



County of Prince William, Virginia

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2016

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COUNTY EXECUTIVE

Christopher E. Martino

DIRECTOR OF FINANCE

Michelle L. Attreed

Prepared by the Department of Finance

**As of June 30, 2016*

This Report Prepared By:

Department of Finance
One County Complex Court
Prince William, Virginia 22192-9201
(703) 792-6700

DIRECTOR OF FINANCE

Michelle L. Attreed

DEPUTY FINANCE DIRECTOR

Timothy M. Leclerc

FINANCE DEPARTMENT STAFF

Rene L. Gapasin, *Financial Reporting & Control Division Chief*

Steve Ferlotti, *Tax Administration Division Chief*

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Esther Caesar, Accounting Manager

Sharon R. Gill ♦ Paul R. Fitzgerald

Irasela Madonia ♦ Eileen K. Leonard

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Lisa R. Murray ♦ Thomas Rogers ♦ Naveed Hussain

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COUNTY OF PRINCE WILLIAM

1 County Complex Court, Prince William, Virginia 22192-9201
(703) 792-6000 Metro 631-1703 FAX (703) 792-7484

BOARD OF COUNTY SUPERVISORS
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Frank J. Principi

Christopher E. Martino
County Executive

Michelle L. Attreed
Director of Finance

February 3, 2017

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

We are pleased to present the *Comprehensive Annual Financial Report* of the County of Prince William (the "County") for the fiscal year ended June 30, 2016. The report is designed to present fairly the financial position of the County, including its discretely presented component units in all material respects and demonstrate compliance with applicable legal and contractual provisions. This report consists of management's representations concerning the finances of the County. 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 County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute, assurance that the financial statements are 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.

The County's financial statements are audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2016, 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 auditors concluded that there is a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2016, 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 the County's financial statements is part of a broader, federally mandated "Single Audit" 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. Special emphasis is placed on internal controls and legal requirements involving the administration of major federal awards.

GAAP require 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

complements the MD&A, and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Prince William County is located in Northern Virginia, approximately 35 miles southwest of Washington, D.C. and encompasses an area of 348 square miles, of which 18.8 % is federally owned land. As of April 1, 2010, the U.S. Census Bureau reported the County's population at 402,002 persons. According to the Metropolitan Washington Council of Governments (MWCOC), Prince William's population constitutes 8.2 % of the Washington-Metropolitan region's five million people. Prince William's location in Metropolitan Washington, D.C. and the availability of excellent transportation by way of regional, national and international airports, freight and passenger rail services and interstate and highway roadways is a catalyst for growth in the County, which continues to provide numerous economic advantages. Within the County's boundaries are the independent cities of Manassas and Manassas Park and the incorporated towns of Dumfries, Haymarket, Occoquan and Quantico. The towns elect their own mayors and councils, but rely on the County government for many of their services.

The County exercises local governing powers granted to it by the Virginia General Assembly. Since 1972, the County has operated under the County Executive form of government, as provided in Section 15.2-500 et seq. VA Code Ann. The policy-determining body of the County is an eight-member Board of County Supervisors (Board). Residents in each of the County's seven magisterial districts elect one member of the Board to serve a term of four years. The eighth member of the Board is elected at-large by County residents to serve a four-year term as Chairman. An election was held on November 3, 2015, and the current board members took office in January 2016. They will serve until December 31, 2019.

The County provides a full range of local government services including police, fire and rescue, court services, education, development administration, libraries, parks and recreational services, health and social services, public improvements, planning and general administration. The County's School Board, Convention and Visitors Bureau, and Adult Detention Center all have a financial benefit/burden relationship with the County. All of these discretely presented component units issue separately audited financial statements, with the exception of the Adult Detention Center. Sanitation services are provided through a legally separate water and sewer service authority, known as the Prince William County Service Authority. The Service Authority's operations and capital funds are principally financed by user charges and bond issues. The Authority is solely responsible for all of its outstanding debt. The Authority is not a component unit of the County. Additional information on discretely presented component units and all other entities can be found in Note (1A) in the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. Policies governing this process are outlined in the *Principles of Sound Financial Management* and in the *Financial and Program Planning Ordinance*. During July through November, all agencies are required to report on prior fiscal year performance in achieving adopted agency outcomes and service levels for review, analysis and recommendations to the Office of Management and Budget (OMB). Department directors meet with staff from OMB and the Office of Executive Management to review prior year performance and upcoming fiscal year goals, objectives, activities, outcomes and service levels. If needed, agencies are required to submit budget requests and updates to performance targets to OMB in early December. The County Executive presents to the Board a proposed fiscal plan on or before March 1 of each year for the fiscal year beginning July 1.

After an extensive review and deliberation process and two public hearings to receive citizen input, the Board makes its decisions on the proposed Fiscal Plan and adopts the Fiscal Plan by April 30.

The education component of the plan must be adopted on or before May 15, and the non-education component must be adopted before July 1 of each year in accordance with the *Code of Virginia*. The annual budget serves as an integral part of the County's System for Results-Oriented Government. Prince William County's model of effective and efficient government is shown below. The *County's Comprehensive Annual Financial Report* is

required by its *Principles of Sound Financial Management* and the *Code of Virginia* and demonstrates accountability for results in this system.

Prince William County System for Results-Oriented Government



Local Economy

The Prince William 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. The area’s economy proved more resilient than many other parts of the country during the most recent recession as the federal government responded to the downturn with massive stimulus spending. However, recent signs suggest that as stimulus spending has been curbed, the area’s economy has been challenged to keep pace with a general broad-based expansion underway in the nation. Nevertheless, the Prince William County economy, with a few notable exceptions, continues to exhibit healthy signs. The residential real estate market continued to improve in terms of average sold price and number of sales. The average days on the market remained steady, even as inventory decreased. Unemployment in the County continued to hold well below the national rate. Latest at-place employment data from the Virginia Labor Market Information (LMI) indicates continued growth in establishments, employment, and wages in the County. Prince William County’s commercial inventory is minimally elevated in terms of historic vacancy rates and continues to show steady improvement. The Prince William economy continues to grow, although the rate of growth appears to be somewhat muted relative to growth levels experienced three years prior.

The local housing market, after a major downturn in 2007 and 2008, stabilized in 2010 and gained fairly steady momentum through June 2016. According to data from Metropolitan Regional Information Systems (MRIS), during June 2016, the average home in Prince William County sold for \$374,970. This represents an increase

of 3.6% year-over-year and a 78.3% increase since February 2009, when the market was beginning its recovery. The number of homes sold in Prince William County in June 2016 was 798, an increase of 5.4% from the 757 homes sold one year earlier. The ratio of homes on the market to homes sold was 1.87, compared to 2.60 one year earlier, a significant decrease. Average “days on the market” stood at 41 in June 2016 compared to 40 in June 2015. The County’s average sold price reached its peak of \$468,900 in December 2005. Although prices have not yet reached that level, June’s average days on market of 41 and average sold price to original list price of 98.2%, closely mirror that of December 2005. A major difference, one that is trending nationwide, is the low levels of inventory. Active listings in June 2016 stood at 1,490 compared to 2,575 in December 2005. A low level of inventory is generally contributory to a rising price trend and a low or falling average days on market metric.

Residential building permit activity, a leading indicator for housing construction, experienced a six-year boom from 2000 to 2005, with more than 4,300 total residential permits issued per year, and home values that were increasing at double digit rates. According to the County’s Department of Development Services, since 2005, the number of permits has sharply declined. It should be noted in the table below that a portion of the spike in 2015 is a result of three multi-family rental occupancy permits that contributed 606 units.

<u>Calendar Year</u>	<u>Single Family</u>	<u>Townhouse</u>	<u>Condo/Apartment</u>	<u>Total</u>
2006	1,818	712	345	2,875
2007	1,305	580	366	2,451
2008	984	260	665	1,909
2009	1,152	381	402	1,935
2010	1,056	479	777	2,312
2011	842	349	316	1,507
2012	845	229	374	1,448
2013	756	349	538	1,643
2014	532	334	1,238	2,104
2015	622	480	1,849	2,951
2016 (Jan-Jun)	333	183	230	746

In 2015, a total of 2,951 residential occupancy permits were issued for new homes: 622 single family homes, 480 townhouses, and 1,849 multi-family units (including apartments). This represents an increase of 40.3% year-over-year and exceeds 2006’s total new units of 2,875. The mix of housing types shifted in the past six years, reflecting a changed market. In 2006, 63% of all permits issued were for single family detached, while 25% were for townhouses and 12% for condominiums/apartments. In 2015, by comparison, 21% of all permits issued were for single family detached, while 16% were for townhouses and 63% were for multi-family units. As the number of foreclosures continues to drop, expectations are that the average home prices will continue to rise – though a return to double digit annual appreciation is not anticipated in the near future. The residential real estate outlook is for modestly improved conditions over the next several years.

The Prince William County commercial inventory improved through June 2016. When compared to ten years ago, vacancy rates are only slightly elevated and continue to improve. According to Costar Realty Group (Costar), the vacancy rate at the end of 2006 was 4.7%, reaching 11.5% in the third quarter of 2010, and falling back to 5.8% as of June, 30, 2016. Not only has the vacancy rate fallen, but the total commercial property inventory has increased 19.3% from 37.6 million sq. ft. in 2006, to 44.8 million sq. ft. at June 30, 2016. Between fourth quarter 2006 and third quarter 2010, total office and industrial square footage in Prince William County increased 16.4% from 15.1 million sq. ft. to 17.6 million sq. ft. This growth, in combination with the economic downturn, resulted in a vacancy rate increase from 5.5% to 16.1%, although the vast majority of the vacancies was the result of new inventory rather than tenant departures. As of second quarter 2016, the vacancy rate has dropped back down to 5.5%, and the average price per sq. ft. has almost recovered back to the \$15 level. Furthermore, in certain types of product -- notably flex, which is often characterized by single large and specific uses, the movement of one or two tenants can greatly impact vacancy rates. However, as with office and industrial, the vacancy rate has recovered back to a 10.3% level after reaching a high of 22.5% in fourth quarter 2012. Additionally, the rent per sq. ft. has increased over the past ten years from \$11-\$12 to now above \$13.

Expectations are that the commercial real estate market will continue to improve over the course of the next few years, as the local economy grows.

About 83% (a year-over-year increase from 78%) of the County's real estate tax base (including apartments) consists of residential housing. Approximately 26% (a year-over-year increase from 22%) is comprised of commercial, industrial, agricultural, and public service properties, and less than 1% is undeveloped land. As values of homes and people's investment in the community increased, the Board of County Supervisors has been able to lower or maintain 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:

- FY 2013 - \$1.209
- FY 2014 - \$1.181
- FY 2015 - \$1.148
- FY 2016 - \$1.122
- FY 2017 - \$1.122

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

Retail sales continued to rise in FY 2016, but at a slower rate than in prior years. Year-over-year sales tax revenue increased by 0.8% through June, 30 2016. Over the near term expectations are for a modest improvement over the prior year's results.

Prince William County's population was estimated at 434,183 on June 30, 2016. 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 30% between the current estimate and beyond 2040. According to the U.S. Census American Community Survey 2014 5-Year Estimates and in sync with the County's family-oriented tradition, nearly 55% of the county's households contain married-couple families with children of the household under 18 years old, almost 24% of which are under 6 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 21st highest out of all 819 U.S. counties. Additionally, the Washington D.C. Metropolitan Statistical Area (MSA) has the second-highest median household income (\$91,756) in the U.S., with nine of the MSA's counties in the top 20 nationwide. Prince William County's median household income of \$98,657 is 84% above the national median of \$53,482 and 52% above the state-wide median of \$64,792. Prince William County had the 14th highest median household income in the United States; more than 7% higher than the Washington, D.C. MSA. This ranking continues to highlight Prince William County's status as a "Community of Choice".

According to data from the Virginia LMI, Prince William County outpaced the Commonwealth in business and job growth over the last five years but lagged behind the state for at-place average weekly wage growth. According to the Virginia LMI, in the first quarter of 2016, there were 9,025 employment establishments located in Prince William County. This represents a growth of 21.68% from the 7,417 reported in the first quarter of 2011. By comparison, Northern Virginia establishments grew by 13.80% since the first quarter of 2011, and statewide establishments grew by 13.06%. 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.

