer cleanup contractors. PWCS calculates and recognizes a liability based on outstanding commitments related to asbestos and lead abatement and MS4 storm water management at fiscal year-end. The costs of asbestos and lead 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, 2018 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	\$ 180,959	1,368,409	(1,056,202)	493,166	493,166

Note 7 – 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, 2018 PWCS incurred \$2,247,661 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 for medical, WellDyneRX is the plan administrator for pharmacy benefits, and Delta Dental Plan of Virginia, Inc. (Delta Dental) is the dental plan administrator. 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 (through WellDyneRX). The basis for estimating incurred, but not reported, claims at year-end is an annual analysis performed by the plan's health and welfare consultant. For the fiscal year ended June 30, 2018 PWCS incurred \$89,288,615 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 \$600,000 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, 2016	\$ 9,789,286	6,068,429
Incurred Claims	85,391,267	900,691
Claims Paid	85,945,553	1,447,563
Unpaid Claims June 30, 2017	9,235,000	5,521,557
Incurred Claims	89,288,615	2,247,661
Claims Paid	89,175,615	1,675,492
Unpaid Claims June 30, 2018	\$ 9,348,000	6,093,726
Due Within One Year	\$ 9,348,000	1,555,691

Note 8 – Capital assets

Capital asset activities for the year ended June 30, 2018 was as follows:

	Primary Government			
	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 95,450,549	-	(722,440)	94,728,109
Construction in Progress	46,107,996	77,200,839	(90,243,245)	33,065,590
Total capital assets, not being depreciated	141,558,545	77,200,839	(90,965,685)	127,793,699
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,655,936,290	87,918,914	-	1,743,855,204
Library books	3,295,417	757,911	(587,645)	3,465,683
Equipment	46,019,693	2,079,387	(179,538)	47,919,542
Vehicles	100,911,026	13,493,738	(8,027,618)	106,377,146
Intangibles	3,516,102	2,324,330	-	5,840,432
Total capital assets being depreciated/amortized	1,809,678,528	106,574,280	(8,794,801)	1,907,458,007
Less accumulated depreciation/amortization for:				
Buildings and improvements	419,897,698	32,821,875	-	452,719,573
Library books	1,893,375	693,137	(587,645)	1,998,867
Equipment	29,598,089	3,315,263	(152,410)	32,760,942
Vehicles	47,839,766	7,615,309	(7,810,961)	47,644,114
Intangibles	2,659,858	612,983	-	3,272,841
Total accumulated depreciation/amortization	501,888,786	45,058,567	(8,551,016)	538,396,337
Total capital assets, being depreciated, net	1,307,789,742	61,515,713	(243,785)	1,369,061,670
Governmental activities capital assets, net	\$1,449,348,287	138,716,552	(91,209,470)	1,496,855,369

	Primary Government			
	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 114,013	-	-	114,013
Total capital assets, not being depreciated	114,013	-	-	114,013
Capital assets, being depreciated:				
Buildings and improvements	9,095,044	-	-	9,095,044
Total capital assets being depreciated	9,095,044	-	-	9,095,044
Less accumulated depreciation				
Buildings and improvements	151,334	181,901	-	333,235
Total accumulated depreciation	151,334	181,901	-	333,235
Total capital assets, being depreciated, net	8,943,710	(181,901)	-	8,761,809
Business-type activities capital assets, net	<u>\$ 9,057,723</u>	<u>(181,901)</u>	<u>-</u>	<u>8,875,822</u>

Depreciation/amortization expense was charged to the following functions of the governmental activities:

Governmental Activities	Depreciation Expense
Instruction	
Regular	\$ 33,026,633
Special	362,122
Other	25,140
Support Services	
General administration	1,139,994
Student services	9,714
Curricular/staff development	7,188
Pupil transportation	7,276,305
Operations	1,671
Maintenance	379,596
Central business services	2,772,570
Food & nutrition services	57,634
Total depreciation/amortization expense	<u>\$ 45,058,567</u>

Depreciation expense was charged to the following function of the business-type activities:

Business-type Activities	Depreciation Expense
Aquatics Center	\$ 181,901
Total depreciation expense	<u>\$ 181,901</u>

Note 9 – 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 10 – Employee retirement systems and pension plans

A. Virginia Retirement System

Plan description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by VRS Teacher Retirement Plan upon employment. All full-time, salaried permanent (non-professional) employees of PWCS are automatically covered by a VRS Retirement Plan upon employment. Both plans are administered by the VRS 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 military service, certain periods of leave, and previously refunded service.

The VRS administers three different benefit structures for covered employees in both plans; Plan 1, Plan 2, and the Hybrid Retirement Plan (Hybrid Plan). Each of these benefit structures have 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.
- *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, and they have not taken a refund.
- *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 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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 the 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 non-professional 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:* Non-professional 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. Not applicable to the professional group members.
- *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. 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.
- *Eligible Members:* Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- *Hybrid Opt-In Election:* Eligible 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:* Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.
- *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.
- *Normal Retirement Age:* Normal Social Security retirement age. Non-professional hazardous duty employee's 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 with 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:* Non-professional 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
- *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 to the defined contribution component.
- *Normal Retirement Age: Defined Benefit Component*: Same as Plan 2. Not applicable for 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 an 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: Hybrid Plan members are ineligible for ported service. *Defined Contribution Component*: Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees of the non-professional group were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	786
Inactive members:	
Vested inactive members	172
Non-vested Inactive members	463
Inactive members active elsewhere in VRS	236
Total inactive members	871
Active members	1,817
Total covered employees	3,474

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 options 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 was 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, 2018 was 5.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. 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 \$6,304,000 and \$6,460,640 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions – Professional

Each professional group's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined 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 professional group were \$88,486,000 and \$76,304,000 for the years ended June 30, 2018 and June 30, 2017, 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, 2016, 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, 2017.

The actuarial assumptions at June 30, 2016 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 non-professional employees and 3.5% to 5.95% per year for the professional group (c) a inflation adjustment of 2.50% per year (d) mortality rates of 20% of deaths assumed to be service related for largest 10 Non-Hazardous Duty and 15% of deaths assumed to be service related for all other Non-Hazardous Duty for the non-professional group**.

* 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:

	Non-Hazardous Duty for Non-professional Group	Professional Group
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020
Post-Retirement:	RP-2014 Employment Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from age 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

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

	Largest 10 Non-Hazardous Duty	All Others (Non 10 Largest) Non-Hazardous Duty	Professional Group
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020	Update to a more current mortality table - RP-2014 projected to 2020	Update to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	Lowered rates at older ages and changed final retirement from 70 to 75	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates	Lowered rates	Adjusted rates to better match experience
Salary Scale	No change	No change	No change
Line of Duty Disability	Increase rate from 14% to 20%	Increase rate from 14% to 15%	

Long-Term Expected Rate of Return

The long-term expected rate of return on pension VRS 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 VRS 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %
<p>* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provided a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.</p>			

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 VRS 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, 2019, 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, 2019 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 Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability

At June 30, 2018, the professional group reported a liability of \$808,531,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the professional group's proportion was 6.57% as compared to 6.51% at June 30, 2016.

The non-professional net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016	\$ 189,125,000	170,692,000	18,433,000
Changes for the year:			
Service cost	5,373,000	-	5,373,000
Interest	12,948,000	-	12,948,000
Changes of assumptions	(2,194,000)	-	(2,194,000)
Differences between expected and actual experience	(2,110,000)	-	(2,110,000)
Contributions - employer	-	3,513,000	(3,513,000)
Contributions - employee	-	2,752,000	(2,752,000)
Net investment income	-	20,712,000	(20,712,000)
Benefit payments, including refunds of employee contributions	(8,314,000)	(8,314,000)	-
Administrative expenses	-	(119,000)	119,000
Other changes	-	(19,000)	19,000
Net changes	5,703,000	18,525,000	(12,822,000)
Balances at June 30, 2017	\$ 194,828,000	189,217,000	5,611,000

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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Non-Professional Group's Net Pension Liability	\$ 30,255,000	\$ 5,611,000	\$ (14,968,000)

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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Professional group's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 1,207,407,000	\$ 808,531,000	\$ 478,579,000

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

Non-professional group

For the year ended June 30, 2018, the non-professional group recognized pension expense of \$769,000. At June 30, 2018, the non-professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 161,000	2,495,000
Change in assumptions	-	1,624,000
Net difference between projected and actual earnings on pension plan investments	-	2,648,000
Employer contributions subsequent to the measurement date	3,423,000	-
Total	<u>\$ 3,584,000</u>	<u>6,767,000</u>

\$3,423,000 reported as deferred outflows of resources related to pensions resulting from PWCS' non-professional group contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses in future reporting periods as follows:

Year ended June 30,		
2019	\$	(3,066,000)
2020		(697,000)
2021		(1,075,000)
2022		(1,768,000)
2023		-
Thereafter		-
Total	<u>\$</u>	<u>(6,606,000)</u>

Professional Group

For the year ended June 30, 2018, PWCS recognized pension expense of \$65,596,000 related to the professional group. Since there was a change in proportionate share between measurement dates, 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 employer contributions.

At June 30, 2018, 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>
Differences between expected and actual experience	\$ -	57,252,000
Change of assumptions	11,799,000	-
Net difference between projected and actual earnings on pension plan investments	-	29,373,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	19,507,000	-
Employer contributions subsequent to the measurement date	88,486,000	-
Total	<u>\$ 119,792,000</u>	<u>86,625,000</u>

\$88,486,000 reported as deferred outflows of resources related to pensions resulting from PWCS' professional group contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,		
2019	\$	(25,814,000)
2020		3,565,000
2021		(6,088,000)
2022		(25,033,000)
2023		(1,949,000)
Thereafter		-
Total	<u>\$</u>	<u>(55,319,000)</u>

Pension Plan Fiduciary Net Position

The VRS 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 <https://www.varetire.org/pdf/publications/2017-annual-report.pdf> or by writing to VRS' Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. VRS Health Insurance Credit Program

Plan Description

PWCS participates in the VRS HIC Program to provide other postemployment benefits to eligible retired employees. The VRS Teacher (professional) Employee HIC program is a multi-employer, cost-sharing plan, defined benefit plan. The VRS Political Subdivision (non-professional) HIC program is an agent, multi-employer, defined benefit plan. The HIC program provides a credit toward the cost of health insurance coverage for retired professional and non-professional employees.

The HIC program was established July 1, 1993 for retired professional and non-professional employees covered under VRS who retire with at least 15 years of service credit. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC program. All full-time, salaried permanent (non-professional) employees of PWCS are automatically covered by the VRS Political Subdivision HIC program upon employment. These plans are administered by VRS. Members earn one month of service credit toward the benefit for each month they are employed and

for which PWCS pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Benefit Amounts. For professional employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For professional employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either: (a) \$4.00 per month, multiplied by twice the amount of service credit, or (b) \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. For eligible non-professional employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For eligible non-professional employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is \$45.00 per month.

HIC Program Notes. The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions – Non-professional group

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to PWCS by the Virginia General Assembly. The non-professional group's contractually required contribution rate for the year ended June 30, 2018 was 0.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from PWCS to the VRS HIC program for the non-professional group were \$127,000 and \$124,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions – Professional group

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to PWCS by the Virginia General Assembly. PWCS' contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from PWCS to the VRS HIC program for the professional group were \$6,670,000 and \$5,778,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Actuarial Assumptions, Long-Term Expected Rate of Return and Discount Rate

The actuarial assumptions and mortality rates, long-term expected return and discount rate used by VRS employee HIC program are the same as those used by VRS pension plan for General Employees in the non-professional and professional group.

OPEB Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIC Program OPEB

Net HIC OPEB Liability

At June 30, 2018, the professional group reported a liability of \$83,738,000 for its proportionate share of the VRS HIC program net OPEB liability. The net VRS HIC program OPEB liability was measured as of June 30, 2017 and the total VRS HIC program OPEB liability used to calculate the net VRS HIC program OPEB liability was determined by an actuarial valuation as of that date. PWCS' proportion of the net VRS HIC program OPEB liability was based on the PWCS' actuarially determined employer contributions to the VRS HIC program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined

employer contributions for all participating employers. At June 30, 2017, PWCS' proportion of the VRS HIC program for professional group was 6.60% as compared to 6.51% at June 30, 2016.