At-place employment in Prince William County (122.5 thousand in the 1st Quarter 2016) increased by 3.9% year-over-year and by 16.8% since the first quarter of 2011, according to the Virginia LMI. By comparison, Northern Virginia employment increased by 2.4% in the last year. Employment in the Commonwealth grew by 2.2% in the last year, and increased by 6.0% since the first quarter of 2011.

According to the Virginia LMI, the average weekly wages in Prince William County grew 0.5% between the first quarter 2015 and the first quarter 2016, from \$834 to \$838. By comparison, during that same time period, average weekly wages in Northern Virginia decreased 1.1% from \$1,405 to \$1,390, and Virginia weekly wages decreased 1.2% from \$1,070 to \$1,057.

The impact of the housing market downturn continues to be felt in those industries related to housing; however, some ground has been gained in terms of at-place employment. According to the Virginia LMI, in the first quarter of 2010, there was a low of 9,220 construction jobs in the County. As of the first quarter 2016, at-place employment increased to 12,867 jobs. Also encouraging is the rise in startup firms over the last two years. In 2015, there were 523 startup firms in the County compared to 536 in 2014 and 343 in 2013. These two years have the highest number of startups in the last nine years. Prince William County's unemployment rate was 3.5% in June 2016, well below the corresponding statewide rate of 4.0% and national rate of 5.1%. By comparison, Prince William County's revised unemployment rate was 4.3% in June 2015 according to the U.S. Bureau of Labor Statistics.

Prince William County's close proximity to the federal government and affiliated contractor industries has largely insulated it from the severity of normal business cycle troughs. While the County is by no means immune from economic downturns, the depth and duration tends to be ameliorated by the fairly constant uptrend in federal spending and procurement. However, the regional economy, given ongoing fiscal austerity at the federal level, may be more challenged than in previous times to outperform the national economy. The County depends heavily on residential housing and consumer spending to maintain its prosperity and levels of local government services. These two sectors were impacted by the recent economic downturn; however, recent trends point to modestly improving conditions in local consumer and real estate activity.

As Prince William County enters fiscal year 2017, 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 Prince William County, both of which were major recipients of this good fortune. After a rather severe correction in the housing market, current conditions suggest that a modest market expansion is occurring again, though at a far more subdued pace than during the previous housing market boom. In addition, the impact of defense-related drawdowns in the federal budget, as well as the prospect of a long-term drawdown of federal resources in general, has yet to be fully ascertained.

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

Long-term Financial Planning

The County adopted *Principles of Sound Financial Management* in 1988 and from time to time updates and amends its *Principles* through the Board, the latest update being March 2016. The *Principles* provide overarching guidance for prudent fiscal management. In 1989, the Board also codified the *Financial and Program Planning Ordinance*. The purpose of this ordinance was to provide a framework for planning government services, allocating resources to those services, and providing accountability for achievement of budgeted service levels. Adhering to these *Principles* and the *Ordinance* has enhanced the County's image and credibility with the public, investors and credit rating agencies.

Credit ratings are tied strongly to the financial management of a local government and also to the economic climate. To this end, rating agencies continue to view the County as a key economic engine in the Metropolitan

area. Thus, the County is issued a AAA status from all three major credit rating agencies, a distinction only 46 counties hold nationwide and a measure that less than 1% of the roughly 18,000 local governments throughout the country have achieved. The County's superior bond ratings and outstanding credit affirms its status as a fiscally responsible and sound local government.

A significant factor in the County's AAA bond rating from Fitch Ratings, Aaa bond rating from Moody's Investors Service and AAA bond rating by Standard and Poor's is management's consistency in implementing and adhering to multi-year financial plans. As outlined in the *Financial Planning and Program Ordinance* and the *Principles of Sound Financial Management*, the County is to present to the Board a five-year revenue and expenditure projection during the annual budget process. This projection process helps the Board gauge the multi-year impacts of fiscal decisions and weigh the corresponding implications of tax rates and other revenue sources. A five-year budget plan prepared by the Prince William County Schools is combined with the five-year budget plan prepared by the County to give a total picture of the General Fund requirements. The Board approved the most recent five-year budget plan in June 2016 for fiscal year 2017 to fiscal year 2021. Integral to establishment of five-year plans is the *County-School Revenue Sharing Agreement*, which was originally adopted by the Board of County Supervisors and the County School Board in 1998. The current Agreement splits the County's General Revenues, 57.23 % to the School System and 42.77 % to the County.

The Fiscal Plan implements the Board's policy guidance and works to achieve the community's Vision and Strategic Goals. The Vision set forth in the County's *Strategic Plan* states:

"Prince William County is a community of choice with a strong, diverse economic base, where families and individuals choose to live and work and business choose to locate."

In order to achieve this vision, the Board adopted five strategic goal areas in its 2013 to 2016 Strategic Plan (adopted in January 2013): Economic Development; Education; Human Services, Public Safety and Transportation. The Fiscal Plan and Five-Year Budget Plan rely on input from the community to build a community of choice as expressed in the Vision and to address each of these important goal areas.

During the past several years, as Prince William County addressed the impacts of the Great Recession, the County focused on a comprehensive analysis of all County government programs and services, and funding the needs of the community through the County's capital and operating budgets. As such, the Board had to make tough decisions that were necessary to position the County for the changing economic future. Throughout the country, local governments are dealing with the reality of a "New Normal" and here in Prince William County the Board has balanced the needs and desires of the community with their willingness and ability to pay for those services. Decisions made by the Board and work done by staff to support those decisions allow for reinvestment in the County to ensure that Prince William remains a "community of choice". 91% of the County's residents agree that the overall quality of life meets or exceeds their expectations, 81% say Prince William County government can be trusted to do the right thing; and 88% feel they are getting value for their tax dollars.

Each year, the County prepares a six-year *Capital Improvements Program (CIP)*, which is adopted by the Board and published concurrently with the Adopted Fiscal Plan. The CIP specifies those capital improvements and construction projects, which are scheduled for funding over the next six years, in order to maintain or enhance the County's capital assets and delivery of services. The County's adopted policy documents, including the *Strategic Plan*, the *Comprehensive Plan*, and the *Principles of Sound Financial Management* guide the development of the CIP.

Capital improvement projects over the next six years total approximately \$1.19 billion. The major projects address education, transportation, community development and public safety needs. These are key areas in the County's *Strategic Plan* and account for 93.5% of the CIP. The 2017-2022 CIP provides almost \$218 million for transportation roadway improvement projects; \$40.4 million for new fire and rescue projects, including \$13.7 million for a new west end fire station, \$6.9 million for the continued construction of Station 26 located near the intersection of Davis Ford Road and Bacon Race Road, and \$19.8 million for the

reconstruction/renovation of the Coles, Gainesville, and Nokesville fire stations; \$44.0 million for the expansion of the Adult Detention Center; \$17.4 million for the new Central District Police Station; \$18.4 million for numerous technology upgrades and improvements; \$23.8 million for landfill related capping, lining and wetland mitigation projects as well as a new Eco Park complex; \$26.1 million for watershed management projects; and \$8.8 million for parks and recreation projects, including the Potomac Heritage National Scenic Trail. The School System's Capital Program totaling \$792.9 million for 2017 to 2022 is presented to the Board under separate cover and is integrated into the County's CIP.

Relevant Financial Policies

As outlined in the *Principles of Sound Financial Management*, the current expenditures are funded with current revenues and other resources. The County does not balance the current budget at the expense of meeting future years' expenditures. That is, the County will not accrue future years' revenues or roll over short-term debt to avoid planned retirement, nor shall unassigned General Fund balance be used to finance current operations, except in emergencies. Furthermore, the County shall maintain healthy reserves, with a 2% of general fund revenue "Revenue Stabilization Reserve" requirement and a 7.5% of general fund revenue unassigned fund balance requirement, both designed to position the County with sufficient working capital and a margin of safety to withstand local and regional emergencies and economic shocks and unexpected declines in revenues without borrowing.

Major Initiatives

The County's major initiatives are focused on enhancing its strategic goals and maintaining itself as a community of choice. Some of the initiatives of the five Strategic Goal areas are highlighted as follows:

Economic Development – The Economic Development Strategic Goal calls for the County to provide a robust, diverse economy with more quality jobs and an expanded commercial tax base. The leadership and foresight of Prince William County to support business development to bring quality jobs to the citizens and provide strategies for sustained economic growth enabled the County to become a strategic and vital component of the Northern Virginia economy, and the Commonwealth of Virginia. In this regard, the County's Department of Economic Development works diligently to attract new businesses and foster expansion of existing businesses. Since the inclusion of economic development in the strategic goals of County (in the mid-1990s), 460 new and expanding companies have announced their intention to invest more than \$7.0 billion and add approximately 17,500 jobs to the Prince William County economy. Of these announcements, 355 (77%) were targeted industry businesses accounting for \$6.2 billion (88%) of the total investment and 12,829 (76%) of the total jobs.

Recognizing the particular strengths of Prince William County and seizing upon market demands, Prince William County targets the biotechnology, life sciences and medical network markets; federal government agencies and contractors; specialized supply and logistics; advanced manufacturing; data centers and technology markets and corporate headquarter facilities. These areas have provided significant capital investment and job opportunities in Prince William County. In the last three years, the Department of Economic Development closed on \$3.0 billion in capital investment projects. The County is well positioned for future growth due to its technical workforce; educational assets with a strong emphasis on science, technology, engineering and math (STEM); dense consumer markets; close proximity to key national institutions and federal agencies; affordable property and the ability to deliver robust power and fiber networks. Calendar 2015 marked the County's fourth consecutive record-breaking year in nearly twenty years for attracting new intended capital investment in the County at over \$660 million and 619 new jobs (594 targeted/25 non-targeted). The projects consisted of eight new business attractions, two business expansions and three business retentions. In the five-year period since 2010, at-place employment increased by approximately 18 percent to 122,450. Total intended capital investment logged for the first nine months of calendar 2016 was \$875 million with the potential for 445 new jobs.

Innovation Park, the County's premier business and technology park, is home to a growing life sciences cluster and a number of information technology companies. Since its inception in 1998, the Park has attracted over

30 research institutions and companies employing over 2,300 people and bringing over \$850 million in private capital investment in the County. George Mason University (GMU), Virginia's largest public research university, is situated at the epicenter of Innovation Park. Newly named for its specialization in Science and Technology, the core campus houses the Institute for Advanced Biomedical Research, which includes leading-edge research laboratories. Other prominent businesses and institutes located at Innovation Park with some 2,339 life science professionals include American Type Culture Collection (ATCC), Corning Life Sciences - Mediatech, Inc., the Department of Forensic Sciences, the George Mason University (Mason)/National Institutes of Health (NIH) Level-3 Biosafety Research Laboratory (BRL), Mason's Center for Applied Proteomics & Molecular Medicine (CAPMM) and Microbiome Group. Also present is an emerging forensic science/criminal justice cluster that includes the Federal Bureau of Investigation (FBI) Northern Virginia Resident Agency and the Virginia Department of Forensic Science's Northern Laboratory. Set to soon relocate to Innovation Park is BerkleyNet, a member company of W.R. Berkley Corporation, one of the nation's premier insurance providers. BerkleyNet has outgrown its current headquarters in Woodbridge and will occupy 50,000 square feet of a new 70,000 square foot facility to be known as BerkleyNet Center @ Innovation Park. BerkleyNet Center is anticipated to be an architectural showpiece within Innovation Park that will set the standard for future development.

The Prince William Science Accelerator located at Innovation Park is home to the only commercially available wet lab space in Northern Virginia and supports the growth of early-stage and small life science companies. In operation since just June 2014, the Accelerator now houses six tenants -- Ceres Nanosciences, Inc., ISOThrive, LLC, Virongy, LLC, Systaaq Diagnostic Products, Inc., Celetrix, LLC, and Serpin Pharma, LLC. Systaaq is a molecular diagnostics company that specializes in developing early diagnosis for infectious diseases and Celetrix, a biotechnology company, commercializes new types of high efficiency electroporators. Serpin Pharma, a developmental stage biotech company, develops anti-inflammatory and immune-modulating drugs for treatment of a broad range of inflammatory, autoimmune and infectious diseases. Virongy is a spin-off company formed as a result of research conducted at GMU and provides virological reagents and tools to support research and clinical investigations. ISOThrive, LLC, the first tenant in the Accelerator, is the producer of the world's first concentrated prebiotic soluble fiber through a natural fermentation process.

The Virginia Simulation and Game Institute (VSGI), also located at Innovation Park, is the only one of its kind on the east coast. The Institute is designed to support translational applied research in the areas of simulation, modeling and game design, rapid prototype development, high-value job creation and economic development. Since its opening in March 2014, the VSGI is presently home to eight start-up businesses that have collectively created over 70 jobs, multiple patents, copyrights, innovative simulation and game solutions and generated over \$1 million in corporate support. In October 2015, Prince William County and Mason celebrated the grand re-opening of the VSGI, which doubled in space to help meet the rising demands of information technology start-up entrepreneurs and early-stage companies.

The worldwide demand to be increasingly more inter-connected, along with the County's prominent East Coast location has given rise to Prince William County's emergence as an important data center market in the Greater Washington, DC Metropolitan area. According to JLL's Data Center Outlook for 2015, Northern Virginia, within which Prince William County is a major player, has surpassed the Tri-State New Jersey/New York region as the largest data center market in the United States. The County's competitive tax structure, affordable power and fiber optic availability, make it an ideal location for data center clients seeking a location in the Mid-Atlantic region. Further strengthening Prince William County's position is the availability of large land parcels and minimal natural disaster threats, which allows clients to meet the high security standards that today's data market demands. Iron Mountain Information Management, LLC, a subsidiary of Iron Mountain, Inc., a Fortune 1000 company, is the latest data center company to announce its expansion into Prince William County and the broader Mid-Atlantic region. Over a period of several years, Iron Mountain and its partners will develop \$350 million in state-of-the-art data center facilities for customers in corporate enterprise and government and technology. Since welcoming its first data center in 1999, Prince William County has, to date closed 27 data center projects that collectively injected over \$5.1 billion in capital investment and created 799 high paying jobs.

The County's access to both Interstate 66 and Interstate 95 make the County a desirable location for shipping and transport companies in the specialized supply and logistics cluster. A new 175,000 square foot FedEx Ground shipping hub, representing \$40 million in capital investment, located just off Balls Ford Road and Interstate 66 near Gainesville, opened in November 2015 and created 94 new jobs in the County. The site was chosen because of its ease of access to major highways, its proximity to customers' distribution centers and a strong local community workforce for recruiting employees. The addition of this facility within the County solidifies the Prince William County's position as a location of choice for logistics and distribution companies servicing the Washington, DC Metropolitan area. Just recently announced is the planned relocation of the corporate headquarters of Southland Concrete Corporation. Southland plans to invest \$6 million and employ 30 new staff positions and an additional 225 field employees. The company plans to use an existing building on-site for its headquarters and lease nearby land for a yard. Corporate headquarters are categorized as a targeted industry in Prince William County.

With Prince William County's proximity to Marine Corps Base Quantico, Fort Belvoir, the National Reconnaissance Office (NRO), and Washington, DC, along with the presence of the Federal Bureau of Investigation Northern Virginia Resident Agency in the County, the federal government and contractors who support the missions of federal agencies remain a key industry for economic development. OPTiMO Information Technology, a leading software and technology solutions provider for the federal, defense and commercial markets opened a new 8,500 square foot facility that houses over 20 engineers to service business enterprise, law firms and federal government agencies.

Prince William County is one of "America's Top 25 High-Tech Hotspots," according to Progressive Policy Institute (PPI). The PPI study placed Prince William County at 19 on the list with a 12.2 percent growth rate in high-tech information jobs. In March 2015, O3b Networks celebrated the opening of its new \$2.8 million global satellite operations hub in Prince William County located just off Interstate 66 and Randolph Ridge Road. O3b's constellation of satellites provide information technology and data communication services for war torn areas, disaster zones, inaccessible, remote regions, and cruise ships. The new facility generated 20 new engineering jobs, supporting 45 customers around the globe. In September 2015, Ventech Solutions, Inc., an information technology consulting and system integrations company selected Prince William County for its National Capital Region Innovation, Operations and Engineering Center. Plans for the new Center include more than \$1.5 million in capital investment and the creation of 200 new highly-skilled jobs.

On the health care front, Sentara Northern Virginia Medical Center recently opened its new surgical center. The new \$40 million, adjoining center features nine modern operating rooms, pre- and post-surgical areas, as well as private waiting rooms. The 60,000 square foot facility serves to consolidate the hospital's surgical services into a single location which results in better patient flow and shorter wait times for patients and their families. Later this year, the hospital plans to open a \$3 million cardiac lab.

The Potomac Communities includes a number of office developments that cater to the growing demand to provide companies greater access to the Northern Virginia labor market while maintaining close proximity to Washington, DC and nearby federal facilities – such as Marine Corps Base Quantico, Fort Belvoir and the Pentagon. With infrastructure improvements to local roadways and new commercial office space coming to market, the Potomac Communities provides several opportunities for those looking to locate or expand in the County. Belmont Bay, a 300-acre mixed-use project adjacent to the Potomac River saw the groundbreaking and construction of George Mason University's new Potomac Science Center, expected to open in early 2017. The Center will house the school's Potomac Environmental Research & Education Center in a waterfront building. The space will contain wet labs for teaching and research, lecture rooms, a library/resource center, offices and a spatial analysis laboratory further enhancing the pool of future workforce talent here in the County. Northern Virginia Community College's (NOVA) Regional Workforce Development Center opened in March 2016. The facility is a 55,000 square foot state-of-the-art building with flexible space for training and a focus on information technology, cybersecurity, and advance manufacturing – all targeted industries for Prince William County. NOVA is also investing over \$2.2 million in a college-wide initiative to persuade more students to pursue Science, Technology, Engineering and Math (STEM) two- and four-year degrees. With two campuses and an educational center in the County, NOVA's new STEM initiative will continue to strengthen Prince William

County's already robust talent pipeline with additional laboratory technicians, researchers, scientists and engineers. Overall, businesses looking to expand find that Prince William County's pipeline of skilled and diverse labor, access to five of the Top Ten U.S. markets, coupled with the County's proactive business approach gives Prince William County a competitive edge.

Education – Education is one of the Board's Strategic Goals. The goal states that the County will provide an educational environment rich in opportunities to increase educational attainment for workforce readiness, post-secondary education and lifelong learning. Over the years, the Board of County Supervisors has demonstrated a strong commitment to quality public schools in Prince William County. The School System's Five-Year Budget Plan continues to focus resources on the most critical school needs, including accommodating a student enrollment increase of 7,033 over the next five-year period; salary scale adjustments for employees as funding permits; \$257.6 million in funding for repairs and renewals of older facilities; funding for the debt service on \$461.7 million of construction bonds, start-up costs and operating costs for three new elementary schools, one middle school, one high school and one alternative education school, as well as additions and/or expansions at ten current schools and the replacement of one elementary school.

Prince William County Schools is the second largest of 132 school divisions in Virginia, the fourth largest in the Washington-Metropolitan area, and one of the 35 largest school divisions in the country, operating 97 schools and specialty centers for students in grades pre-kindergarten through twelve. The official September 2016 student enrollment count for Prince William County Schools is 88,920 students, up 1,667 students, or 1.9 % from fiscal year 2016 to 2017. To accommodate the growing student population since 2011, seven new schools and fifteen school additions have been constructed to accommodate in excess of 10,000 students. Renewals were also completed at nine schools. Two new schools opened in August 2016 just in time for the 2016-2017 school year. Ribbon cutting ceremonies were held at the County's 12th high school, Charles J. Colgan, Sr. High School, and at the new elementary school, Kyle R. Wilson Elementary School.

The School System remains committed to providing a world-class education to its students and is a state leader in producing better student achievement results at a lower taxpayer cost. As testament to the quality of education received by students in Prince William County, all of the County's schools are accredited under the Commonwealth's accreditation guidelines, with nearly 90% of the schools receiving full accreditation for the 2016-2017 school year, based on performance during the 2015-2016 school year, or a three-year average, far surpassing the statewide average. Eleven high schools are fully accredited and rank among the top 10% according to the *Washington Post's* 2016 list of "America's Most Challenging High Schools" with two high schools in the top 3% nationwide. Four Prince William County high schools were ranked among the top in the nation by U.S. News & World Report based on state assessments and student success in Advanced Placement (AP) and International Baccalaureate (IB) programs. Over one-third of Prince William County School 2015 high school students earned qualifying scores on one or more advanced exams (AP, IB and Cambridge), producing better overall results than the state and national level. Prince William County Schools student results on the ACT are trending upward with the 2015-2016 scores the highest they have been in the past five years. The newly released 2016 average SAT scores for Prince William County School students was unchanged from last year, remaining above national averages. and SAT remain strong. The School System's on-time graduation rate of 91.8% exceeds the State average, with over one-half of graduates earning advanced studies diplomas.

The School System was also recognized for its energy management and conservation efforts. Prince William County Schools was one of three school divisions receiving top awards in the 2015 Virginia School Board Association's (VSBA's) Green Schools Challenge. The competition is designed to encourage implementation of specific environmental policies and practical actions that reduce the carbon emissions generated by both the local school division and the broader community. In addition, for the seventh straight year, the Prince William County Schools has been recognized for adopting policies and taking conservation actions that reduce carbon emissions and save taxpayers money for energy costs. These efforts earned the School System the VSBA's designation as a "Silver Certified Green School Division".

Human Services – The Human Services Strategic Goal calls for services to individuals and families most at risk, through innovative and effective leveraging of state and federal funds and community partnerships. The County continues to see demand for services to help the elderly, the intellectually disabled and mentally ill,

those in need of medical services who have no insurance, and those facing difficulty sustaining their families due to economic difficulties. The 2017 Fiscal Plan includes ten new human services positions to reduce waiting lists for seriously mentally ill adults and to provide more support for adult protective services, intellectually disabled citizens case management, and reducing youth substance abuse.

Public Safety – Public Safety has also been one of the County’s Strategic Goals since the *Strategic Plan* was first adopted. This goal calls for the County to maintain safe neighborhoods and business areas and provide prompt responses to emergencies. The CIP for fiscal years 2017-2022 includes funds to continue the construction of Station 26, the first new fire station constructed since 2010 and the Central District Police Station as well as funding for the construction of a 204-bed expansion of the Adult Detention Center. The FY 2017 operating budget provides for 48 new fire and rescue positions to staff a 24-hour medic unit at Coles Fire & Rescue Station, a 24-hour tanker at Evergreen and Buckhall Fire & Rescue Stations and a 24-hour engine at Station 26; 13 new police officers; nine civilian Police Department positions, including seven specific to the new Central District Police Station; seven new public safety positions to support the Courts and Constitutional Officers: Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court; and four new public safety communication supervisor positions to support the E-911 call center.

Transportation – The Transportation Strategic Goal calls for the County to provide a multi-modal transportation network that supports County and regional connectivity. Over the years, the County has worked to develop a transportation system that gets people to jobs, improves safety, reduces congestion, reduces travel time and enhances its economic development efforts. As the population of the region continues to grow, the County continues to find ways to fund and/or build the needed transportation projects within the community.