The non-professional HIC program OPEB liability was measured as of June 30, 2017. The total non-professional HIC program OPEB liability used to calculate the net non-professional HIC program OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Changes in Net HIC OPEB Liability – Non-professional group

	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 2,219,000	1,286,000	933,000
Changes for the year:			
Service cost	67,000	-	67,000
Interest	153,000	-	153,000
Changes of assumptions	(70,000)	-	(70,000)
Contributions - employer	-	124,000	(124,000)
Net investment income	-	151,000	(151,000)
Benefit payments, including refunds of employee contributions	(70,000)	(70,000)	-
Administrative expenses	-	(3,000)	3,000
Other changes	-	8,000	(8,000)
Net changes	80,000	210,000	(130,000)
Balances at June 30, 2017	\$ 2,299,000	1,496,000	803,000

Sensitivity of the PWCS' HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the VRS HIC program net OPEB liability of the non-professional group using the discount rate of 7.00%, as well as what the non-professional group's net HIC OPEB 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the VRS HIC OPEB Plan Net HIC OPEB Liability			
- Non-professional Group	\$ 1,058,000	\$ 803,000	\$ 587,000

The following presents the professional group's proportionate share of the VRS HIC program net OPEB liability using the discount rate of 7.00%, as well as what the professional group's proportionate share of the net HIC OPEB 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the VRS HIC OPEB Plan Net HIC OPEB Liability			
- Professional Group	\$ 93,461,000	\$ 83,738,000	\$ 75,475,000

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

Non-professional group

For the year ended June 30, 2018, PWCS recognized VRS HIC program OPEB expense of \$100,000 for the non-professional group.

At June 30, 2018, PWCS reported deferred outflows of resources and deferred inflows of resources related to the VRS HIC program OPEB for the non-professional group from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ -	59,000
Net difference between projected and actual earnings on HIC OPEB plan investment	-	47,000
Changes in proportion and differences between Employer contributions subsequent to the measurement date	127,000	-
Total	<u>\$ 127,000</u>	<u>106,000</u>

\$127,000 reported as deferred outflow of resources related to the non-professional group HIC OPEB resulting from PWCS' contributions subsequent to the measurement date will be recognized as a reduction of the net non-professional group HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the non-professional group HIC OPEB will be recognized in the OPEB expense in the future reporting periods as follows:

Year ended June 30,		
2019	\$	(23,000)
2020		(23,000)
2021		(23,000)
2022		(23,000)
2023		(11,000)
Thereafter		(3,000)
Total	<u>\$</u>	<u>(106,000)</u>

Professional Group

For the year ended June 30, 2018, PWCS recognized VRS HIC program OPEB expense of \$6,970,000 for the professional group.

At June 30, 2018, PWCS reported deferred outflows of resources and deferred inflows of resources related to the VRS HIC program OPEB for the professional group from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ -	861,000
Net difference between projected and actual earnings on HIC OPEB plan investment	-	151,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,049,000	-
Employer contributions subsequent to the measurement date	6,670,000	-
Total	<u>\$ 7,719,000</u>	<u>1,012,000</u>

\$6,670,000 reported as deferred outflow of resources related to the professional group HIC OPEB resulting from PWCS' contributions subsequent to the measurement date will be recognized as a reduction of the net professional group HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the professional group HIC OPEB will be recognized in the OPEB expense in the future reporting periods as follows:

Year ended June 30,		
2019	\$	(10,000)
2020		(10,000)
2021		(10,000)
2022		(10,000)
2023		28,000
Thereafter		49,000
Total	<u>\$</u>	<u>37,000</u>

VRS HIC Program Fiduciary Net Position

Detailed information about the VRS HIC program's Fiduciary Net Position is available in the separately issued VRS CAFR that includes financial statements and RSI. A copy of that report may be download from their website at <https://www.varetire.org/pdf/publications/2017-annual-report.pdf> or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

C. VRS Group Life Insurance Program

Plan Description

PWCS participates in the VRS GLI Program to provide other postemployment benefits to eligible retired employees. The VRS GLI program is a multiple employer, cost-sharing, defined benefit plan. The GLI program provides a basic group life insurance benefit for eligible employees.

The GLI program was established July 1, 1960 for all full-time, salaried permanent PWCS employees. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts. The benefits payable under the GLI program have several components. (1) Natural Death Benefit, which is equal to the employee's covered compensation rounded to the next highest thousand and then doubled; (2) Accidental Death Benefit, which is double the natural death benefit; or (3) Other Benefit Provisions, which include accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit and accelerated death benefit option.

Reduction in Benefit Amounts. The benefit amounts provided to members covered under the GLI program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and COLA. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the GLI program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to PWCS by the Virginia General Assembly. The total rate for the GLI program was 1.31% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. PWCS has elected to pay the employee share. PWCS' contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined 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. Contributions from PWCS to the VRS GLI program were \$3,137,000 and \$3,013,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Actuarial Assumptions, Long-Term Expected Return and Discount Rate

The actuarial assumptions and mortality rates, long-term expected return and discount rate used by VRS employee GLI program are the same as those used by VRS pension plan for General Employees in the non-professional and professional group.

OPEB Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2018, PWCS reported a liability of \$47,303,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. PWCS' proportion of the net GLI OPEB liability was based on PWCS' actuarially determined employer contributions to the VRS GLI program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, PWCS' proportion for the professional and non-professional groups, respectively, was 2.84% and 2.77% as compared to 0.31% and 0.30% at June 30, 2016.

For the year ended June 30, 2018, PWCS recognized GLI OPEB expense of \$715,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, PWCS reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	1,048,000
Change of assumptions	-	2,437,000
Net difference between projected and actual earnings on GLI OPEB plan investments	-	1,780,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,010,000	-
Employer contributions subsequent to the measurement date	3,137,000	-
Total	\$ 4,147,000	5,265,000

\$3,137,000 reported as deferred outflow of resources related to the GLI OPEB resulting from PWCS' contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in the future reporting periods as follows:

Year ended June 30,		
2019	\$	(900,000)
2020		(900,000)
2021		(900,000)
2022		(900,000)
2023		(454,000)
Thereafter		(201,000)
Total	\$	(4,255,000)

Sensitivity of the PWCS' Proportionate Share of the GLI Net OPEB Liability to Changes in the Discount Rate

The following presents PWCS' proportionate share of the VRS GLI program net OPEB liability using the discount rate of 7.00%, as well as what PWCS' proportionate share of the net GLI OPEB 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the VRS GLI OPEB Plan Net GLI OPEB Liability			
- Non-professional Group	\$ 5,971,000	\$ 4,616,000	\$ 3,519,000

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the VRS GLI OPEB Plan Net GLI OPEB Liability			
- Professional Group	\$ 55,212,000	\$ 42,687,000	\$ 32,534,000

VRS GLI Program Fiduciary Net Position

Detailed information about the VRS GLI program's Fiduciary Net Position is available in the separately issued VRS CAFR that includes financial statements and RSI. A copy of that report may be download from their website at <https://www.varetire.org/pdf/publications/2017-annual-report.pdf> or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

D. 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 2018 was \$5,014,074. Substitutes, temporary employees, and ROP participants who participate in the TDC plan are not eligible to receive the employer matching contribution.

Note 11 – 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 74.

The OPEB Master Trust is not a part of the PWCS reporting entity and does not issue stand-alone financial statements. The OPEB Master Trust is part of the County's reporting entity and 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/>.

At July 1, 2016 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	7,011
Total retirees with coverage	388
Total participants with coverage	7,399

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	July 1, 2016
Measurement date:	June 30, 2018
Actuarial valuation method:	Entry Age Normal
Inflation:	2.5%
Salary increases:	2.5%
Discount rate/Investment rate of return:	7.0% per annum. The current contribution policy requires PWCS to contribute at least an amount to cover the benefit payments for the year. Based on actuarial theory if the actuarial assumptions are met, the plan's fiduciary net position will remain positive.
Healthcare cost trend rates:	8.0% to grade uniformly to 5.0% over a 10 year period
Disability rates:	VRS 2013 Disability Rates for Teachers
Disabled mortality rates:	PBGC Tables V and VI - 70% of rates for males, 90% of rates for females
Withdrawal rates:	VRS 2013 Termination Rates for Teachers
Plan participation:	35% of covered employees are assumed to elect medical coverage upon retirement.
Marital status:	For each participant electing coverage in the future, it is assumed 25% will be married and elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than wives.
Medical claim cost:	\$15,546. These rates are at age 64. Claims are trended down 3% per year between ages 64 and 55. The age 55 claim cost is \$11,915.
Retiree contributions - medical plan:	Pre-Medicare retired employees who participate in the retiree medical plans pay the full active rate less the Retiree Health Insurance Premium Contribution, if eligible. Retirees can choose from three different medical plans.
Asset valuation method:	The actuarial value of assets is equal to the market value of assets.
Amortization period:	For contribution calculations: 30 years; Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 8 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

The following is a summary of the statement of fiduciary net position of the OPEB Master Trust Fund as of June 30, 2018:

Summary of the Statement of Fiduciary Net Position					
OPEB Master Trust Fund					
As of June 30, 2018					
(in thousands)					
	County Premium Plan	County RHICP*	LODA Plan**	PWCS Premium Plan	Total OPEB Master Trust Fund
Assets					
Investments	\$ 16,708	18,724	13,493	33,284	82,209
Total assets	16,708	18,724	13,493	33,284	82,209
Liabilities					
Accounts payable	725	1,870	812	6	3,413
Total liabilities	725	1,870	812	6	3,413
Fiduciary Net Position					
Restricted for OPEB	15,983	16,854	12,681	33,278	78,796
Total fiduciary net position	\$ 15,983	16,854	12,681	33,278	78,796

* County Retiree Health Insurance Credit Plan

** County Line-of-Duty Plan

The following is a summary of the changes in fiduciary net position of the OPEB Master Trust Fund for the year ended June 30, 2018:

Summary of the Changes in Fiduciary Net Position					
OPEB Master Trust Fund					
For the Year Ended June 30, 2018					
(in thousands)					
	County Premium Plan	County RHICP*	LODA Plan**	PWCS Premium Plan	Total OPEB Master Trust Fund
Additions					
Employer contributions					
Total contributions	\$ 1,954	2,311	1,476	1,000	6,741
	1,954	2,311	1,476	1,000	6,741
Investment Income					
Total investment income	1,348	1,147	1,102	2,407	6,004
Less investment expense	38	32	31	67	168
Net investment income	1,310	1,115	1,071	2,340	5,836
Total additions	3,264	3,426	2,547	3,340	12,577
Deductions					
OPEB payments	777	1,867	810	-	3,454
Administrative expenses	-	-	-	8	8
Total deductions	777	1,867	810	8	3,462
Net increase in fiduciary net position	2,487	1,559	1,737	3,332	9,115
Fiduciary Net Position, beginning of year	13,496	15,295	10,944	29,946	69,681
Fiduciary Net Position, end of year	\$ 15,983	16,854	12,681	33,278	78,796

* County Retiree Health Insurance Credit Plan

** County Line-of-Duty Plan

Net OPEB Liability

PWCS' net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, 2018 are as follows:

Total OPEB Liability	\$	73,054,085
Plan Fiduciary Net Position		(33,277,855)
Net OPEB Liability		<u>39,776,230</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		45.55%

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following represents the net OPEB liability calculated using the discount rate of 7.00%, as well as what the net OPEB 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>
Net OPEB liability	\$ 47,159,725	\$39,776,230	\$ 33,387,411

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 4.00%) or one percentage point higher (9.00% decreasing to 6.00%) than the assumed trend rate:

	<u>1% Decrease 7% decreasing to 4% over 10 years</u>	<u>Discount Rate 8% decreasing to 5% over 10 years</u>	<u>1% Increase 9% decreasing to 6% over 10 years</u>
Net OPEB liability	\$ 31,360,634	\$39,776,230	\$ 49,854,301

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.

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.