Prince William County is a member of the Northern Virginia Transportation Authority (NVTA), an authority created by the General Assembly in 2002. This nine-member authority; made up of the counties of Prince William, Arlington, Fairfax, and Loudoun as well as the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park; offers a common voice for Northern Virginia on transportation and other issues that confront the region. The NVTA is tasked with preparing an unconstrained long-range regional transportation plan (the most recent is the TransAction 2040 Plan) for Planning District 8, including transportation improvements of regional significance. As a result of new fees and taxes imposed by House Bill 2313 (HB 2313), legislation passed by the General Assembly in April 2013, the NVTA receives earmarked revenue for projects dedicated to relieving congestion in Northern Virginia and Prince William County is privy to a portion of the revenues and benefits. NVTA transportation funding to Prince William County is split into two categories -- projects with regional congestion relief benefits constitute 70% of the NVTA funds and the remaining 30% of NVTA funds are transferred directly to the County for urban or secondary road construction, capital improvements that reduce congestion, projects included in TransAction 2040 or its future updates and/or for public transportation purposes. In the FY 2017-2022 CIP, the 30% funding, totaling \$38.8 million, has been programmed to support the Virginia Railway Express (VRE), \$6 million in FY 2017, and County managed road construction projects.

The \$218 million CIP for fiscal years 2017-2022 aims to further advance the transportation strategic goals by including \$72.8 million for improvements to Route 1 from Neabsco Mills Road to Mary’s Way; \$22.9 for the widening of Minnieville Road from Spriggs Road to Route 234; \$44.7 for roadway improvements to Route 28 between the Route 234 bypass and Fitzwater Drive; \$15.6 million for the widening of Vint Hill Road from Fitzgerald Way to approximately 1,500 feet west of Sudley Manor Drive; and \$15 million for a new commuter parking garage at Potomac Town Center.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Prince William County for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2015. This was the 35th consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied 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.

Prince William County received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning July 1, 2015. This was the 30th consecutive year that the County has received this prestigious award. In order to receive this award, the governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide and as a communications device.

The County also received for the tenth time the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2015. This award program is designed to encourage local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

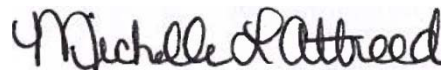
Many professional staff members in the Financial Reporting and Control Division prepared this report. Their hard work, professional dedication and continuing efforts to improve the quality of this report are a direct benefit to all that read and use it. We would also like to acknowledge the cooperation and assistance of the County's departments and agencies throughout the year in the efficient administration of the County's financial operations.

This *Comprehensive Annual Financial Report* reflects the County's commitment to the citizens of Prince William County, the Board of County Supervisors and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully,



Christopher E. Martino
County Executive



Michelle L. Attreed
Director of Finance



Government Finance Officers Association

**Certificate of
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Presented to

**County of Prince William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Organization of Prince William County Government

Since 1972, the County has operated under the County Executive form of government, as provided in Section 15.2-500 et seq. VA Code Ann. The policy-determining body of the County is an eight-member Board. Residents in each of the County's seven magisterial districts elect one member of the Board to serve a term of four years. The eighth member of the Board is elected at-large by County residents to serve a four-year term as Chairman. The current board members took office in January 2016 and will serve until December 31, 2019.

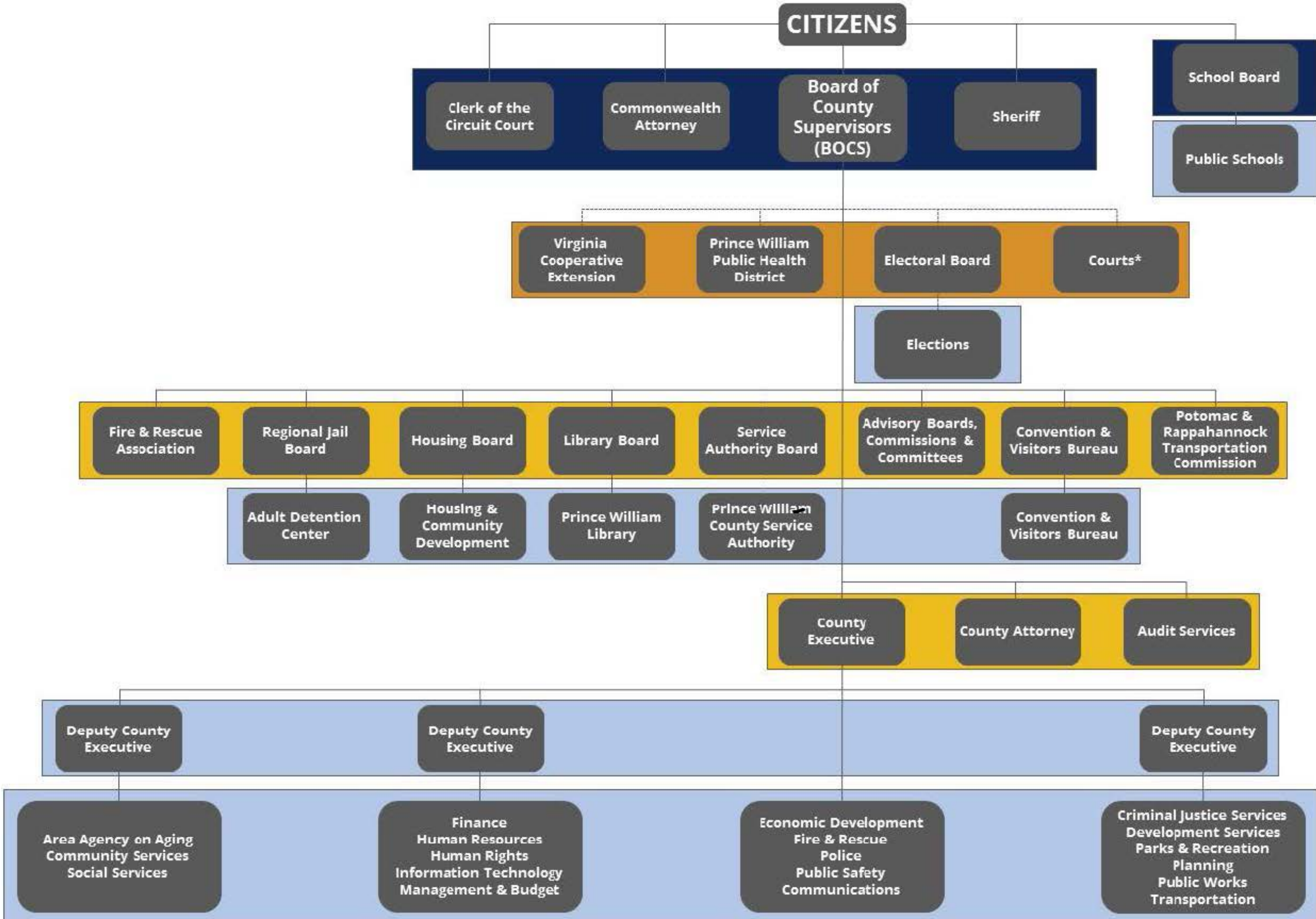
The Board appoints a County Executive to act as the County government's chief administrative officer. The County Executive serves at the pleasure of the Board, implements its policies, provides organizational leadership for addressing major issues, directs business and administrative procedures, and recommends department heads for appointment by the Board. The Board also appoints a County Attorney to provide legal guidance to the government.

The operation of public schools in the County is vested in an eight-member School Board, the members of which are elected and serve a term of four years. The local share of the cost of operating the public schools in the County is met with an appropriation by the Board from the County's General Fund. Operations of the School Board, however, are independent of the Board and the County administration as prescribed by Virginia law. A Superintendent is appointed by the School Board to administer the operations of the County's public schools.

The Board also appoints the members of several separate boards and authorities to administer the operations of certain services.

Along with the Board, County residents elect three constitutional officers: the Clerk of the Circuit Court for a term of eight years, and the Sheriff and Commonwealth's Attorney each for terms of four years. The Judges of the Circuit Court, the General District Court, and the Juvenile and Domestic Relations District Court are appointed by the Virginia General Assembly. Unlike most other Virginia counties, County residents do not elect a Treasurer and a Commissioner of the Revenue. The Director of Finance, who is appointed by the Board based on a recommendation of the County Executive, carries out the responsibilities of these officers.

The administrative offices of the County are located at the McCoart Administrative Building, One County Complex Court, Prince William, Virginia, 22192. The County's central telephone number is (703) 792-6000. TTY users may call (703) 792-4733 or the Virginia Relay Center at (800) 828-1120. The County's official home page is located at www.pwcgov.org.



- Elected Officials/Constitutional Officers
- State Agencies and Services
- Appointed by BOCS
- County Agencies and Departments

Notes:

- * Circuit Court Judges, General District Court, Juvenile & Domestic Relations Court, Juvenile Court Services, Law Library, and Magistrate
- Dotted lines are state and local services not directly accountable to the BOCS

Report of Independent Auditor

To the Board of County Supervisors
County of Prince William, 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 the County of Prince William, Virginia (the "County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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 Prince William County/Manassas Convention and Visitors Bureau (the "CVB"), which represents .01%, .02% and .09%, respectively of the assets and deferred outflows, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they related to the amounts included for the CVB, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the CVB were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Prince William, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplementary information section (which includes combining and individual nonmajor and component unit fund financial statements, nonmajor fund and component unit budgetary comparison schedules, and debt obligation 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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. In our opinion, the supplementary information section and the schedule of expenditures of federal awards are 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 February 3, 2017, on our consideration of the County'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
February 3, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(amounts expressed in millions)

Prince William County's (the County) 2016 fiscal performance continues to demonstrate the successful implementation of its *System for Results Oriented Government*. This report provides accountability to the County's goals and objectives defined with its citizenry and adopted by the Board of County Supervisors. This section of the annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section. All amounts in the discussion and analysis, unless otherwise indicated, are expressed in millions of dollars. Throughout this section of the report, the primary government is referred to as the "County" and the "Total Reporting Entity" is the total of the County and component units. Due to the material relationship between the School Board component unit and the County, the total financial reporting entity information more accurately reflects the financial operations of Prince William County.

OVERVIEW OF THE FINANCIAL STATEMENTS

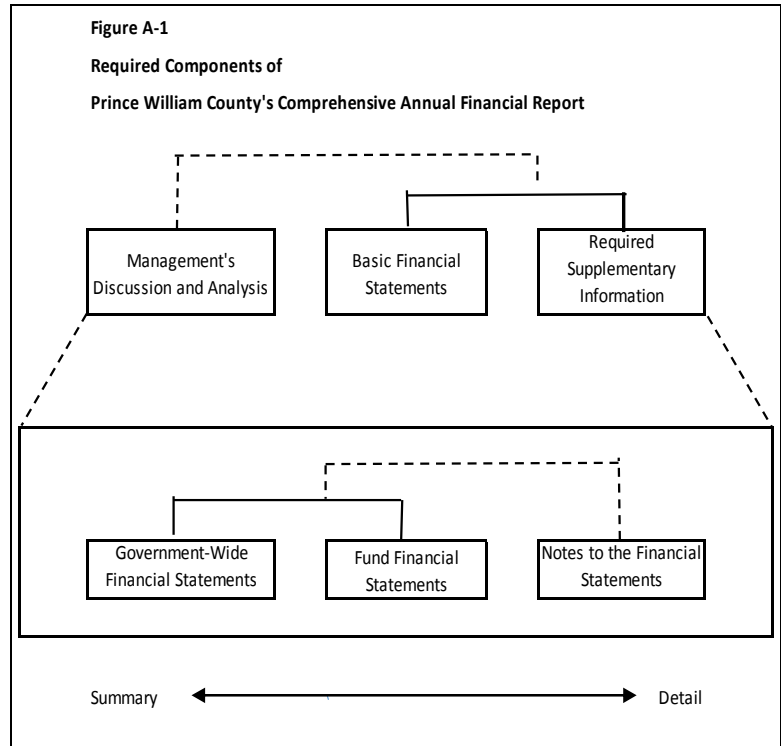
The financial section of this annual report consists of four parts – *Management's Discussion & Analysis (MD&A)*, the *Basic Financial Statements*, other *Required Supplementary Information*, and an optional section that presents combining statements for non-major governmental funds, internal service funds, agency funds, discretely presented component units; budget and actual schedules for the non-major governmental funds; and debt obligation schedules. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.