At July 1, 2016 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	7,011
Total retirees with coverage	<u>388</u>
Total participants with coverage	7,399

Contributions

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. 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. PWCS currently pays benefits on a pay-as-you-go basis, and contributed \$1,000,000 to the OPEB Master Trust Fund to fund the current year liability. For the year ended June 30, 2017, plan members received \$6,361,326 in benefits and contributed \$3,032,738 in premiums, resulting in net benefits paid by PWCS of \$3,328,588. For the year ended June 30, 2018, plan members received \$5,883,211 in benefits and contributed \$2,842,148 in premiums, resulting in net benefits paid by PWCS of \$3,041,063.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	July 1, 2016
Measurement date:	June 30, 2017
Actuarial valuation method:	Entry Age Normal
Inflation:	2.5%
Salary increases:	2.5%
Discount rate/Investment rate of return:	7.0% per annum. The current contribution policy requires PWCS to contribute at least an amount to cover the benefit payments for the year. Based on actuarial theory if the actuarial assumptions are met, the plan's fiduciary net position will remain positive.

Healthcare cost trend rates:	8.0% to grade uniformly to 5.0% over a 10 year period
Disability rates:	VRS 2013 Disability Rates for Teachers
Disabled mortality rates:	PBGC Tables V and VI - 70% of rates for males, 90% of rates for females
Withdrawal rates:	VRS 2013 Termination Rates for Teachers
Plan participation:	35% of covered employees are assumed to elect medical coverage upon retirement.
Marital status:	For each participant electing coverage in the future, it is assumed 25% will be married and elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than wives.
Medical claim cost:	\$15,546. These rates are at age 64. Claims are trended down 3% per year between ages 64 and 55. The age 55 claim cost is \$11,915.
Retiree contributions - medical plan:	Pre-Medicare retired employees who participate in the retiree medical plans pay the full active rate less the Retiree Health Insurance Premium Contribution, if eligible. Retirees can choose from three different medical plans.
Asset valuation method:	The actuarial value of assets is equal to the market value of assets.
Amortization period:	For contribution calculations: 30 years; Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 8 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Changes to the actuarial methods and assumptions as of July 1, 2016 are as follows:

The mortality assumption was changed from RP-2000 Employee Mortality Table Projected with Scale AA to 2020 (Pre-retirement Male setback 3 years and Females setback 5 years, Post-retirement Male setback 2 years and Females setback 3 years) as of July 1, 2014 to RP-2014 Employee and Healthy Annuitants Generational Mortality Tables Projected with Improvement Scale MP-2016 as of July 1, 2016.

The healthcare cost trend was changed from 7.0% to 5.0% grade over 4 years beginning as of July 1, 2014 to 8.0% to 5.0% grade over 10 years beginning as of July 1, 2016.

The actuarial assumption of investment rate of return (net of administrative expenses) is the expected long-term investment returns on the employer's own OPEB plan investments calculated based on the funded level of the plan at the valuation date. 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.

Net OPEB Liability

PWCS' net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, 2018 are as follows:

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2017	\$ 64,375,355	26,327,458	38,047,897
Changes for the year:			
Service cost	2,624,490	-	2,624,490
Interest	4,689,989	-	4,689,989
Contributions - employer	-	1,000,000	(1,000,000)
Net investment income	-	2,618,693	(2,618,693)
Benefit payments	(3,328,588)	-	(3,328,588)
Net changes	3,985,891	3,618,693	367,198
Balances at 6/30/2018	\$ 68,361,246	29,946,151	38,415,095

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following represents the net OPEB liability calculated using the discount rate of 7.00%, as well as what the net OPEB 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ 46,221,379	\$ 38,415,095	\$ 31,696,019

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 6.00%) or one percentage point higher (8.00% decreasing to 7.00%) than the assumed trend rate:

	1% Decrease 7% decreasing to 6% over 10 years	Discount Rate 8% decreasing to 7% over 10 years	1% Increase 9% decreasing to 8% over 10 years
Net OPEB liability	\$ 30,992,696	\$ 38,415,095	\$ 47,273,648

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, PWCS recognized OPEB expense of \$2,255,665. At June 30, 2018, PWCS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	-	592,617
Employer contributions subsequent to the measurement date	5,211,656	-
Total	<u>\$ 5,211,656</u>	<u>592,617</u>

\$5,211,656 reported as deferred outflow of resources related to OPEB resulting from PWCS' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	\$	(148,154)
2020		(148,154)
2021		(148,154)
2022		(148,155)
2023		-
Thereafter		-
Total	<u>\$</u>	<u>(592,617)</u>

Note 12 – Subsequent events

On November 6, 2018, Dr. Babur Lateef was elected as the Chairman at-large at a special election for School Board. He will serve the final year remaining of the current term. An election for the School Board Chair for the next four-year term will be hold in November 2019.

(This page intentionally left blank)

Required Supplementary Information

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

Virginia Retirement System Pension Plan
Schedule of Non-Professional Group Employer Contributions - Last Ten Fiscal Years *

Date June 30,	Contractually Required Contribution	Contributions in Relation Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 6,304,232	\$ 6,304,232	-	\$ 57,625,524	10.94 %
2017	6,460,640	6,460,640	-	56,228,376	11.49
2016	4,326,680	4,326,680	-	53,948,630	8.02
2015	4,216,224	4,216,224	-	52,522,441	8.02
2014	4,691,242	4,691,242	-	52,471,315	8.93
2013	4,597,421	4,597,421	-	51,717,720	8.89
2012	3,305,923	3,305,923	-	50,363,181	6.56
2011	3,206,394	3,206,394	-	49,045,583	6.54
2010	4,104,500	4,104,500	-	49,748,192	8.25
2009	4,122,811	4,122,811	-	49,331,503	8.36

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 Pension Plan
Schedule of Changes in the Non-Professional Group Net Pension Liability and Related Ratios - Last Ten Fiscal Years *

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 5,373,106	5,488,020	5,522,513	5,560,285
Interest	12,947,772	12,389,908	11,689,241	11,031,947
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,110,561)	(1,740,559)	527,708	-
Changes in assumptions	(2,193,518)	-	-	-
Benefit payments, including refunds of employee contributions	(8,314,018.00)	(8,021,757)	(7,438,101)	(6,966,544)
Net change in total pension liability	5,702,781	8,115,612	10,301,361	9,625,688
Total pension liability - beginning	189,125,178	181,009,566	170,708,205	161,082,517
Total pension liability - ending	<u>\$ 194,827,959</u>	<u>189,125,178</u>	<u>181,009,566</u>	<u>170,708,205</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,512,916	4,237,856	4,216,224	4,691,242
Contributions - employee	2,751,600	2,663,882	2,629,471	2,628,936
Net investment income	20,712,494	2,941,145	7,407,239	22,069,344
Benefit payments, including refunds of employee contributions	(8,314,018)	(8,021,757)	(7,438,101)	(6,966,544)
Administrative expenses	(118,992)	(103,842)	(100,577)	(117,603)
Other changes	(18,491)	(1,248)	(1,578)	1,163
Net change in plan fiduciary net position	18,525,509	1,716,036	6,712,678	22,306,538
Plan fiduciary net position - beginning	170,691,682	168,975,646	162,262,968	139,956,430
Plan fiduciary net position - ending	<u>\$ 189,217,191</u>	<u>170,691,682</u>	<u>168,975,646</u>	<u>162,262,968</u>
Non-professional groups' net pension liability - ending	<u>\$ 5,610,768</u>	<u>18,433,496</u>	<u>12,033,920</u>	<u>8,445,237</u>
Plan fiduciary net position as a percentage of the total pension liability	97 %	90 %	93 %	95 %
Covered-employee payroll	\$ 56,228,376	53,948,630	52,522,441	52,471,315
Non-professional groups' net pension liability as a percentage of covered-employee payroll	10 %	34 %	23 %	16 %

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Virginia Retirement System Pension Plan
Schedule of Professional Group Employer Contributions - Last Ten Fiscal Years

Date June 30,	Contractually Required Contribution	Contributions in Relation Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 88,486,407	\$ 88,486,407	-	\$ 542,196,119	16.32 %
2017	76,304,250	76,304,250	-	520,492,837	14.66
2016	69,744,378	69,744,378	-	496,048,208	14.06
2015	69,540,284	69,540,284	-	479,588,166	14.50
2014	77,245,990	77,245,990	-	463,793,279	16.66
2013	75,725,523	75,725,523	-	454,534,952	16.66
2012	56,300,212	56,300,212	-	496,912,729	11.33
2011	37,815,837	37,815,837	-	423,469,621	8.93
2010	49,261,400	49,261,400	-	424,632,059	11.60
2009	56,889,753	56,889,753	-	411,946,078	13.81

A schedule of the professional group 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 –
Last Ten Fiscal Years *

	2018	2017	2016	2015
Proportion of the net pension liability	6.57 %	6.51	6.45	6.34
Proportionate share of the net pension liability	\$ 808,531,000	911,712,000	811,927,000	766,482,000
Covered-employee payroll	520,492,837	496,048,208	479,588,166	463,793,279
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	149 %	175	164	160
Plan fiduciary net position as a percentage of the total pension liability	72.92 %	68.28	70.68	70.88

* The amounts presented have a measurement date of the previous fiscal year end. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

A schedule of non-professional group 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 Non-Professional Group Employer Contributions – Last Ten Fiscal Years

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 127,000	\$ 127,000	-	\$ 57,626,000	0.22 %
2017	124,000	124,000	-	56,228,000	0.22
2016	118,331	118,331	-	53,786,705	0.22
2015	115,540	115,540	-	52,518,237	0.22
2014	136,418	136,418	-	52,468,471	0.26
2013	133,706	133,706	-	51,425,196	0.26
2012	129,254	129,254	-	49,713,124	0.26
2011	125,363	125,363	-	48,216,450	0.26
2010	212,643	212,643	-	49,451,804	0.43
2009	213,591	213,591	-	49,672,419	0.43

A schedule of changes in the non-professional group for the VRS net HIC OPEB liability and related ratios is provided in the illustration below:

Virginia Retirement System
Schedule of Changes in the Non-Professional Group Net HIC OPEB Liability and Related Ratios - Last Ten Years *

	2017
Total HIC OPEB liability	
Service cost	\$ 67,000
Interest	153,000
Changes in assumptions	(70,000)
Benefit payments, including refunds of employee contributions	(70,000)
Net change in total HIC OPEB liability	80,000
Total HIC OPEB liability - beginning	2,219,000
Total HIC OPEB liability - ending	<u>\$ 2,299,000</u>
Plan fiduciary net position	
Contributions - employer	\$ 124,000
Net investment income	151,000
Benefit payments, including refunds of employee contributions	(70,000)
Administrative expenses	(3,000)
Other changes	8,000
Net change in plan fiduciary net position	210,000
Plan fiduciary net position - beginning	1,286,000
Plan fiduciary net position - ending	<u>\$ 1,496,000</u>
Non-professional groups' net HIC OPEB liability - ending	<u>\$ 803,000</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	65.1%
Covered-employee payroll	\$ 56,228,000
Non-professional groups' net HIC OPEB liability as a percentage of covered-employee payroll	1.43%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

A schedule of professional group 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 Professional Group Employer Contributions – Last Ten Fiscal Years

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 6,670,000	\$ 6,670,000	-	\$ 542,242,000	1.23 %
2017	5,778,000	5,778,000	-	520,545,000	1.11
2016	5,258,204	5,258,204	-	496,057,012	1.06
2015	5,084,225	5,084,225	-	479,643,911	1.06
2014	5,148,938	5,148,938	-	463,868,296	1.11
2013	5,045,512	5,045,512	-	454,550,664	1.11
2012	2,981,476	2,981,476	-	496,912,729	0.60
2011	2,540,818	2,540,818	-	423,469,621	0.60
2010	3,308,852	3,308,852	-	318,158,875	1.04
2009	4,449,018	4,449,018	-	411,946,078	1.08

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

Virginia Retirement System Health Insurance Credit Program
Schedule of Professional Group Employer's Share of Net HIC OPEB Liability
Last Ten Fiscal Years *

	2018
Proportion of the net HIC OPEB liability	6.60 %
Proportionate share of the net HIC OPEB liability	\$ 83,738,000
Covered-employee payroll	520,545,000
Proportionate share of the net HIC liability as a percentage of covered-employee payroll	15.44 %
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04 %

* The amounts presented have a measurement date of the previous fiscal year end. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

A schedule of non-professional group employer contributions for the Virginia Retirement System Group Life Insurance Program is provided in the illustration below:

Virginia Retirement System Group Life Insurance Program
Schedule of Non-Professional Group Employer Contributions– Last Ten Fiscal Years

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 302,000	\$ 302,000	-	\$ 58,065,000	0.52 %
2017	294,000	294,000	-	56,540,000	0.52
2016	260,802	260,802	-	54,333,805	0.48
2015	254,792	254,792	-	53,081,614	0.48
2014	254,204	254,204	-	52,959,224	0.48
2013	248,668	248,668	-	51,805,851	0.48
2012	140,523	140,523	-	50,186,864	0.28
2011	137,236	137,236	-	49,012,752	0.28
2010	98,705	98,705	-	36,557,373	0.27
2009	133,570	133,570	-	49,470,278	0.27

A schedule of the non-professional group employer's share of net Group Life Insurance OPEB liability for the Virginia Retirement System is provided in the illustration below:

Virginia Retirement System Group Life Insurance Program
Schedule of Non-professional Group Employer's Share of Net GLI OPEB Liability
Last Ten Fiscal Years *

	2018
Proportion of the net GLI OPEB liability	0.31 %
Proportionate share of the net GLI OPEB liability	\$ 4,616,000
Covered-employee payroll	56,540,000
Proportionate share of the net GLI liability as a percentage of covered-employee payroll	7.95 %
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86 %

* The amounts presented have a measurement date of the previous fiscal year end. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

A schedule of professional group employer contributions for the Virginia Retirement System Group Life Insurance Program is provide in the illustration below:

Virginia Retirement System Group Life Insurance Program
Schedule of Professional Group Employer Contributions - Last Ten Fiscal Years

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 2,835,000	\$ 2,835,000	-	\$ 545,279,000	0.52 %
2017	2,719,000	2,719,000	-	522,882,000	0.52
2016	2,391,677	2,391,677	-	498,265,965	0.48
2015	2,316,202	2,316,202	-	482,542,131	0.48
2014	2,239,442	2,239,442	-	466,550,328	0.48
2013	2,193,678	2,193,678	-	457,016,168	0.48
2012	1,262,602	1,262,602	-	450,929,130	0.28
2011	1,199,820	1,199,820	-	428,507,083	0.28
2010	868,517	868,517	-	321,673,141	0.27
2009	1,128,026	1,128,026	-	417,787,481	0.27

A schedule of professional group employer's share of net GLI OPEB liability for the Virginia Retirement System Group Life Insurance Program is provided in the illustration below:

Virginia Retirement System Group Life Insurance Program
Schedule of Professional Group Employer's Share of Net GLI OPEB Liability
Last Ten Fiscal Years *

	2018
Proportion of the net GLI OPEB liability	2.84 %
Proportionate share of the net GLI OPEB liability	\$ 42,687,000
Covered-employee payroll	522,882,000
Proportionate share of the net GLI liability as a percentage of covered-employee payroll	7.83 %
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86 %

* The amounts presented have a measurement date of the previous fiscal year end.
This schedule is intended to show information for 10 years. Additional years will be
displayed as they become available.

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 – Last Ten Fiscal Years

Date June 30,	Contractually Required Contribution	Contributions in Relation Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 4,041,063	\$ 4,041,063	-	\$ 599,821,643	0.67 %
2017	4,328,588	4,328,588	-	576,721,212	0.75
2016	3,411,989	3,411,989	-	549,996,838	0.62
2015	4,700,219	4,700,219	-	532,110,607	0.88
2014	7,761,692	7,761,692	-	516,264,594	1.50
2013	8,579,868	8,579,868	-	506,252,672	1.69
2012	3,971,230	3,971,230	-	547,275,910	0.73
2011	6,785,771	6,785,771	-	472,515,204	1.44
2010	5,078,811	5,078,811	-	474,380,251	1.07
2009	9,353,302	9,353,302	-	461,277,581	2.03

A schedule of changes of PWCS Postretirement Medical and the Retiree Health Insurance Premium Contribution Plan net OPEB liability and related ratios is provided in the illustration below:

Prince William County Schools Postretirement
Medical and the Retiree Health Insurance Premium Contribution Plan
Schedule of Changes in Net OPEB Liability and Related Ratios –
Last Ten Fiscal Years *

	2018	2017
Total OPEB liability		
Service cost	\$ 2,755,715	2,624,490
Interest	4,978,187	4,689,989
Benefit payments, including refunds of employee contributions	(3,041,063)	(3,328,588)
Net change in total OPEB liability	4,692,839	3,985,891
Total OPEB liability - beginning	68,361,246	64,375,355
Total OPEB liability - ending	<u>\$ 73,054,085</u>	<u>68,361,246</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,000,000	1,000,000
Net investment income	2,331,704	2,618,693
Net change in plan fiduciary net position	3,331,704	3,618,693
Plan fiduciary net position - beginning	29,946,151	26,327,458
Plan fiduciary net position - ending	<u>\$ 33,277,855</u>	<u>29,946,151</u>
Net OPEB liability - ending	<u>\$ 39,776,230</u>	<u>38,415,095</u>
Plan fiduciary net position as a percentage of the total OPEB liability	45.6 %	43.8
Covered-employee payroll	\$ 599,821,643	576,721,212
Non-professional groups' net OPEB liability as a percentage of covered-employee payroll	6.6 %	6.7

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to the Required Supplementary Information June 30, 2018

Note 1 – Changes of benefit terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation. However, for the pension benefit, the 2014 valuation included Hybrid Retirement Plan members for the first time. The Hybrid Plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

There have been no actuarially material changes to the PWCS OPEB benefit provisions since the prior actuarial valuation.

Note 2 – Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the VRS pension and HIC and GLI OPEB's for professional and non-professional general employees for the four-year period ending June 30, 2016.

	Largest 10 Non-Hazardous Duty	All Others (Non 10 Largest)	Professional Group
Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020	Update to a more current mortality table - RP-2014 projected to 2020	Update to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	Lowered rates at older ages and changed final retirement from 70 to 75	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates	Lowered rates	Adjusted rates to better match experience
Salary Scale	No change	No change	No change
Line of Duty Disability	Increase rate from 14% to 20%	Increase rate from 14% to 15%	

The following changes in the actuarial methods and assumptions were made effective as of July 1, 2016 based on the most recent actuarial report for PWCS OPEB plan.

The mortality assumption was changed from RP-2000 Employee Mortality Table Projected with Scale AA to 2020 (Pre-retirement Male setback 3 years and Females setback 5 years, Post-retirement Male setback 2 years and Females setback 3 years) as of July 1, 2014 to RP-2014 Employee and Healthy Annuitants Generational Mortality Tables Projected with Improvement Scale MP-2016 as of July 1, 2016.

The healthcare cost trend was changed from 7.0% to 5.0% grade over 4 years beginning as of July 1, 2014 to 8.0% to 5.0% grade over 10 years beginning as of July 1, 2016.

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

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 1

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Facilities Use Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Use of money and property:				
Use of money - interest	\$ -	-	11,305	11,305
Use of property	1,052,535	1,052,535	1,122,710	70,175
Charges for services	340,842	340,842	429,622	88,780
Total revenues	<u>1,393,377</u>	<u>1,393,377</u>	<u>1,563,637</u>	<u>170,260</u>
EXPENDITURES:				
Current:				
Community service operations	1,425,277	1,414,334	1,513,883	(99,549)
Total expenditures	<u>1,425,277</u>	<u>1,414,334</u>	<u>1,513,883</u>	<u>(99,549)</u>
Excess (deficiency) of revenues over (under) expenditures	(31,900)	(20,957)	49,754	70,711
OTHER FINANCING SOURCES:				
Transfer In:				
General fund	-	-	4,175	4,175
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,175</u>	<u>4,175</u>
Net change in fund balances	(31,900)	(20,957)	53,929	74,886
FUND BALANCES, beginning of year	3,365,922	3,365,922	3,365,922	-
FUND BALANCES, end of year	<u>\$ 3,334,022</u>	<u>3,344,965</u>	<u>3,419,851</u>	<u>74,886</u>

Internal Service Funds

Distribution Center Fund – The Distribution Center Fund is used to account for the operations of the distribution center. Revenues and expenses are predominantly a result of operations of the distribution center 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, 2018

Schedule 2

	Distribution Center Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Equity in cash and pooled investments	\$ -	7,353,898	45,050,712	52,404,610
Accounts receivable and other current assets	-	33,621	2,422,319	2,455,940
Inventory	1,401,344	-	-	1,401,344
Total assets	<u>1,401,344</u>	<u>7,387,519</u>	<u>47,473,031</u>	<u>56,261,894</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	228,407	350	4,636,532	4,865,289
Salaries payable and withholdings	-	21	700	721
Unearned revenue	-	-	8,870,014	8,870,014
Due to other funds	733,667	-	-	733,667
Incurred but not reported claims	-	1,555,691	9,348,000	10,903,691
Total current liabilities	<u>962,074</u>	<u>1,556,062</u>	<u>22,855,246</u>	<u>25,373,382</u>
Noncurrent liabilities:				
Incurred but not reported claims	-	4,538,035	-	4,538,035
Total noncurrent liabilities	<u>-</u>	<u>4,538,035</u>	<u>-</u>	<u>4,538,035</u>
Total liabilities	<u>962,074</u>	<u>6,094,097</u>	<u>22,855,246</u>	<u>29,911,417</u>
NET POSITION				
Unrestricted	439,270	1,293,422	24,617,785	26,350,477
Total net position	<u>\$ 439,270</u>	<u>1,293,422</u>	<u>24,617,785</u>	<u>26,350,477</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, 2018

Schedule 3

	Distribution Center Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 4,812,006	4,720,291	99,342,561	108,874,858
Total operating revenues	<u>4,812,006</u>	<u>4,720,291</u>	<u>99,342,561</u>	<u>108,874,858</u>
OPERATING EXPENSES:				
Personnel services	-	447,422	620,899	1,068,321
Materials/supplies	-	-	294,611	294,611
Administrative costs	-	99,340	4,925,474	5,024,814
Contractual services	-	12,592	123,548	136,140
Premiums	-	1,762,225	-	1,762,225
Claims and benefits paid	-	-	90,288,615	90,288,615
Losses and unallocated loss adjustment	-	2,856,104	-	2,856,104
Cost of goods sold	4,811,397	-	-	4,811,397
Total operating expenses	<u>4,811,397</u>	<u>5,177,683</u>	<u>96,253,147</u>	<u>106,242,227</u>
Operating Income (loss)	<u>609</u>	<u>(457,392)</u>	<u>3,089,414</u>	<u>2,632,631</u>
NON-OPERATING REVENUES:				
Interest earnings	-	18,205	115,591	133,796
Total non-operating revenues	<u>-</u>	<u>18,205</u>	<u>115,591</u>	<u>133,796</u>
Income (loss) before transfers	609	(439,187)	3,205,005	2,766,427
OTHER FINANCING SOURCES:				
Transfers In:				
General fund	-	-	1,000,000	1,000,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Change in net position	609	(439,187)	4,205,005	3,766,427
NET POSITION, beginning of year	<u>438,661</u>	<u>1,732,609</u>	<u>20,412,780</u>	<u>22,584,050</u>
NET POSITION, end of year	<u>\$ 439,270</u>	<u>1,293,422</u>	<u>24,617,785</u>	<u>26,350,477</u>

Prince William County Public Schools
Combining Statement of Cash Flows
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2018