FINANCIAL HIGHLIGHTS

- The County implemented GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pool Participants*. As a result of the above GASB implementations, the County achieved improvement in financial reporting related to investment valuation, donated capital assets, and comparability of pension-related information and uniformity among governments financial statements. Refer to Note 1-R.
- The total reporting entity, which includes component units, has positive net position of \$680 at June 30, 2016, which represents 22 percent increase of \$122 from the prior year.
- The total cost of the County's programs increased 20 percent to \$1,376 during fiscal year 2016, while the County's total revenues increased by 7 percent, to \$1,241.
- Net position of governmental activities decreased 101 percent from the prior year due to costs exceeding revenues by \$136. The County's total costs in governmental activities increased 20 percent from prior year by \$226. Program revenues increased by 17 percent, while general revenues grew by 5 percent; these two factors contributed to overall average revenue growth of 7 percent.
- At June 30, 2016, the County has \$1,022 of debt outstanding related to assets recorded by its component units and other entities. Accordingly, liabilities and deferred inflows of the County's governmental activities at June 30, 2016 exceeded its assets and deferred outflows by \$271 (net position).
- Total net position of the County's business-type activities increased 3 percent to \$39 due primarily to the increase in revenues over the increase in expenditures.
- At the end of the current year, the unassigned fund balance of \$77 in the general fund was maintained at 7.5 percent of total general fund revenues. The unassigned fund balance increased 5 percent from the prior year. The increase is primarily attributed to expenditure savings at the end of the fiscal year.
- General fund revenues exceeded the budget by \$17; alternatively, expenditure savings of \$11 under the budget helped to provide additional available resources for future years' appropriations.
- As of January 1, 2015, (the assessment date pertinent to real estate taxes supporting fiscal year 2016) the total assessed values of taxable property increased by 8 percent compared to the prior year, with increases in residential values accounting for 78 percent of the total rise in values. This increase was partially offset by a decrease in real estate tax rates from 1.148 to 1.1220. Real estate taxes contributed 51 percent of the total revenues for the primary government of the County during fiscal year 2016

- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
- - The *governmental funds* statements reflect how *general government* services, like public safety, were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates like *businesses*, such as the Landfill.
 - *Fiduciary fund* statements provide information about the financial relationships – like the special welfare, community services board, and federal self-sufficiency payee programs for certain County welfare, mental health services, and federal self-sufficiency program recipients – in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources belong.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this financial section are arranged and relate to one another. In addition to these required elements, the financial statements include a section with combining statements that provide details about the County's non-major governmental funds, internal service funds, agency funds and discretely presented component units, each of which are combined and presented in single columns in the basic financial statements. Comparative data from the prior fiscal year is also included on select financial statements.

Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the County’s Government-wide and Fund Financial Statements				
	Government-Wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County’s component units	The activities of the County that are not proprietary or fiduciary, such as police, fire, and community development	Activities the County operates similar to private businesses such as, the Landfill, Innovation Technology Park, and Parks & Recreation	Instances in which the County is the trustee or agent for someone else’s resources, such as the retirement plan for County employees
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 • Statement of changes in 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 Deferred outflow and inflow asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County’s funds do not currently contain capital assets although they can
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 payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets, deferred outflows of resources and liabilities, deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County’s *net position* and how they have changed. Net position – the difference between the County’s assets, deferred outflows, liabilities and deferred inflows – is one way to measure the County’s financial health.

Over time, increases or decreases in the County’s net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County, one needs to consider additional factors, such as changes in the County’s property tax base.

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

- **Governmental activities**—Most of the County’s basic services are included here, such as the police, fire, public works, transportation, community development, and general government administration. Property and other taxes and state and federal grants are the primary funding source of these activities.
- **Business-type activities**—The County charges fees to customers to help it cover the costs of certain services it provides. The County’s Landfill, Innovation Technology Park, and Parks & Recreation are included here.
- **Component units**—The County includes three other entities in its report—the Prince William County School Board, the Adult Detention Center and the Prince William County/Manassas Convention Visitors Bureau. Although legally separate, these entities are considered “component units” because the County is financially accountable.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County establishes funds to control and manage money for particular purposes (i.e., Education capital projects fund) or to show that it is properly using certain taxes and grants (i.e., Housing special revenue fund).

The County has three kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on:

- (1) How cash and other financial assets can readily be converted to cash flow in and out; and
- (2) The balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed *short-term* view that indicates whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional *long-term* focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between the statements.

- The County's governmental fund balances are categorized into five classifications based upon constraints imposed upon the use of the resources -- non-spendable, restricted, committed, assigned and unassigned.

- *Proprietary funds*—Services for which the County charges customers a fee are generally reported in proprietary funds.

- The County's enterprise funds are the same as its business-type activities, but provide more detail and additional information.

- The County uses internal service funds to report activities that provide supplies and services for the County's other programs and activities—such as the County's Intra-County Services Fund.

- *Fiduciary funds*—The County is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets through a trust arrangement that can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County's government-wide financial statements, because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The total reporting entity net position increased by 22 percent to \$680 (see Figure A-3). This increase in net position demonstrates the continuing collaborative sound fiscal policies of the County as a whole.

Governmental Activities

Net position of the County's governmental activities decreased by 101 percent to (\$271). The County's net position in fiscal year 2015 was (\$135). The County also issues debt to finance capital projects which are donated to other entities. Therefore, while the debt is reflected as an obligation of the primary government of the County, the related assets are recorded by the entities to which the capital projects are donated. These donations are planned as part of the County's capital improvement program to further its education, transportation, public safety, and economic development strategic goals, and thereby increase services and improve the quality of life in Prince William County.

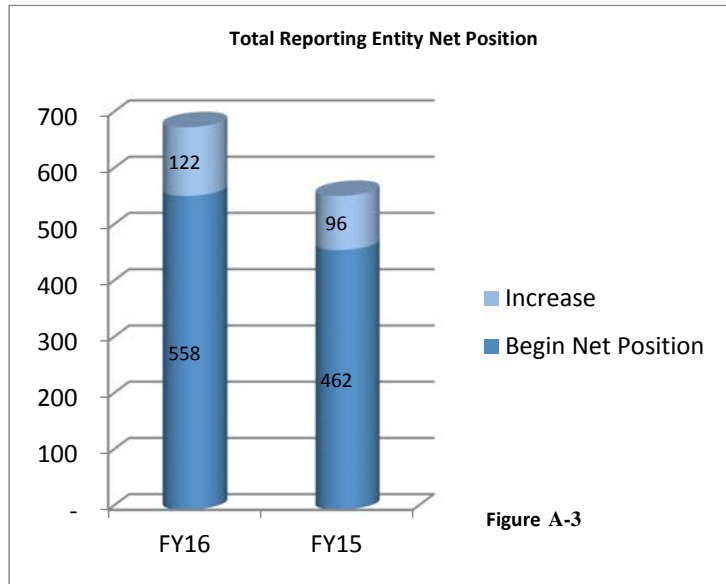


Figure A-3

As of June 30, 2016, the County has \$1,022 of outstanding debt (compared with \$847 as of June 30, 2015) related to assets donated to other entities as follows:

- \$793, Prince William County School Board;
- \$196, Commonwealth of Virginia;
- \$18, Prince William County Adult Detention Center;
- \$13, Volunteer Fire & Rescue companies (various);
- \$2, Industrial Development Authority;

This represents 91 percent of the County's Total General Obligation, Capital Leases and Other Long-Term debt. Because the County does not retain the related assets, this debt liability (less any unspent proceeds) reduces the County's total net position and represents a less favorable picture as compared to governments that do not extensively fund the capital assets of other entities.

The most significant activities of this nature for the current fiscal year were the issuance of \$270 of debt for school construction projects and \$107 of principal retirement. All of the debt listed above is used to finance the purchase or construction of assets recorded by other entities and result in a deficit in net position of governmental activities of the County. This deficit is the result of having *long-term* commitments that are greater than currently available resources, and does not mean that the County is lacking the resources available to pay its bills next year or in future years. Additionally, revenues of the County's governmental activities increased by 6 percent compared to those of the prior year, expenses increased by 20 percent during fiscal year 2016. The issuance of debt to the Prince William County School Board is recorded as an Education expense and represents a major expense for the County's governmental activities.

Business-Type Activities

The net position of the County's business-type activities increased \$1 during the current year, due principally to increased revenues. The County's Landfill posted positive results of operations of \$4 during the current fiscal year, while Parks & Recreation experienced negative results of operations of \$3 collectively, primarily attributed to golf course services provided.

The \$39 net position of the County's business-type activities will not be used to offset the net position deficit in governmental activities. The County generally uses the positive net position to finance the continuing operations of the Landfill, Innovation Technology Park, and Parks & Recreation.

Table A-1								
County Net Position								
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity (including Component Units)	
	2016	2015	2016	2015	2016	2015	2016	2015
Current assets and other	\$937	819	21	21	\$958	840	1,445	1,171
Capital assets	542	515	52	54	594	569	2,008	1,896
Total assets	1,479	1,334	73	75	1,552	1,409	3,453	3,067
Deferred Outflows of Resources	65	53	1	1	66	54	159	131
Other liabilities	258	243	9	12	267	255	414	398
Long-term liabilities	1,311	1,042	26	26	1,337	1,068	2,203	1,880
Total liabilities	1,569	1,285	35	38	1,604	1,323	2,617	2,278
Deferred Inflows of Resources	246	237	--	--	246	237	315	362
Net position:								
Net Investment								
In capital assets	435	460	42	44	477	504	1,258	1,222
Restricted	171	159	--	--	171	159	190	183
Unrestricted	(877)	(754)	(3)	(6)	(880)	(760)	(768)	(847)
Total net position	(\$271)	(135)	39	38	(232)	(97)	680	558

The aforementioned factors contributing to changes in the governmental net position and the business-type net position of the County combined to create an overall decrease in net position of the primary government of \$136 between fiscal years 2016 and 2015. The assets and deferred outflow of resources of the primary government are less than the liabilities and deferred inflows of resources by \$232.

The component units (the Prince William County School Board, the Adult Detention Center and the Prince William County/Manassas Convention Visitors Bureau) are a significant portion of the total reporting entity, the assets of which represent over 50 percent of the total reporting entity. Component unit net position increased 39 percent to \$912 during 2016, principally resulting from the issuance of debt which was used to increase investments in capital assets. The net position of the primary government of (\$232) combined with the net position of the component units of \$912 resulted in total net position for the total reporting entity of \$680.

Changes in Net Position

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately. See Figures A-4, A-5 and A-6 for the revenue percentages and net costs for governmental activities.

Table A-2								
Prince William County's Changes in Net Position								
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity (including component units)	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues:								
Program revenues:								
Charges for services	\$48	49	33	31	81	80	106	104
Operating grants and contributions	86	80	--	--	86	80	254	238
Capital grants and contributions	74	49	--	--	74	49	75	49
General revenues:								
Taxes:								
Real property	629	600	--	--	629	600	629	600
Personal property	115	104	--	--	115	104	115	104
Other taxes	126	122	--	--	126	122	126	122
Payment from primary Government	--	--	--	--	--	--	783	616
Grants and contributions not restricted to specific programs	85	82	--	--	85	82	467	455
Unrestricted investment earnings	27	21	--	--	27	21	30	24
Gain (Loss) on disposal of capital assets	2	--	--	--	2	--	2	--
Miscellaneous	15	20	1	1	16	21	20	24
Total revenues	1,207	1,127	34	32	1,241	1,159	2,607	2,336
Expenses:								
General government administration	40	35	--	--	40	35	40	35
Judicial administration	22	20	--	--	22	20	22	20
Public safety	271	244	--	--	271	244	271	244
Public works	97	89	--	--	97	89	97	89
Health and welfare	89	82	--	--	89	82	89	82

Table A-2 (cont'd)

Prince William County's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity (including component units)	
	2016	2015	2016	2015	2016	2015	2016	2015
Education	672	513	--	--	672	513	672	513
Parks, recreational and cultural	68	37	--	--	68	37	68	37
Community development	37	65	--	--	37	65	37	65
Interest on long-term debt	47	45	--	--	47	45	47	45
Pension	--	(13)	--	--	--	(13)	--	(13)
Enterprise	--	--	33	33	33	33	33	33
Component Units	--	--	--	--	--	--	1,109	1,090
Total expenses	1,343	1,117	33	33	1,376	1,150	2,485	2,240
Increase (Decrease) in net position before transfers	(136)	10	1	(1)	(135)	9	122	96
Transfers	--	--	--	--	--	--	--	--
Increase (Decrease) in Net position	(136)	10	1	(1)	(135)	9	122	96
Net position – beginning	(135)	(145)	38	39	(97)	(106)	558	462
Net position – ending	(\$271)	(135)	39	38	(232)	(97)	680	558

The total reporting entity net position increased by \$122 in fiscal year 2016 as total revenues of \$2,607, 12 percent higher than fiscal year 2015, exceeded total expenses of \$2,485, which were 11 percent higher than expenses of the prior year.