Schedule 4

	Distribution Center Fund	Self-Insurance Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,812,006	4,720,598	98,789,263	108,321,867
Payments to suppliers for goods and services	(5,003,791)	(4,157,742)	(91,961,334)	(101,122,867)
Payments to employees	-	(447,626)	(620,959)	(1,068,585)
Net cash provided (used) by operating activities	(191,785)	115,230	6,206,970	6,130,415
Cash Flows from Non-Capital Financing Activities:				
Due to other funds	191,785	-	-	191,785
Transfers from other funds	-	-	1,000,000	1,000,000
Net cash provided by non-capital financing activities	191,785	-	1,000,000	1,191,785
Cash Flows from Investing Activities:				
Interest paid for investments	-	13,649	59,097	72,746
Net cash provided by investing activities	-	13,649	59,097	72,746
Net increase in equity in cash and pooled investments	-	128,879	7,266,067	7,394,946
Equity in cash and pooled investments, beginning of year	-	7,225,019	37,784,645	45,009,664
Equity in cash and pooled investments, end of year	\$ -	7,353,898	45,050,712	52,404,610
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$ 609	(457,392)	3,089,414	2,632,631
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	307	(1,366,529)	(1,366,222)
(Increase) in inventory	(169,961)	-	-	(169,961)
Increase in unearned revenue	-	-	813,231	813,231
Increase (decrease) in accounts payable and accrued liabilities	(22,433)	350	3,557,914	3,535,831
(Decrease) in salaries payable and withholdings	-	(204)	(60)	(264)
Increase in incurred but not reported claims	-	572,169	113,000	685,169
Net cash provided (used) by operating activities	\$ (191,785)	115,230	6,206,970	6,130,415

Agency Funds

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

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

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

Prince William County Public Schools
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018

Schedule 5

	Governor's School @ Innovation Park	Regional School Fund	Student Activity Fund	Total Agency Funds
ASSETS				
Cash and pooled investments	\$ 287,540	3,490,689	8,118,112	11,896,341
Interest receivable	1,427	20,340	-	21,767
Due from other governmental units	26,000	1,776,402	-	1,802,402
Capital assets:				
Depreciable capital assets	14,750	-	-	14,750
Less: accumulated depreciation	(4,407)	-	-	(4,407)
Total assets	<u>325,310</u>	<u>5,287,431</u>	<u>8,118,112</u>	<u>13,730,853</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 325,310</u>	<u>5,287,431</u>	<u>8,118,112</u>	<u>13,730,853</u>

Prince William County Public Schools
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

Schedule 6

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Governor's School @ Innovation Park				
ASSETS				
Cash and pooled investments	\$ 192,679	1,351,731	1,256,870	287,540
Interest receivable	721	1,427	721	1,427
Due from other governmental units	53,421	26,000	53,421	26,000
Capital assets:				
Depreciable capital assets, net	14,750	-	-	14,750
Less: accumulated depreciation	(2,300)	(2,107)	-	(4,407)
Total assets	<u>259,271</u>	<u>1,377,051</u>	<u>1,311,012</u>	<u>325,310</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 259,271</u>	<u>1,377,051</u>	<u>1,311,012</u>	<u>325,310</u>
Regional School Fund				
ASSETS				
Cash and pooled investments	\$ 3,163,288	39,714,432	39,387,031	3,490,689
Interest receivable	15,823	20,340	15,823	20,340
Due from other governmental units	2,820,594	1,776,402	2,820,594	1,776,402
Total assets	<u>5,999,705</u>	<u>41,511,174</u>	<u>42,223,448</u>	<u>5,287,431</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 5,999,705</u>	<u>41,511,174</u>	<u>42,223,448</u>	<u>5,287,431</u>
Student Activity Fund				
ASSETS				
Cash and pooled investments	<u>\$ 7,845,515</u>	<u>15,242,049</u>	<u>14,969,452</u>	<u>8,118,112</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 7,845,515</u>	<u>15,242,049</u>	<u>14,969,452</u>	<u>8,118,112</u>
Total Agency Funds				
ASSETS				
Cash and pooled investments	\$ 11,201,482	56,308,212	55,613,353	11,896,341
Interest receivable	16,544	21,767	16,544	21,767
Due from other governmental units	2,874,015	1,802,402	2,874,015	1,802,402
Capital assets:				
Depreciable capital assets	14,750	-	-	14,750
Less: accumulated depreciation	(2,300)	(2,107)	-	(4,407)
Total assets	<u>14,104,491</u>	<u>58,130,274</u>	<u>58,503,912</u>	<u>13,730,853</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 14,104,491</u>	<u>58,130,274</u>	<u>58,503,912</u>	<u>13,730,853</u>

(This page intentionally left blank)

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.

(This page intentionally left blank)

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									
	2009	2010	2011	2012	2013	2014 ⁽²⁾	2015	2016	2017 ⁽³⁾	2018
Governmental activities:										
Invested in capital assets	\$ 917,228	973,667	1,040,236	1,077,167	1,125,015	1,179,899	1,261,170	1,351,097	1,449,348	1,496,855
Restricted	81,904	88,347	39,065	34,791	43,092	49,769	66,882	197,524	173,218	230,312
Unrestricted	100,241	121,821	112,851	94,042	104,037	(728,330)	(738,304)	(697,152)	(856,226)	(814,905)
Total governmental activities net position	\$ <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>501,338</u>	<u>589,748</u>	<u>851,469</u>	<u>766,340</u>	<u>912,262</u>
Business-type activities: ⁽¹⁾										
Invested in capital assets	\$ -	-	-	-	-	-	-	-	9,058	8,876
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	302	939	838	664	560	466	340	274	48
Total business-type activities net position	\$ <u>-</u>	<u>302</u>	<u>939</u>	<u>838</u>	<u>664</u>	<u>560</u>	<u>466</u>	<u>340</u>	<u>9,332</u>	<u>8,924</u>
Total school division:										
Invested in capital assets	\$ 917,228	973,667	1,040,236	1,077,167	1,125,015	1,179,899	1,261,170	1,351,097	1,458,406	1,505,731
Restricted	81,904	88,347	39,065	34,791	43,092	49,769	66,882	197,524	173,218	230,312
Unrestricted	100,241	122,123	113,790	94,880	104,701	(727,770)	(737,838)	(696,812)	(855,952)	(814,857)
Total school division net position	\$ <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>501,898</u>	<u>590,214</u>	<u>851,809</u>	<u>775,672</u>	<u>921,186</u>

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

⁽²⁾ GASB 68/71 restatement.

⁽³⁾ GASB 75 restatement.

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									
	2009	2010	2011	2012	2013	2014 ⁽²⁾	2015	2016	2017 ⁽³⁾	2018
Expenses										
Governmental activities:										
Instruction:										
Regular	\$ 432,322	434,441	438,872	461,883	485,165	489,514	511,206	514,177	562,799	560,440
Special	99,166	94,105	91,911	107,521	101,696	104,231	107,557	107,705	115,150	119,230
Other	8,807	8,241	9,130	9,047	9,565	9,607	10,540	11,811	13,279	13,315
Instructional leadership	52,235	52,762	51,393	54,417	57,215	57,186	59,926	62,180	65,905	70,159
Support services:										
General administration	8,841	8,771	9,191	8,400	10,023	9,988	10,386	10,265	12,185	10,029
Student services	10,985	11,139	9,190	9,699	10,446	13,323	13,157	12,972	16,267	15,356
Curricular/staff development	12,736	12,072	13,469	13,625	14,092	12,707	12,849	12,512	14,935	15,762
Pupil transportation	46,684	48,536	49,830	49,379	53,658	55,479	55,458	54,212	57,032	58,863
Operations	22,033	22,577	21,554	21,856	22,858	23,168	22,848	22,907	24,977	24,100
Utilities	25,175	24,290	25,430	25,331	23,321	22,649	23,715	21,058	23,030	22,822
Maintenance	24,432	24,404	25,054	32,431	31,147	35,983	43,990	42,033	42,245	40,971
Central business services	45,021	45,069	43,445	44,687	52,343	51,164	51,510	50,487	58,559	55,008
Reimbursement to County for debt service	59,566	60,790	63,800	68,440	70,605	74,691	80,755	88,470	89,728	101,582
Food & nutrition services	30,459	30,950	32,480	36,597	38,551	37,430	40,145	42,390	44,879	45,631
Community service operations	1,132	866	897	1,205	1,267	1,200	1,342	1,420	1,441	1,514
Education foundation	-	-	-	-	-	-	519	594	509	532
Total governmental activities expenses	879,594	879,013	885,646	944,518	981,952	998,320	1,045,903	1,055,193	1,142,920	1,155,314
Business-type activities: ⁽¹⁾										
School Age Child Care	-	11	334	508	594	592	607	632	633	619
Aquatics Center	-	-	-	-	-	-	-	-	902	1,238
Total business-type activities expenses	-	11	334	508	594	592	607	632	1,535	1,857
Total school division expenses	\$ 879,594	879,024	885,980	945,026	982,546	998,912	1,046,510	1,055,825	1,144,455	1,157,171
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 3,499	3,128	2,748	2,879	3,498	3,185	3,140	3,285	3,117	3,416
Curricular/staff development	-	-	40	-	-	-	-	-	-	-
Pupil transportation	171	110	111	99	80	61	69	60	110	78
Operations	-	-	282	170	392	306	312	326	326	323
Central business services	133	229	281	301	380	403	430	407	373	831
Food & nutrition services	18,071	17,079	16,951	18,318	17,924	17,870	17,401	17,860	18,932	18,415
Community service operations	933	1,027	814	921	1,026	1,289	1,408	1,490	1,554	1,552
Other activities	183	118	-	-	-	-	-	-	-	-
Operating grants and contributions	106,649	112,243	134,064	134,204	136,285	138,511	147,692	153,479	164,137	164,271
Capital grants and contributions	1,008	99	96	98	113	108	116	124	119	123
Total governmental activities program revenues	130,647	134,033	155,387	156,990	159,698	161,733	170,568	177,031	188,668	189,009
Business-type activities:										
Charges for services										
School Age Child Care	-	-	658	389	425	475	503	500	513	538
Aquatics Center	-	-	-	-	-	-	-	-	310	510
Operating grants and contributions	-	312	303	-	-	-	-	-	-	-
Total business-type activities program revenues	-	312	961	389	425	475	503	500	823	1,048
Total school division program revenues	\$ 130,647	134,345	156,348	157,379	160,123	162,208	171,071	177,531	189,491	190,057
Net (Expense) Revenues										
Governmental activities	(748,947)	(744,980)	(730,259)	(787,528)	(822,254)	(836,587)	(875,335)	(878,162)	(954,252)	(966,305)
Business-type activities	-	301	627	(119)	(169)	(117)	(104)	(132)	(712)	(809)
Total school division net (expense)	\$ (748,947)	(744,679)	(729,632)	(787,647)	(822,423)	(836,704)	(875,439)	(878,294)	(954,964)	(967,114)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted grants and contributions	\$ 815,818	822,930	733,426	795,676	883,194	890,805	957,609	1,133,523	1,037,970	1,105,143
Unrestricted investment earnings	5,874	4,792	3,555	3,045	1,724	3,123	3,001	3,343	2,638	2,731
Miscellaneous revenues	2,030	1,720	1,595	2,655	3,480	6,745	3,135	3,017	5,400	4,753
Transfer to Aquatic Center	-	-	-	-	-	-	-	-	(9,709)	(400)
Total governmental activities general revenues	823,722	829,442	738,576	801,376	888,398	900,673	963,745	1,139,883	1,036,299	1,112,227
Business-type activities:										
Unrestricted investment earnings	-	1	10	18	(5)	13	10	6	(4)	1
Transfer to Aquatic Center	-	-	-	-	-	-	-	-	9,709	400
Total business-type activities general revenues	-	1	10	18	(5)	13	10	6	9,705	401
Total school division general revenues and other changes in net position	\$ 823,722	829,443	738,586	801,394	888,393	900,686	963,755	1,139,889	1,046,004	1,112,628
Change in Net Position										
Governmental activities	\$ 74,775	84,462	8,317	13,848	66,144	64,086	88,410	261,721	82,047	145,922
Business-type activities	-	302	637	(101)	(174)	(104)	(94)	(126)	8,993	(408)
Total school division	\$ 74,775	84,764	8,954	13,747	65,970	63,982	88,316	261,595	91,040	145,514

⁽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.

⁽³⁾ PWCS implemented GASB 75 in fiscal year 2018, thus a prior period adjustment of \$167,177 for prior OPEB liabilities was added.