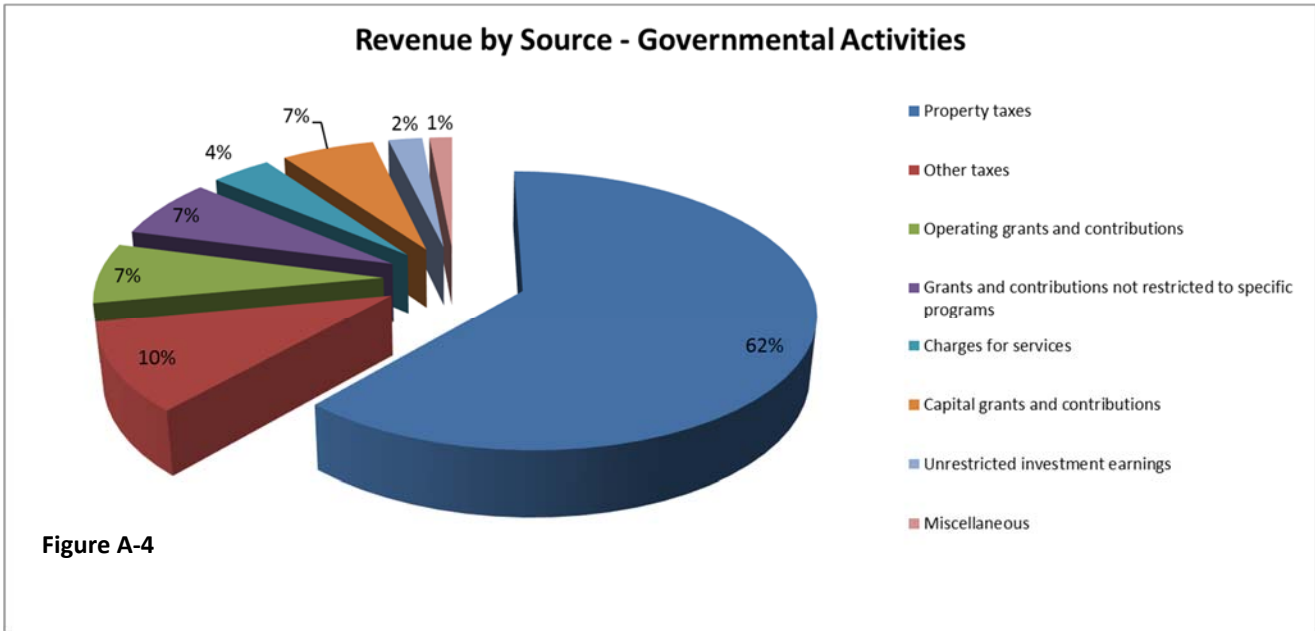
The County's (Primary Government) total revenues increased 7 percent to \$1,241 (see Table A-2). Over 60 percent of the County's revenue comes from ad valorem taxes. The County's total revenue is divided in three major sources; 72 percent of every dollar raised comes from some type of tax; nearly 20 percent of revenues come from local, state and federal aid; charges for services are 4 percent and the remaining 4 percent is from other sources.

The total cost of all County programs and services, increased by \$226 or 20 percent to \$1,376. The County's expenses cover a range of services, with 70 percent related to public safety and education (see Table A-2). Education and public safety are significant goal areas in the Strategic Plan.

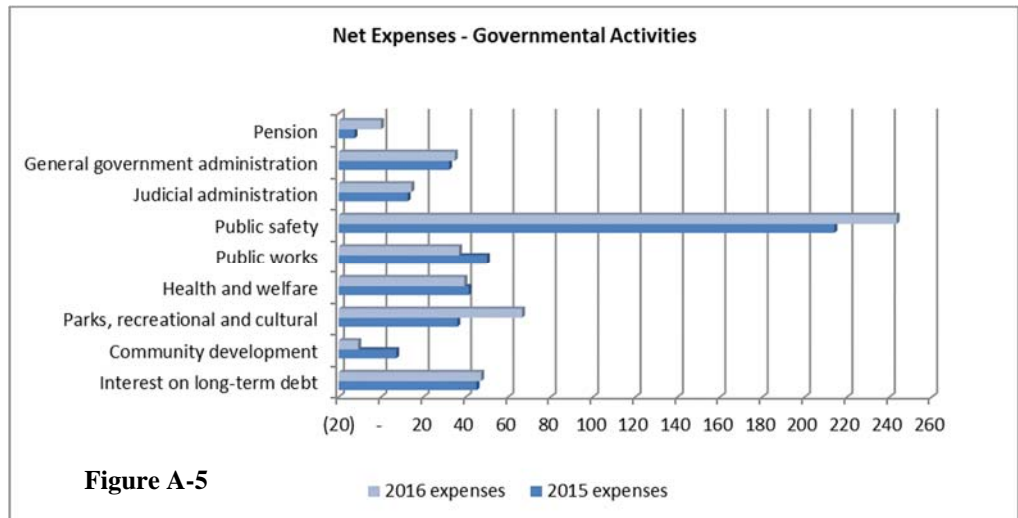
Governmental Activities

Revenues for the County's governmental activities increased 7 percent to \$1,207, while total expenses also increased 20 percent to \$1,343, which, after considering the effect of transfers, resulted in a \$136 decrease in net position during the current year, compared to a \$10 increase in the prior year. 72 percent of revenues related to governmental activities are derived from taxes (see Figure A-4). Property tax revenues increased by \$40 or 6 percent, due mainly to an increase in real estate tax revenues from \$600 in fiscal year 2015 to \$629 in fiscal year 2016. An 8 percent increase in the total taxable assessed value of real estate in the County, coupled with a 2 percent decrease in the total direct tax rate helped to push

real estate tax revenues slightly higher, and offset a flat level of support received from both the state and federal government; these revenue outcomes mitigated the impact of the rising cost of vital services provided by the County.



Property tax revenues, which are largely tied to the performance of the real estate market, experienced encouraging levels of growth during the year (up 6 percent from the prior year) and, local sales tax revenues produced a 1 percent increase from \$60 in fiscal year 2015 to \$61 in fiscal year 2016. These outcomes are attributable to a more positive real estate market than the County has experienced



over the past few fiscal years, with residential real estate values showing an increase of 7 percent and commercial and industrial values showing an increase of 6 percent. Similarly, apartment real estate values show an increase of 13 percent. Operating grants and contributions increased by 7 percent, as did capital grants and contributions, by 51 percent. Additionally, investment gains of \$27 were realized in fiscal year 2016, an increase of \$6 over fiscal year 2015. The increase is mostly due to favorable valuation of investments at year end.

Education remains the biggest expense for governmental activities. The School Board receives 57.23 percent of general revenues per the revenue sharing agreement with the county. The Board of County Supervisors created grant funding opportunity intended to help the School Board address the issue that Prince William County School class sizes are at the maximum permitted under Virginia law. This class Size Reduction Grant of up to \$1 million is in addition to the revenue sharing agreement with the county, Student enrollment is currently growing at a rate of 1.5% per year while the total county population is growing at 1.2% per year. Enrollment is estimated to grow by more than 6,800 students between fiscal year 2016-2020.

Public Safety expense increased by \$27 or 11 percent compared to fiscal year 2015. The Police Department and Department of Fire & Rescue represent over 70 percent of the Public Safety budget. During fiscal year 2016, the County issued \$23 in bonds for the construction of a new Central District Police Station. In addition, budget initiatives to better assist and support the general public and first responders have been implemented, including a replacement of the E-911 system. As of fiscal year 2016, the County has \$13 of outstanding bonded debt for the construction of ten Department of Fire & Rescue Stations. Per the Comprehensive Plan Level of Service Standards and to meet the demands of the growing community, new Fire & Rescue stations should be planned and budgeted every three years.

Additionally, other functions and programs experienced significant changes from prior year levels. Community Development decreased \$28 from fiscal year 2015. Community development includes funding for Public Works, Transportation, Economic Development, Planning, Libraries, and the Department of Parks & Recreation. The decrease is primarily due to the completion of major projects under construction for fiscal year 2016. The Montclair and Gainesville-Haymarket community libraries were completed during early fiscal year 2016. Parks & Recreation expenses grew 86 percent from the prior year, increasing \$32 as the County continues to attract new business and developments.

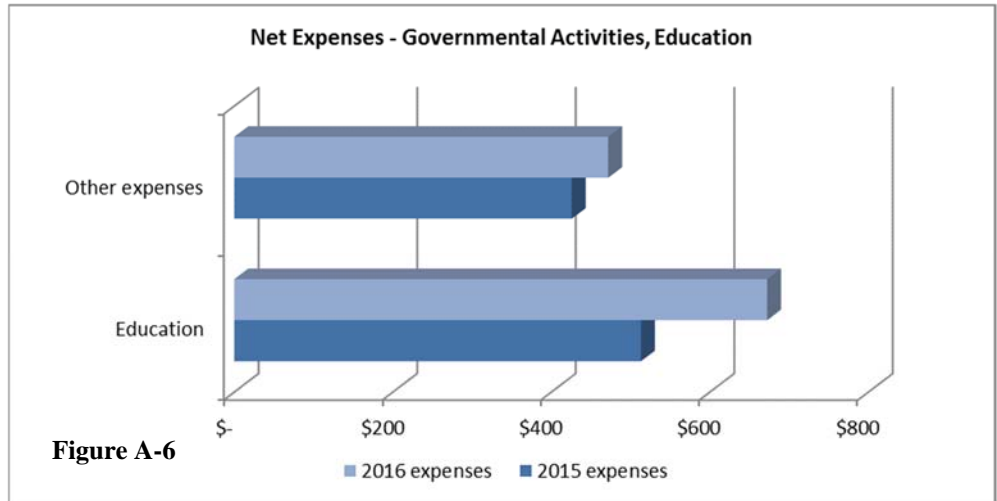


Figure A-6

The decrease is primarily due to the completion of major projects under construction for fiscal year 2016. The Montclair and Gainesville-Haymarket community libraries were completed during early fiscal year 2016. Parks & Recreation expenses grew 86 percent from the prior year, increasing \$32 as the County continues to attract new business and developments.

Figures A-5 and A-6 present the net cost (total cost less fees generated by the activities and intergovernmental aid) of each of the County’s nine functions/programs. The net cost reflects the financial burden that was placed on the County’s taxpayers by each of these functions.

The cost of all *governmental* activities this year was \$1,343; however, the amount that County taxpayers paid for these activities through County general revenues was only \$870. Some of the costs were paid by:

- Those who directly benefited from the programs by paying charges for services of \$48;
- Other governments and organizations that subsidized certain programs with grants and contributions of \$159; and
- The \$226 balance of the expenses was partially paid for with other revenues, such as developer proffers and unrestricted federal, state, and other local government aid, and investment earnings.

Business-type Activities

Revenues of the County’s business-type activities increased from the prior year by 6 percent, expenses of \$33, remained the same as the prior year (refer to Table A-2). Factors contributing to these results include:

- Charges for services of the County Landfill increased by \$1 compared to prior year. Innovation Technology Park produced \$1 more in charges for services compared to prior year. Parks & Recreation charges for services remained relatively the same from the prior year.
- Expenses of the landfill were \$17, primarily due to closure costs as the cells at maximum capacity are capped.
- Expenses for Parks & Recreation were \$16, primarily attributable to the maintenance of the facilities for services provided to County citizens.

- Net position increased from \$38 to \$39 as a result of total revenues exceeding total expenses and transfers by \$1.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a *combined* fund balance of \$439, an increase of \$104 or 31 percent from the prior year. General Fund revenues grew at a rate of 5 percent to \$1,023, while General Fund expenditures increased by \$38 or 4 percent to \$985. After considering the net effect of transfers in and out of other funds and other transactions, the General Fund balance increased \$28. The Capital Projects funds balances increased by \$75 during the current year, due to a variety of factors. During the fiscal year, the County expended \$64 on Streets & Roads projects, but also received \$47 of support from the State and Federal government, an increase of \$21 from fiscal year 2015. Additionally, the capital projects funds received funds from the general fund, special levy district, and various other capital projects. General fund transfers for streets and roads projects increased in comparison to fiscal year 2015 by \$24. The Fire & Rescue Levy Special Revenue Fund continues to be a major fund since fiscal year 2013. Fund balance for the Fire & Rescue Levy Fund decreased slightly to 1 percent or \$1 net of transfers. Fund balances for Other Governmental Funds increased 7 percent from the prior year. The change in the Fire & Rescue Levy Special Revenue Fund is mainly due to the increase in property tax revenues, which increased by 6 percent from \$35 in the prior year, to \$37 in fiscal 2016 coupled with a \$9 increase in expenditures. Increase in expenditures is due to an increase in public safety from \$21 in the prior year to \$30 for fiscal year 2016. As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The County adopted *Principles of Sound Financial Management* in 1988 and amends its *Principles* through the Board of County Supervisors. Following these *Principles* has enhanced the County's image and credibility with the public, credit rating agencies, and investors. Prior to fiscal year 2010, the fund balance policy was to maintain an unassigned fund balance

of not less than five percent of the average of the annual general revenues for the five preceding fiscal years with compliance updates with the Board. Beginning in fiscal year 2010, and updated during fiscal year 2016, Policy 1.02 was modified to require an unassigned fund balance of 7.5 percent of the current year's General Fund revenues. In fiscal year 2006, management began maintaining an unassigned fund balance of 7.5 percent

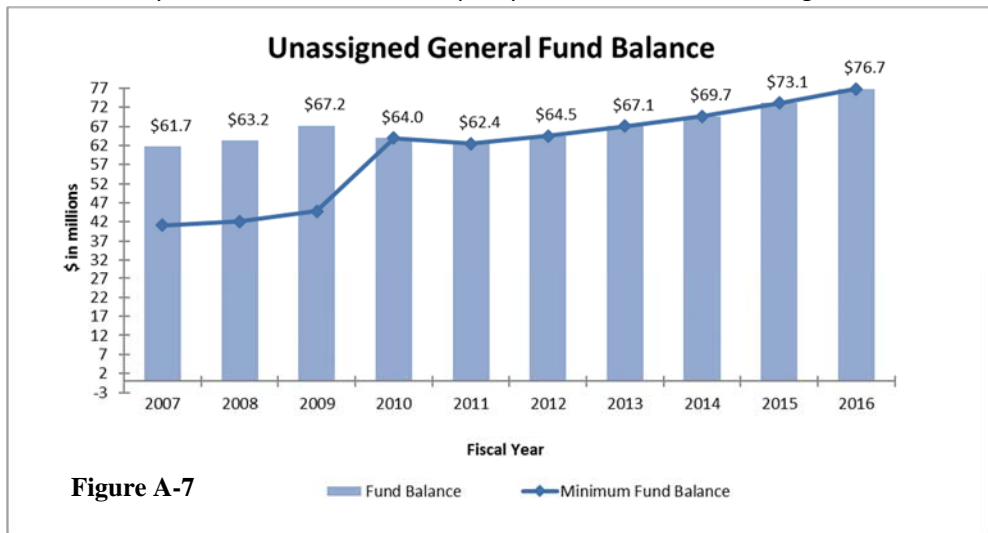


Figure A-7

of the current year's General Fund revenues, although, until fiscal year 2010, no formal modifications to the *Principles* had been made. In December 2012 the Board of County Supervisors resolved to maintain the fiscal year 2012 unassigned General Fund balance at 7.5 percent of General Fund revenues. The purpose of the unassigned fund balance is to provide the County with sufficient working capital and maintain a margin of safety to address emergency needs or unexpected declines in revenue. The County has done an excellent job in achieving and maintaining its minimum balance policy requirement since establishment, and has consistently achieved at least 7.5 percent balance. Figure A-7 shows the County's unassigned General Fund balance as compared to the policy requirement in effect at the time. Additions to the unassigned fund balance come from a combination of revenues over projections and current year expenditure savings.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- The County's General Fund balance increased \$28 or 16 percent due to favorable actual revenues of 5 percent and actual expenditure increases of 4 percent. Actual revenues exceeded the final budget primarily due to higher than anticipated property tax revenues, which experienced growth as a result of an 8 percent increase in the taxable assessed value of real estate during fiscal year 2016. However, departmental expenditures increased \$226 or 20 percent from the prior year primarily in the areas of education and public safety.
- The financial results as detailed in the governmental funds demonstrate the County's accountability to its five strategic goal areas of economic development, public safety, human services, education, and transportation aligned to address the impact of population growth and increased needs of the community.
 - The County has continued to increase its investment in public safety during the current year, increasing expenditures by \$27 or 11 percent from the prior year; public safety expenditures continue to represent approximately 20 percent of total expenditures of governmental funds.
 - Part of the County's transportation goal of alleviating congestion is further defined as one of the initiatives in the Letter of Transmittal. The \$64 spent on the construction of various streets and roads, upon completion, will be transferred to and become assets of the Commonwealth of Virginia.
 - The County's operating support to the School Board increased by \$11 during fiscal year 2016. This slight uptick was the result of growth in general County revenues, per the Revenue-Sharing Agreement. Additionally, the support for school construction projects increased from the prior year, as the County issued \$187 more debt during the fiscal year 2016, and therefore, conveyed the increase in funding related to capital projects.
- Bond proceeds of \$270 for fiscal year 2016 were conveyed to the Prince William County School Board through the sale of general obligation bonds to the VPSA and, are budgeted to be spent on part of the costs of constructing additions on various capital school improvement projects including renovations, additions and replacement to 15 elementary schools, three middle schools, two high schools, and one alternative education facility.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the Landfill at the end of the year was \$4, while unrestricted net position amounted to \$8 for Innovation Technology Park. Unrestricted net position of the Landfill increased by \$3 from fiscal year 2015 as the County continues to fund future capital needs with cash; while Innovation Technology Park's unrestricted net position also increased by \$1. The Parks and Recreation enterprise fund ended the fiscal year with a deficit unrestricted net position of (\$15).

General Fund Budgetary Highlights

Over the course of the year, the Board of County Supervisors revised the County budget several times. These budget amendments fall into two categories:

- Amendments to appropriations approved shortly after the beginning of the year to reflect budget reappropriations from the prior year.
- Increases in appropriations based on supplemental funding sources.

After these adjustments, budgetary expenditures were \$11 higher than the final budget amounts and budgetary revenues were more than the final budget by \$17. These two factors, combined with the effect of transfers to other funds, resulted in an increase in the fund balance of the General Fund, on a budgetary basis, of \$23 during the fiscal year. The most significant revenue variances were related to general property taxes (\$11 higher than final budget), other local taxes (\$3 higher than the final budget) and revenue from the federal government (\$2 higher than the final budget). Revenue from

the use of money and property increased by \$2 from the final budget based on the expected returns on investments, while support from the Commonwealth of Virginia stayed the same.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the total reporting entity had invested \$2,008 in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, library collections, infrastructure, and construction in progress (see Table A-3). This amount represents a net increase (including additions and deductions) of \$112 or 6 percent, over fiscal year 2015. The County had invested \$594 in capital assets, net of accumulated depreciation, which represented a net increase of \$25 or 4 percent, over fiscal year 2015. More detailed information about the County's capital assets is presented in Note 9 to the financial statements.

Table A-3 County's Capital Assets				
	Total Primary Government		Total Reporting Entity	
	2016	2015	2016	2015
Land & Construction in Progress	\$184	200	306	393
Buildings and other capital assets, net of depreciation	410	369	1,702	1,503
Total	\$594	569	2,008	1,896

Major Capital Asset Additions

This year's major County capital asset additions included the following:

- Expenditures related to construction of buildings for Gainesville-Haymarket Library, Montclair Library were \$4 and \$6, respectively; Central District Police Station was \$5. System implementation and technology replacement, including the ERP-Financial Management System, Tax Administration System totaled \$6. Over \$7 were spent on construction of fire trucks and ambulances not put in service by fiscal year 2016. In addition, vehicles increased by \$4 spent on purchase of additional ready-to-use fire trucks and ambulance.
- The decrease in Construction in Progress on governmental activities was related to completion on Gainesville-Haymarket Library and Montclair Library which resulted in an increase of \$23 in building and improvements, completion of Computer-Aided Dispatch (CAD) for \$5 added to Software; and additional equipment 800 MHZ system added over \$9 to Equipment. Additionally, the construction in progress balance as of the end of the current fiscal year was \$43 in governmental activities and \$5 in business-type activities.
- The total reporting entity capital assets increased by \$112; \$88 of this increase relates to component units. The growth of the School Board component unit's assets decreased \$72 for construction in progress. This change is due primarily to the following: three schools were completed, construction began on two new schools, and there was continued construction on five schools. In addition, there are other ongoing major additions and renovations performed at various school sites. The School Board also made major capital asset purchases, including, new trucks and school buses.

Long-term Debt and Other Obligations

At year-end, the County's governmental activities had total debt and other obligations of \$1,418, of which bonded debt outstanding represented \$1,008. Of this amount, \$938 comprises debt backed by the full faith and credit of the government. The remainder of the County's bonded debt of \$70 represents bonds secured solely by specified revenue sources (i.e., revenue bonds and taxable bonds).

The County's total debt and obligations increased to \$1,445 during the current fiscal year. The key components of the current year activities were the issuance of \$270 of debt on behalf of the School Board and principal payments on existing debt totaling \$52 during the fiscal year. More detailed information about the County's long-term debt is presented in Note 10 to the financial statements.

Bond Ratings

The County maintains ratings of AAA from Fitch Ratings, Aaa from Moody's Investors Service, and AAA from Standard and Poor's. These ratings are the highest ratings awarded to a local government. All three ratings were reconfirmed during fiscal year 2016.