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

TABLE 3 - Fund Balances, Governmental Funds (Presented Pre-GASB 54)

Last Two Fiscal Years ⁽¹⁾

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

	Fiscal Year	
	2009	2010
General Fund		
Reserved for:		
Inventory	\$ 803	837
Prepays	-	-
Unreserved:		
Designated for encumbrances	21,569	14,165
Designated for future years' expenditures	24,540	36,890
Designated for grants and special projects	444	388
Undesignated	7,632	15,810
Total General Fund	<u>54,988</u>	<u>68,090</u>
All Other Governmental Funds:		
Capital Projects		
Unreserved:		
Designated for encumbrances	95,026	84,816
Designated for future years' expenditures	25,376	46,101
Designated for payments to PWC for arbitrage rebate	952	890
Nonmajor Special Revenue Funds		
Reserved for:		
Inventory	1,245	996
Unreserved:		
Designated for encumbrances	45	56
Designated for future years' expenditures	944	703
Undesignated reported in special revenue funds	10,980	14,342
Total all other governmental funds	<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 Eight Fiscal Years ⁽¹⁾***(modified accrual basis of accounting; amounts expressed in thousands)*

	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
General Fund								
Nonspendable	\$ 930	997	1,079	1,091	1,159	1,247	1,158	1,639
Restricted	482	5,524	5,008	5,253	4,630	5,042	2,282	6,563
Assigned	79,933	71,315	60,554	49,227	43,727	64,684	70,183	88,930
Unassigned	1,030	3,042	15,404	9,766	22,479	16,172	24,888	15,259
Total General Fund	<u>82,375</u>	<u>80,878</u>	<u>82,045</u>	<u>65,337</u>	<u>71,995</u>	<u>87,145</u>	<u>98,511</u>	<u>112,391</u>
All Other Governmental Funds:								
Construction Fund								
Restricted	12,544	7,604	19,418	22,123	37,781	165,354	143,327	193,540
Committed	3,078	-	-	-	-	-	-	-
Assigned	32,382	21,158	30,704	52,603	28,170	28,218	20,170	20,270
Food & Nutrition Services Fund ⁽²⁾								
Nonspendable	-	-	-	-	1,495	1,246	1,455	1,696
Restricted	-	-	-	-	23,922	26,628	27,609	30,208
Other Nonmajor Special Revenue Fund								
Nonspendable	971	1,149	1,534	1,642	-	-	-	-
Restricted	15,454	17,349	18,165	21,894	-	-	-	-
Committed	2,750	2,787	2,848	2,992	3,109	3,262	3,366	3,420
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>	<u>224,708</u>	<u>195,927</u>	<u>249,134</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

⁽²⁾ In FY2015, the Food & Nutrition Services Fund became a major fund. Prior it was a part of the Special Revenue Fund.

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Federal sources:										
Food & nutrition services	\$ 14,015	15,281	17,418	19,314	21,115	21,975	22,963	25,418	26,975	28,417
Other federal sources	28,102	71,812	58,566	44,145	34,231	33,322	34,090	36,129	39,360	41,290
Total federal sources	42,117	87,093	75,984	63,459	55,346	55,297	57,053	61,547	66,335	69,707
State sources:										
Basic aid	225,563	194,124	206,773	221,759	232,907	230,776	241,848	242,427	258,167	259,954
Food & nutrition services	451	490	535	632	685	722	735	752	938	1,074
Lottery proceeds ⁽¹⁾	7,952	4,818	-	-	-	-	-	-	-	-
Regional school program	13,261	14,081	15,016	16,532	19,926	20,605	21,598	22,904	24,091	20,531
Sales tax	59,695	60,182	62,525	66,475	73,929	75,529	80,774	85,219	87,330	85,089
Special education SOQ ⁽²⁾	16,574	17,279	17,221	17,721	16,823	17,358	17,451	17,675	18,226	18,371
Other state sources	61,831	55,379	56,079	67,594	85,023	91,311	93,964	97,448	102,579	122,452
Total state sources	385,327	346,353	358,149	390,713	429,293	436,301	456,370	466,425	491,331	507,471
County sources:										
County bond sale transfer	55,773	82,585	9,685	48,681	88,930	70,276	89,792	243,190	84,214	127,266
County general transfer ⁽³⁾	430,650	405,968	412,881	436,079	435,195	469,571	493,164	503,877	542,732	557,697
County proffer transfer	8,018	9,263	3,224	-	10,954	-	7,677	6,000	12,000	6,000
Total county sources	494,441	497,816	425,790	484,760	535,079	539,847	590,633	753,067	638,946	690,963
Local sources:										
Charges for services	3,834	3,548	3,762	4,042	4,532	4,444	4,811	4,673	4,178	5,319
Food & nutrition services sales	18,014	17,045	16,699	18,027	17,901	18,135	17,698	18,153	19,226	18,840
Interest and other income	6,899	4,968	3,722	3,118	1,839	3,200	3,077	3,768	3,773	4,338
Use of property	933	1,027	814	921	1,027	1,007	1,104	1,192	1,255	1,123
Other local sources	2,603	2,239	2,253	3,376	3,225	4,260	3,322	3,661	6,936	5,600
Total local sources	32,283	28,827	27,250	29,484	28,524	31,046	30,012	31,447	35,368	35,220
Total revenues	954,168	960,089	887,173	968,416	1,048,242	1,062,491	1,134,068	1,312,486	1,231,980	1,303,361
Expenditures										
Instruction:										
Regular	412,562	412,490	416,900	439,685	457,948	461,647	489,493	500,245	530,467	546,629
Special	98,453	93,426	91,384	107,463	100,384	102,987	107,931	109,796	114,639	123,051
Other	8,802	8,201	9,062	8,986	9,446	9,495	10,577	12,005	13,180	13,674
Instructional leadership	52,235	52,762	51,393	54,417	57,212	57,167	59,915	62,180	65,905	70,159
Support services:										
General administration	7,969	7,507	8,090	7,678	8,843	8,489	9,979	9,711	11,596	10,395
Student services	10,914	11,060	9,143	9,704	10,340	13,205	13,888	14,562	15,784	17,298
Curricular/staff development	12,664	12,027	13,441	13,628	13,979	12,652	12,963	12,846	14,817	16,314
Pupil transportation	43,851	43,390	49,191	52,400	55,568	58,945	58,084	59,298	62,748	65,508
Operations	21,859	22,389	21,419	21,842	22,613	22,944	23,236	23,921	24,665	25,433
Utilities	25,175	24,290	25,430	25,331	23,321	22,649	24,021	21,671	22,855	23,461
Maintenance	23,352	24,772	24,601	32,872	30,886	35,988	44,267	42,256	38,995	40,592
Central business services	43,994	44,254	43,626	45,624	51,017	48,608	53,960	53,074	56,646	56,485
Community service operations	1,132	866	897	1,205	1,267	1,200	1,342	1,420	1,441	1,514
Food & nutrition service	30,436	30,927	32,451	36,582	38,544	37,518	40,108	42,353	44,842	45,570
Reimbursement to County for debt service	59,869	60,853	64,425	68,516	70,605	74,691	77,278	84,523	89,728	101,582
Capital Outlay	78,279	82,438	88,159	57,076	70,681	78,829	106,249	113,326	137,050	77,210
Total expenditures	931,546	931,652	949,612	983,009	1,022,654	1,047,014	1,133,291	1,163,187	1,245,358	1,234,875
Excess (deficiency) of revenues over (under) expenditures	22,622	28,437	(62,439)	(14,593)	25,588	15,477	777	149,299	(13,378)	68,486
Other Financing Sources (Uses):										
Transfers in:										
General fund	1,000	1,000	1,000	1,000	1,943	1,490	1,255	2,436	3,292	1,631
Construction fund	35,026	5,916	7,842	8,143	17,588	44,297	19,363	17,863	18,301	11,719
Other Governmental funds	-	-	-	-	-	-	-	11	1	4
Transfers out:										
General fund	(40,026)	(7,916)	(11,842)	(12,179)	(19,388)	(47,897)	(20,259)	(21,142)	(21,639)	(12,793)
Construction fund	(1,000)	(1,000)	(1,000)	(1,000)	(1,943)	(1,490)	(1,255)	(2,436)	(2,262)	(1,631)
Other Governmental funds	-	-	-	-	-	-	-	(650)	(1,730)	(330)
Total other financing sources (uses), net	(5,000)	(2,000)	(4,000)	(4,036)	(1,800)	(3,600)	(896)	(3,918)	(4,037)	(1,400)
Net change in fund balances	\$ 17,622	26,437	(66,439)	(18,629)	23,788	11,877	(119)	145,381	(17,415)	67,086

⁽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	
2009	\$ 744,490	\$ 11,374	\$ 2,759	\$ 31,019	\$ 36,836	\$ 54,288	\$ 614,146	\$ 29,052	\$ 1,523,964
2010	677,954	10,617	2,866	33,903	34,877	54,288	641,187	24,416	1,480,108
2011	688,372	11,495	3,241	12,406	34,953	54,288	656,758	18,130	1,479,643
2012	714,658	13,836	3,435	17,909	43,295	54,288	627,418	13,816	1,488,655
2013	752,856	16,354	3,260	(3,386)	50,179	54,288	690,633	30,632	1,594,816
2014	783,654	17,389	3,252	18,762	50,964	54,288	722,269	17,826	1,668,403
2015	825,162	17,057	3,168	16,747	51,847	54,288	757,092	23,207	1,748,568
2016	869,840	18,039	2,953	21,495	49,818	54,288	801,685	18,945	1,837,063
2017	910,522	19,867	2,732	6,471	57,324	54,288	857,810	31,588	1,940,602
2018	950,705	19,141	3,050	9,539	57,256	54,288	878,004	17,773	1,989,756
Change									
2009 - 2018	27.70%	68.29%	10.55%	-69.25%	55.43%	0.00%	42.96%	-38.82%	30.56%

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 61.5% for FY 2007 through 2008. The reimbursement for fiscal year 2017 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 ⁽²⁾	Total
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	18,650	700,383	59,709	13,974	24,744	26,352	825,162
2016	610,844	110,676	19,954	741,474	60,551	13,977	25,065	28,773	869,840
2017	632,422	123,696	21,204	777,322	63,022	14,196	25,341	30,641	910,522
2018	660,476	131,700	22,101	814,277	64,566	14,417	26,554	30,891	950,705
Change									
2009 - 2018	24.59%	73.32%	45.83%	31.07%	43.30%	14.46%	33.23%	-32.32%	27.70%

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
2009	\$ 41,980,642	\$ 1,904,868	\$ 7,595,528	\$ 1,471,669	\$ 273,037	\$ 53,225,744	\$ 1.03	\$ 51,665,113	103.02%
2010	29,888,134	1,801,532	6,726,623	1,360,944	214,673	39,991,906	1.29	47,228,010	84.68%
2011	30,434,819	1,451,944	5,722,158	1,466,645	180,505	39,256,071	1.31	48,535,035	80.88%
2012	32,477,281	1,642,125	5,899,244	1,472,610	163,184	41,654,444	1.28	49,533,872	84.09%
2013	33,769,506	1,911,766	6,210,947	1,521,977	170,032	43,584,228	1.29	50,810,494	85.78%
2014	35,821,828	2,185,291	6,597,590	1,501,931	171,126	46,277,766	1.26	57,109,671	81.03%
2015	39,073,111	2,525,672	6,802,104	1,531,397	161,172	50,093,456	1.22	57,663,419	86.87%
2016	41,983,238	2,856,819	7,179,333	1,678,330	166,961	53,864,681	1.19	60,222,753	89.44%
2017	43,393,628	3,020,162	7,406,620	1,782,650	161,469	55,764,529	1.20	61,527,421	90.63%
2018	44,665,855	3,047,465	8,185,594	1,826,020	166,147	57,891,081	1.21	62,461,608	92.68%

Source: County of Prince William, Virginia.

⁽¹⁾ Net of tax-exempt property:

2009 - \$3,722,543	2014 - \$3,705,018
2010 - \$3,451,863	2015 - \$3,761,235
2011 - \$3,119,173	2016 - \$3,901,930
2012 - \$3,183,169	2017 - \$4,113,361
2013 - \$3,316,592	2018 - \$4,323,692

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

**TABLE 6A - Commercial to Total Assessment Ratio, Construction and Bank Deposits
Last Ten Fiscal Years**

(dollars expressed in millions)

Commercial as a Percent of Total Taxable			New Construction ⁽¹⁾					
			Residential		Non-Residential			
Fiscal Year	Commercial to Total	Commercial & Public Service to Total	Permits	Value	Permits	Value	Bank Deposits ⁽²⁾	
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	14.3%	17.5%	1,396	290	193	236	4,201	
2015	13.4%	16.3%	1,401	261	225	145	4,378	
2016	13.3%	16.4%	1,295	224	136	137	4,492	
2017	13.3%	16.5%	1,399	339	177	546	4,535	
2018	14.1%	17.3%	1,310	245	125	124	4,625	

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. 2009-2018, 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PRINCE WILLIAM COUNTY										
<i>Countywide Tax Levies:</i>										
Real Estate - General Fund	\$0.97000	\$1.21200	\$1.23600	\$1.20400	\$1.20900	\$ 1.18100	\$ 1.14800	\$ 1.12200	\$ 1.12200	\$ 1.12500
Fire and Rescue Levy (Countywide)	0.05970	0.07460	0.07610	0.07410	0.07440	0.07270	0.07070	0.06910	0.07050	0.07920
Mosquito & Forest Pest Management (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	<u>\$1.03220</u>	<u>\$1.28910</u>	<u>\$1.31460</u>	<u>\$1.28060</u>	<u>\$1.28590</u>	<u>\$ 1.25620</u>	<u>\$ 1.22120</u>	<u>\$ 1.19360</u>	<u>\$ 1.19500</u>	<u>\$ 1.20670</u>
Service District Levies -										
Bull Run	\$0.13800	\$0.19900	\$0.20100	\$0.20100	\$0.20100	\$ 0.18300	\$ 0.14710	\$ 0.13770	\$ 0.13770	\$ 0.13110
Lake Jackson	0.12300	0.17200	0.17500	0.17500	0.17500	0.16500	0.16500	0.16500	0.16500	0.16500
Circuit Court	0.15000	--	--	--	--	--	--	--	--	--
Transportation District Levies -										
Prince William Parkway	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
OVERLAPPING GOVERNMENTS										
<i>Real Estate Tax Levy:</i>										
Town of Dumfries	0.18000	0.35330	0.33350	0.33330	0.27733	0.27330	0.23330	0.18990	0.18990	0.18990
Town of Haymarket	0.16400	0.16400	0.16400	0.16400	0.16400	0.13900	0.13900	0.12900	0.14600	0.14600
Town of Occoquan	0.10000	0.10000	0.10000	0.10000	0.10000	0.11000	0.11000	0.11000	0.01200	0.01200
Town of Quantico	0.20000	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	2018			2009		
	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	\$ 885,355	1	1.53%	\$ 711,528	1	1.34%
Mall at Potomac Mills, LLC	505,752	2	0.87%	482,954	2	0.91%
Northern Virginia Electric Co-op	324,481	3	0.56%	270,426	3	0.51%
Verizon South, Inc.	159,398	4	0.28%	160,499	4	0.30%
Porpoise Ventures, LLC	145,130	5	0.25%			
Washington Gas Light Company	140,508	6	0.24%	99,454	10	0.19%
Poweloft @ Innovation I LLC	134,863	7	0.23%			
JBG/Woodbridge Retail LLC	126,017	8	0.22%			
Rolling Brook Windsor LLC	117,766	9	0.20%			
KIR Smoketown Station LP	106,994	10	0.18%			
Dominion Country Club, LP	-		-	130,069	5	0.24%
WNH Limited Partnership	-		-	113,684	6	0.21%
Deutsche Bank National Trust Co.	-		-	108,748	7	0.20%
Stellar Chatsworth LLC	-		-	107,566	8	0.20%
Brookfield Morris LLC	-		-	105,961	9	0.20%
	<u>\$ 2,646,264</u>		<u>4.56%</u>	<u>\$ 2,290,889</u>		<u>4.30%</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 Collected
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%	1,651	552,873	99.9%
2014	573,203	571,425	99.7%	1,393	572,818	99.9%
2015	603,171	601,267	99.7%	1,487	602,754	99.9%
2016	630,485	629,017	99.8%	935	629,952	99.9%
2017	653,759	651,883	99.7%	1,018	652,901	99.9%
2018	682,368	681,108	99.8%	--	681,108	99.8%

Source: County of Prince William, Virginia.

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

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Primary Government										
<i>Governmental Activities:</i>										
General Obligation Bonds ⁽¹⁾										
General Government	\$ 165,649	\$ 151,352	\$ 156,520	\$ 139,782	\$ 127,400	\$ 140,032	\$ 126,438	\$ 197,564	\$ 181,934	\$ 167,369
School Board-Related	531,815	576,826	549,775	556,747	579,969	594,188	628,638	793,235	815,195	865,535
Park Related	8,477	7,842	7,210	7,126	6,651	9,746	9,069	14,421	13,606	11,816
IDA Lease Revenue Bonds	8,870	8,030	7,160	6,260	5,325	4,355	3,345	2,290	1,175	--
Literary Fund Loans	3,749	3,374	3,000	2,750	2,500	2,250	2,000	--	--	--
Real Property Capital Leases										
General Government	179,298	169,012	156,854	145,695	133,415	122,609	110,324	96,720	86,026	77,630
Adult Detention Center	64,550	34,825	33,100	25,875	23,405	21,680	19,955	18,230	15,596	13,890
Park Related	528	495	462	429	385	352	644	395	268	235
Commuter Rail Capital Leases**	992	511	--	--	--	--	--	--	--	--
Equipment Capital Leases	--	--	485	398	1,456	951	539	110	--	--
Installment Notes Payable	182	--	--	--	--	--	--	--	--	--
<i>Business-Type Activities:</i>										
Solid Waste System Revenue Bonds**	\$ 7,945	\$ 6,295	\$ 4,595	\$ 3,004	\$ 1,590	\$ --	\$ --	\$ --	\$ --	\$ --
Parks & Recreation Revenue Bonds	--	--	--	--	11,031	10,525	10,555	9,965	9,355	8,725
Parks & Recreation Equipment Capital Leases	--	--	--	--	889	596	295	99	--	--
Total Primary Government	\$ 972,055	\$ 958,562	\$ 919,161	\$ 888,066	\$ 894,016	\$ 907,284	\$ 911,802	\$ 1,133,029	\$ 1,123,155	\$ 1,145,200
Percentage of Personal Income ⁽²⁾	4.81%	4.48%	4.04%	3.78%	3.81%	3.72%	3.56%	4.21%	4.17%	4.25%
Per Capita ⁽²⁾	2,474	2,384	2,239	2,124	2,099	2,092	2,065	2,566	2,497	2,511
Component Units										
Park Authority Component Unit ⁽³⁾ :										
Series 1999 Revenue Bonds**	\$ 17,323	\$ 12,481	\$ 12,008	\$ 11,528	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Equipment Capital Leases**	2,800	2,254	1,689	2,793	--	--	--	--	--	--
Installment Notes Payable**	376	230	78	--	--	--	--	--	--	--
Total Component Units	20,499	14,965	13,775	14,321	--	--	--	--	--	--
Total Reporting Entity Outstanding Debt	992,554	973,527	932,936	902,387	894,016	907,284	911,802	1,133,029	1,123,155	1,145,200
Less: Self-Supporting Revenue and Other Bonds	29,436	21,771	18,370	17,325	13,510	11,121	10,850	10,064	9,355	8,725
Net Tax-Supported Debt	\$ 963,118	\$ 951,756	\$ 914,566	\$ 885,062	\$ 880,506	\$ 896,163	\$ 900,952	\$ 1,122,965	\$ 1,113,800	\$ 1,136,475

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-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 10-7 in the Notes to the Financial Statements for details.

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⁾	Solid Waste System Revenue Bonds	Total	Percentage of Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2009	\$ 705,941	\$ 7,945	\$ 713,886	1.38%	\$ 1,817
2010	736,020	6,295	742,315	1.57%	1,847
2011	713,505	4,595	718,100	1.48%	1,750
2012	703,655	3,004	706,659	1.43%	1,690
2013	714,020	1,590	715,610	1.41%	1,681
2014	743,966	--	743,966	1.30%	1,716
2015	764,145	--	764,145	1.33%	1,730
2016	1,005,220	--	1,005,220	1.67%	2,234
2017	1,010,735	--	1,010,735	1.64%	2,216
2018	1,044,720	--	1,044,720	1.67%	2,269

Source: County of Prince William, Virginia.

⁽¹⁾ Includes general obligation bonds associated with School Board-Related and Park-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 (based on assessed values)

As of June 30, 2018

(amounts expressed in thousands)

	Outstanding on 6/30/2018	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ⁽²⁾
Direct:				
Net Tax Supported Debt ⁽¹⁾	\$ 1,136,475	100.00%	\$ 1,136,475	1.9631%
Overlapping:				
Town of Dumfries	9,435	100.00%	9,435	0.0163%
Town of Quantico	123	100.00%	123	0.0002%
Town of Haymarket	n/a ⁽⁴⁾	100.00%		0.0000%
Town of Occoquan	2	100.00%	2	0.0000%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 B	993	100.00%	993	0.0017%
Virginia Gateway Community Development Authority Refunding Bond Series 1999 and 2003 B	8,835	100.00%	8,835	0.0153%
Cherry Hill Community Development Authority Special Assessment Bond Series 2015	30,000	100.00%	30,000	0.0518%
Northern Virginia Transportation Commission - Virginia Railway Express ⁽³⁾	63,982	32.32%	20,679	0.0357%
Northern Virginia Criminal Justice Training Academy (NVCJTA) ⁽³⁾	7,062	33.97%	2,399	0.0041%
Total Overlapping Governmental Activities Debt	<u>\$ 120,432</u>	<u>60.17%</u>	<u>\$ 72,466</u>	<u>0.1252%</u>
Total Direct and Overlapping Governmental Activities Debt	<u>\$ 1,256,907</u>	<u>0.00%</u>	<u>\$ 1,208,941</u>	<u>2.0883%</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 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government ⁽¹⁾										
Principal	\$ 61,303	\$ 91,742	\$ 66,299	\$ 74,760	\$ 69,858	\$ 72,969	\$ 76,750	\$ 78,093	\$ 86,849	\$ 93,220
Interest ⁽²⁾	41,032	43,272	43,783	42,803	41,991	42,546	42,476	46,072	47,888	48,688
Internal Service Fund Debt Service ⁽³⁾	--	--	--	--	--	--	--	--	--	--
Debt Service on Net Tax-Supported Debt	\$ 102,335	\$ 135,014	\$ 110,082	\$ 117,563	\$ 111,849	\$ 115,515	\$ 119,226	\$ 124,165	\$ 134,737	\$ 141,908
Total Government Expenditures ⁽⁴⁾	\$ 1,331,692	\$ 1,386,901	\$ 1,337,189	\$ 1,427,543	\$ 1,461,112	\$ 1,491,793	\$ 1,557,703	\$ 1,610,616	\$ 1,734,264	\$ 1,732,479
Ratio of Debt Service to Expenditures	7.7%	9.7%	8.2%	8.2%	7.7%	7.7%	7.7%	7.7%	7.8%	8.2%
Total Revenues ⁽⁵⁾	\$ 1,441,690	\$ 1,392,237	\$ 1,439,786	\$ 1,460,245	\$ 1,493,495	\$ 1,636,801	\$ 1,611,230	\$ 1,496,700	\$ 1,649,319	\$ 1,802,191
Ratio of Debt Service to Revenues	7.1%	9.7%	7.6%	8.1%	7.5%	7.1%	7.4%	8.3%	8.2%	7.9%
Net Tax-Supported Debt ⁽⁶⁾	\$ 963,118	\$ 951,756	\$ 914,566	\$ 885,062	\$ 880,506	\$ 896,163	\$ 900,952	\$ 1,122,965	\$ 1,113,800	\$ 1,136,475
Assessed Value of Taxable Property ⁽⁷⁾	56,999,051	43,359,775	42,750,432	45,413,737	47,672,172	50,601,567	54,623,176	58,394,400	61,335,721	63,755,918
Ratio of Net Tax-Supported Debt to Assessed Value	1.7%	2.2%	2.1%	1.9%	1.8%	1.8%	1.6%	1.9%	1.8%	1.8%

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 Service	Debt Service Payments ⁽⁴⁾		Total	Coverage ⁽⁵⁾
					Principal	Interest		
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⁾
2016	20,455	11,200	1,484	7,771	--	--	--	n/a ⁽⁶⁾
2017	20,416	12,710	1,951	5,755	--	--	--	n/a ⁽⁶⁾
2018	21,033	12,870	657	7,506	--	--	--	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 due to 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.

⁽⁶⁾ Principal on Solid Waste Revenue Bonds were retired during FY 2014.

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⁾
2009	392,900	20,209,890	46,006	73,917	210,313	5.5%
2010	402,002	21,375,534	46,562	76,861	219,350	6.1%
2011	410,454	22,755,668	47,994	79,358	225,335	5.7%
2012	418,107	23,464,178	48,234	81,937	229,856	5.3%
2013	425,681	23,468,904	47,296	83,551	232,925	5.2%
2014	433,621	24,377,908	48,545	85,055	233,785	4.8%
2015	441,627	25,621,125	50,315	86,641	233,333	4.4%
2016	449,864	26,935,423	52,546	87,823	236,379	3.7%
2017	456,126	28,317,142	53,969	89,378	241,811	3.5%
2018	460,457	29,405,835	54,754	90,595	246,627	2.9%

Source: County of Prince William, Virginia

⁽¹⁾ US Census for 2010, other years are Annual Population Estimates from Prince William County Geographic Information Systems (<http://www.pwcgov.org/government/dept/doit/gis>)

⁽²⁾ Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of March 2016). 2016 and 2017 data estimated based upon ten-year growth rates on BEA data from 2006 through 2015.

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

⁽⁴⁾ Bureau of Labor Statistics, LAUS data

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

	2000	2010			
	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⁾	2018			2007		
	Ownership	Rank	Number of Employees ⁽²⁾	Ownership	Rank	Number of Employees ⁽²⁾
Prince William County School Board	Local Government	1	1000 and over	Local Government	1	1000 and over
County of Prince William	Local Government	2	1000 and over	Local Government	3	1000 and over
U.S. Department of Defense	Federal Government	3	1000 and over	Federal Government	2	1000 and over
Wal Mart	Private	4	1000 and over	Private	5	1000 and over
Morale Welfare and Recreation	Federal Government	5	1000 and over	Federal Government	6	500 to 999
Sentara Healthcare/Potomac Hospital Corp	Private	6	1000 and over	Private	4	1000 and over
Wegmans Store #07	Private	7	500 to 999	Private	7	500 to 999
Northern Virginia Community College	State Government	8	500 to 999	State Government	9	500 to 999
Target Corporation	Private	9	500 to 999	Private	8	500 to 999
M J Morgan Group	Private	10	500 to 999			
Prince William County Park Authority				Local Government	10	500 to 999

Source: County of Prince William, Virginia.

⁽¹⁾ All data provided by the Virginia Employment Commission (1st Quarter, 2018 & 2009).

⁽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.

(This page intentionally left blank)

Operating Information

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
School -Based Positions										
Teachers	5,459	5,360	5,363	5,584	5,730	5,746	5,874	5,975	6,218	6,431
School-Based Administrators	211	212	250	265	264	286	289	295	302	322
Education Specialist	103	126	17	72	78	81	79	78	206	209
Instructional Assistants	734	689	655	656	656	642	640	641	645	703
Other Positions	1,102	1,137	1,111	1,102	1,124	1,270	1,280	1,176	1,156	1,197
Total School-Based Positions	7,609	7,525	7,396	7,678	7,851	8,024	8,160	8,165	8,527	8,862
Non-school-Based Positions										
Leadership team	11	11	11	11	12	12	12	12	12	12
Technical support	170	134	123	165	163	161	165	163	171	175
Management	148	148	96	112	121	141	144	147	179	183
Education specialist	31	32	201	223	223	112	123	135	127	133
Office assistants	143	140	146	148	138	99	101	102	113	117
Custodial/maintenance	308	302	231	235	245	248	249	248	248	249
Total Non-school-Based Positions	811	766	808	893	902	773	794	808	850	869
Total Authorized Positions	8,420	8,291	8,204	8,571	8,753	8,797	8,954	8,972	9,378	9,730
Other Operating Fund Positions	829	815	876	892	879	930	938	1,061	917	933
Total Non-Operating Fund Positions	540	555	566	603	628	647	670	673	706	691
Total Positions	9,789	9,661	9,646	10,066	10,259	10,374	10,562	10,706	11,000	11,354

Source: FY 2018 WABE Guide.

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

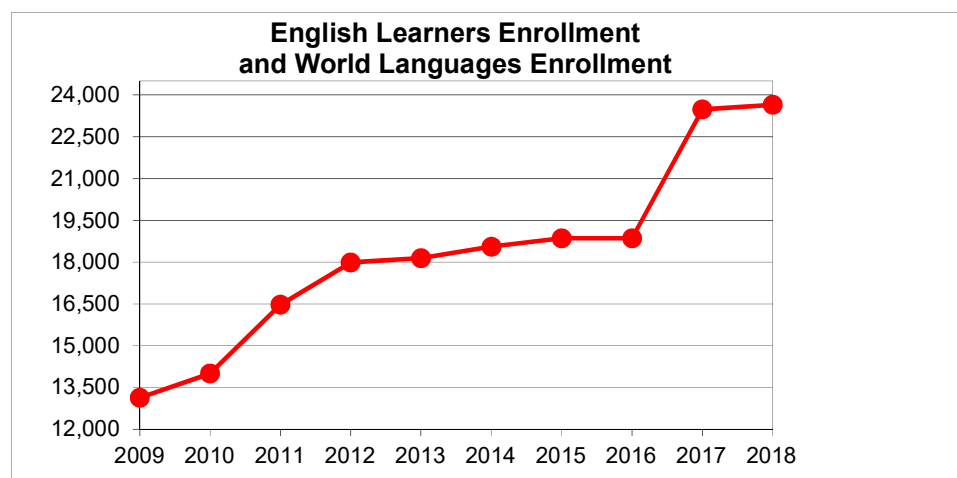
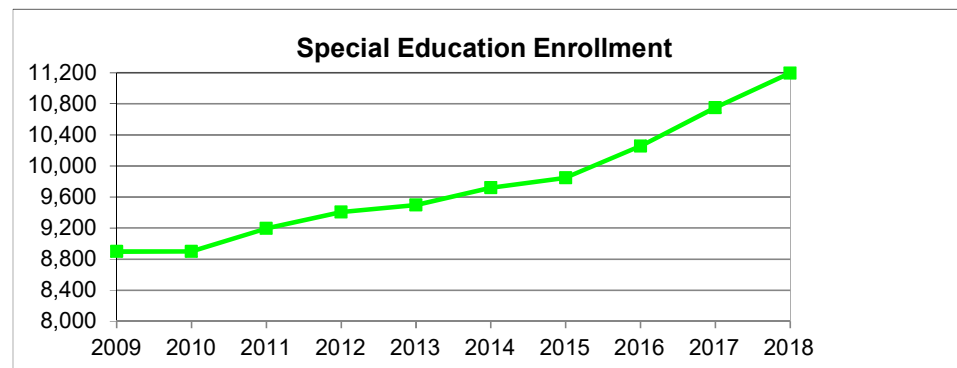
Fiscal Year	Total Student Enrollment ⁽¹⁾	Special Education Enrollment ⁽²⁾	English Learners and World Languages Enrollment ⁽³⁾
2009	73,657	8,898	13,130
2010	76,656	8,900	13,999
2011	79,115	9,195	16,467
2012	81,635	9,406	17,988
2013	83,551	9,496	18,139
2014	85,055	9,721	18,555
2015	86,209	9,848	18,853
2016	87,253	10,256	18,855
2017	88,920	10,752	23,479
2018	89,861	11,195	23,646

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

⁽¹⁾ Source: School Board Approved Budget fiscal year 2018.

⁽²⁾ Student Enrollment at October 1, 2017. 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
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%	1,045,903,124	12,132	3.4%	5,148	16.7
2016	87,253	918,908,944	10,532	0.3%	1,071,751,585	12,283	1.2%	5,231	16.7
2017	88,920	971,382,255	10,924	3.7%	1,142,919,924	12,853	4.6%	5,453	16.3
2018	89,861	1,001,245,740	11,142	2.0%	1,146,685,942	12,761	-0.7%	5,611	16.0

⁽¹⁾ The student enrollment as of September 30th for each fiscal year. Source: School Board Approved Budget fiscal year 2018.

⁽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>
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
2016	46,458	64,523	57,750	110,705
2017	46,923	65,334	58,328	115,066
2018	47,724	66,066	58,328	118,420

Source: Washington Area Boards of Education (WABE) Guide FY2018.

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								
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
2016	53,319	2.45	2.60	2.70	95	18,851	1.45	95	36,483	41.4%	2.00	3.40
2017	54,487	2.45	2.60	2.70	96	21,047	1.45	96	38,425	42.8%	2.00	3.40
2018	55,566	2.50	2.65	2.75	95	24,136	1.50	95	37,883	41.9%	2.05	3.45

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

<u>Fiscal Year</u>	<u>Elementary Schools</u>					<u>Middle Schools</u>					<u>High Schools</u>				
	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>
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
2016	59	4,294,230	41,976	128	972.7	16	2,144,004	19,385	30	557.7	*12	3,627,651	26,239	41	843.6
2017	60	4,454,721	40,655	110	994.1	16	2,144,004	19,385	36	557.7	12	3,627,651	26,239	49	843.6
2018	60	4,532,947	40,655	107	994.1	16	2,194,133	19,647	47	557.7	12	3,627,651	26,239	51	843.6

<u>Fiscal Year</u>	<u>Alternative Schools</u>					<u>Special Schools</u>					<u>Combined Schools</u>				
	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>
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
2016	2	34,994	**	11	5	3	97,522	**	1	25.4	3	269,407	2,351	-	80.1
2017	2	34,994	**	11	5	3	97,522	**	1	25.4	3	269,407	2,333	-	80.1
2018	1	122,659	**	0	9.9	3	73,029	**	1	24.6	3	269,407	2,333	0	80.1

<u>Fiscal Year</u>	<u>Total School Buildings ⁽¹⁾</u>				
	<u>Buildings</u>	<u>Square feet</u>	<u>Capacity</u>	<u>Trailers</u>	<u>Acres</u>
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
2016	95	10,467,808	89,951	211	2,484.5
2017	96	10,628,299	88,612	207	2,505.9
2018	95	10,819,826	88,874	206	2,510.0

Source: School Board Construction and Planning Office.

* PWCS did not have beneficial use of new building as of June 30th.

** Data not available.

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

PRINCE WILLIAM COUNTY PUBLIC SCHOOLS
TABLE 23 - Miscellaneous Statistical Data
June 30, 2018

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	603
Number of volunteers	568
Police protection:	
Number of police officers	660
Public Safety Communications:	
Number of employees	113
Recreation (Parks & Recreation Department):	
Acres developed or reserved for County parks	4,251
Services not included in the Primary Government:	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	83
Number of public high schools	12
Fall Membership, fiscal year 2018	89,861 ⁽¹⁾
Number of personnel (full-time equivalent)	11,362 ⁽²⁾
Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	965
Capacity of central jail	0
Capacity of work-release center	75
Number of personnel (full-time equivalent)	351
Tourism (Convention & Visitors Bureau Component Unit)	
Tourist information center visitors	18,785
Other statistical data:	
Elections:	
Registered voters at last general election	275,608
Number of votes cast in last general election	197,710
Percent voting in last general election	72%
Water and Wastewater Treatment:	
(provided by Prince William County Service Authority)	
Miles of water mains	1,225
Miles of sanitary sewer mains	1,091

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 2019 Approved Budget Book. Number differs from other sources due to criteria used for determining membership.

⁽²⁾ Source: Prince William County Schools Fiscal Year 2018 Approved Budget book.



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