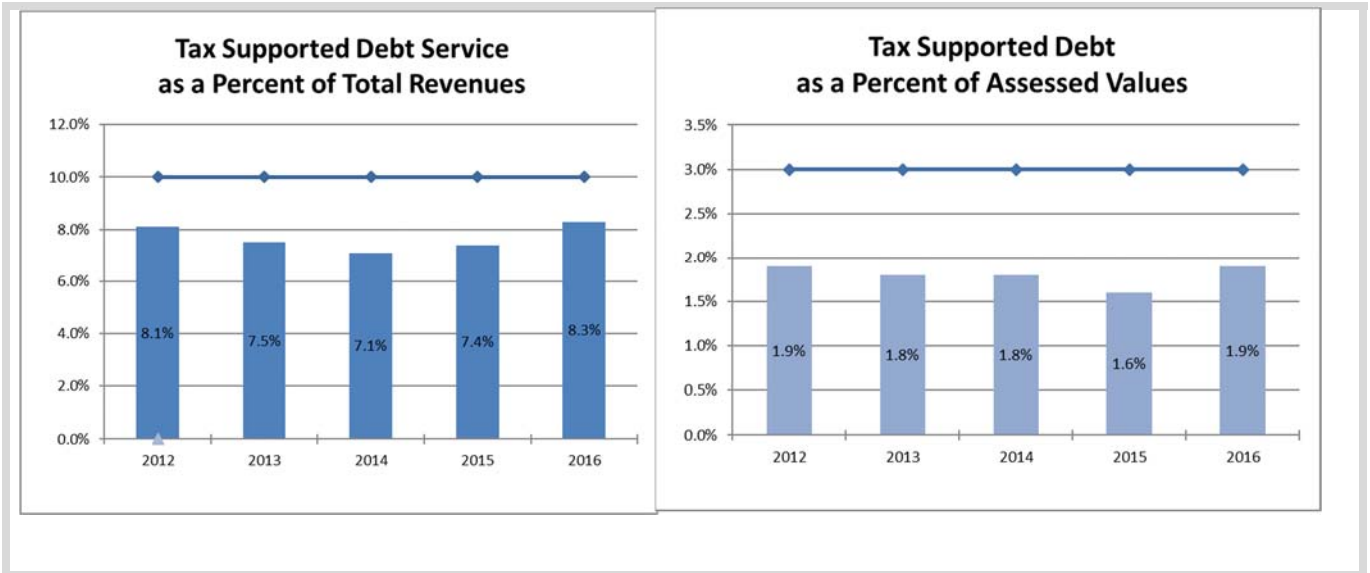
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$938	764	--	--	938	764
Revenue bonds	2	3	10	11	12	14
Deferred loss on Refunding	--	--	--	(1)	--	(1)
Taxable Bonds	68	--	--	--	68	--
State literary fund loans	--	2	--	--	--	2
Total bonded debt	\$1,008	769	10	10	1,018	779
Capital lease obligations	115	131	--	--	115	131
Unpaid losses and related liabilities	19	19	--	--	19	19
Net Pension Obligation	121	101	3	3	124	104
Surplus distribution payable	5	4	--	--	5	4
Compensated absences	32	32	1	1	33	33
Unamortized premiums	118	80	--	--	118	80
Accrued closure liability	--	--	13	15	13	15
Total long-term debt and other obligations	\$1,418	1,136	27	29	1,445	1,165

Limitations on Debt

The County has no legal limitations on the amount of debt it can issue. The Board, however, has adopted certain financial policies limiting the amount of tax supported debt outstanding to no more than 3 percent of the assessed value of taxable property; and annual debt service payments to no more than 10 percent of County revenues. As of June 30, 2016, the amount of tax-supported debt outstanding represented 1.9 percent of the total assessed valuation of taxable real and personal property of \$58 billion at January 1, 2015, which is the valuation date to determine fiscal year 2016 revenues.

Debt service payments represented 8.3 percent of revenues in compliance with the County’s Principles of Sound Financial Management. See Table 14 in the Statistical Section for further explanation of the calculations.

Figure A-8
Change in Tax Supported Debt Outstanding and Tax Supported Debt Service



ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The key economic factors affecting the County included the following:

- The Board of County Supervisors has decreased the real estate tax rate 0.026 cents, or 2.26 percent for fiscal year 2016 to \$1.122 dollars per \$100 dollars of assessed value.
- The real estate tax base has increased from \$53.864 billion supporting fiscal year 2015 to \$55.600 billion for fiscal year 2016, which is a 3.22 percent increase.
- The fiscal year 2017 General Fund budget is \$1,068.6, which is a 4 percent increase from fiscal year 2016.
- The ratio of employees per 1,000 residents for the Primary Government of the County has decreased from 8.97. In fiscal year 2004 to 8.87 per 1,000 residents in fiscal year 2016.
- The population in the County has grown at an average annual rate of 3.01 percent over the past decade and the vast majority of those County residents are gainfully employed.
- The Virginia Employment Commission estimated the County’s at-place employment (jobs located in the County) to be 112 thousand during the first quarter of 2016.
- Throughout the past decade, the County’s unemployment rates have mirrored State and U.S. trends. However, the County’s rates have been at consistently lower levels. The County had an unemployment rate of 3.7 percent and an average civilian labor force of 231,490 as of June 2016, according to Bureau of Labor Statistics, representing slight improvements in both categories. As of June 2015, the County’s unemployment rate was 4.1 percent and its civilian labor force stood at 232,150.
- The Census Bureau’s 2011-2015 American Community Survey indicates that the County’s Median Household Income rose from \$66,000 in 2001 to \$98,657 in 2015.

The aforementioned factors were considered in preparing the County's budget for the 2016 fiscal year. Real estate tax rates are slightly lower as the Board attempts to balance the impact of changes affecting real estate assessments on its citizens, while still providing the funding required to ensure that the County has the resources necessary to continue to provide vital services to the community. Further details of the County's budget can be found in its Adopted 2016 Fiscal Plan.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Finance Director, 1 County Complex Court, Prince William, Virginia, 22192-9201.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include all funds, discretely presented component units and notes to provide an overview of the financial position and results of operation for the County as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

COUNTY OF PRINCE WILLIAM, VIRGINIA
Statement of Net Position
As of June 30, 2016
(amounts expressed in thousands)

Exhibit 1

	Primary Government			Component Units	Total Reporting Entity
	Governmental Activities	Business-Type Activities	Total		
ASSETS					
Equity in pooled cash and investments	\$ 769,058	13,997	783,055	260,912	1,043,967
Investments	18,644	-	18,644	-	18,644
Property taxes receivable, net	4,515	-	4,515	-	4,515
Investment in direct financing leases	14,222	-	14,222	-	14,222
Accounts receivable, net	10,256	349	10,605	2,658	13,263
Notes receivable, current	-	154	154	-	154
Due from other governmental units	37,654	625	38,279	34,249	72,528
Due from primary government	-	-	-	4,685	4,685
Internal balances	12,055	(12,055)	-	-	-
Net OPEB asset	-	-	-	2,109	2,109
Inventory	454	3,911	4,365	3,683	8,048
Prepaid items	2,797	90	2,887	71	2,958
Deposits	-	-	-	4	4
Note Receivable, non-current	-	1,115	1,115	-	1,115
Restricted assets:					
Temporarily restricted:					
Restricted cash and temporary investments	54,163	13,089	67,252	178,339	245,591
Restricted investments	1,250	-	1,250	-	1,250
Deposits	-	-	-	500	500
Water and sewer availability credit	11,911	-	11,911	-	11,911
Capital assets:					
Land and construction in progress	155,444	28,724	184,168	121,815	305,983
Buildings and other capital assets, net of depreciation	386,861	23,114	409,975	1,292,552	1,702,527
Total assets	<u>1,479,284</u>	<u>73,113</u>	<u>1,552,397</u>	<u>1,901,577</u>	<u>3,453,974</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	32,319	528	32,847	-	32,847
Deferred outflows related to pensions	32,589	760	33,349	93,388	126,737
Total deferred outflows of resources	<u>64,908</u>	<u>1,288</u>	<u>66,196</u>	<u>93,388</u>	<u>159,584</u>
LIABILITIES					
Accounts payable	25,368	857	26,225	14,486	40,711
Wages and benefits payable	12,934	777	13,711	93,931	107,642
Deposits and escrows	28,006	150	28,156	-	28,156
Retainages	2,547	32	2,579	7,743	10,322
Accrued interest	17,361	114	17,475	-	17,475
Due to other governmental units	1,016	-	1,016	140	1,156
Due to component units	4,685	-	4,685	-	4,685
Unearned revenue	59,742	5,972	65,714	10,453	76,167
Noncurrent liabilities:					
Due within one year	106,213	766	106,979	20,921	127,900
Due in more than one year	1,311,430	26,247	1,337,677	865,447	2,203,124
Total liabilities	<u>1,569,302</u>	<u>34,915</u>	<u>1,604,217</u>	<u>1,013,121</u>	<u>2,617,338</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	227,963	-	227,963	-	227,963
Deferred lease revenue	2,594	-	2,594	-	2,594
Deferred inflows related to pensions	15,392	351	15,743	69,535	85,278
Total deferred inflows of resources	<u>245,949</u>	<u>351</u>	<u>246,300</u>	<u>69,535</u>	<u>315,835</u>
NET POSITION					
Net Investment in Capital Assets	435,101	41,758	476,859	1,414,367	1,258,100 ^A
Restricted for:					
Capital projects	37,587	-	37,587	165,353	24,601 ^A
Special levy districts	96,354	-	96,354	-	96,354
Other purposes					
Development fee services	5,029	-	5,029	-	5,029
Housing	468	-	468	-	468
Internal service fund	6,282	-	6,282	-	6,282
Public safety	11,488	-	11,488	-	11,488
Debt service	1,136	-	1,136	-	1,136
Developer default recoveries	209	-	209	-	209
Water and sewer availability credit- UOSA	11,911	-	11,911	-	11,911
Education	-	-	-	32,753	32,753
Unrestricted	(876,624)	(2,623)	(879,247)	(700,164)	(767,946) ^A
Total net position	<u>\$ (271,059)</u>	<u>39,135</u>	<u>(231,924)</u>	<u>912,309</u>	<u>680,385</u>

The sum of the columns does not equal the Total Reporting Entity column by a difference of \$811,465 because the debt related to the School Board (\$793,235) and the debt related to the Adult Detention Center (\$18,230) is reflected in the primary government's general governmental activities row reducing the unrestricted row as Net Investment in Capital Assets. The Total Reporting Entity column matches the asset with the debt and reports the net amount in the component unit on the Net Investment in Capital Assets.

The Net Investment in Capital Assets increased by School's unspent bond proceeds of \$178,339 with a corresponding decrease in the Restricted Capital Projects row.

The accompanying notes are an integral part of these financial statements.

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Primary Business-Type
					Activities	Activities
Primary Government:						
Governmental activities:						
General government administration	\$ 40,051	2,263	2,322	658	(34,808)	-
Judicial administration	21,960	1,939	5,715	-	(14,306)	-
Public safety	270,610	11,113	6,928	9,188	(243,381)	-
Public works	96,977	8,796	489	58,981	(28,711)	-
Health and welfare	88,726	6,635	42,759	-	(39,332)	-
Education	672,297	-	-	-	(672,297)	-
Parks, recreational and cultural	68,802	1,711	520	15	(66,556)	-
Community development	37,307	15,527	26,966	5,588	10,774	-
Interest on long-term debt	47,263	-	-	-	(47,263)	-
Total governmental activities	1,343,993	47,984	85,699	74,430	(1,135,880)	-
Business-type activities:						
Landfill	16,613	19,660	-	-	-	3,047
Parks & Recreation	15,903	12,456	-	-	-	(3,447)
Innovation Technology Park	340	1,132	-	-	-	792
Total business-type activities	32,856	33,248	-	-	-	392
Total primary government	\$ 1,376,849	81,232	85,699	74,430	(1,135,880)	392
Component Units:						
School Board	\$ 1,059,657	23,928	156,779	124	-	-
Adult Detention Center	48,241	501	11,331	-	-	-
Convention & Visitors' Bureau	1,275	-	-	-	-	-
Total component units	\$ 1,109,173	24,429	168,110	124	-	-
General revenues:						
Taxes:						
Real property				\$ 628,960		-
Personal Property				114,750		-
Local sales				60,551		-
Consumers Utility				13,977		-
Business, professional and occupational license (BPOL)				25,065		-
Recordation				10,613		-
Motor vehicle licenses				8,260		-
Transient occupancy				3,721		-
Short term rental, bank stock, public utility gross receipts				3,350		-
Payment from primary government				-		-
Grants and contributions not restricted to specific programs:						
Federal revenue				75		-
State revenue				74,184		-
Local revenue				11,068		-
Investment earnings				26,872		397
Gain (Loss) on disposal of capital assets				2,197		-
Insurance claims and recoveries				17		-
Miscellaneous				12,488		925
Special item - transfer of volunteer fire and rescue operations				2,929		-
Transfers				792		(792)
Total general revenues and transfers				999,869		530
Change in net position				(136,011)		922
Net position- beginning				(135,048)		38,213
Net position- end of year				\$ (271,059)		39,135

The accompanying notes are an integral part of these financial statements.

and Changes in Net Position

Government		Total Reporting	Functions / Programs
Total	Component Unit	Entity	
			Primary Government:
			Governmental activities:
(34,808)	-	(34,808)	General government administration
(14,306)	-	(14,306)	Judicial administration
(243,381)	(36,409)	(279,790)	Public safety
(28,711)	-	(28,711)	Public works
(39,332)	-	(39,332)	Health and welfare
(672,297)	(878,826)	(1,551,123)	Education
(66,556)	-	(66,556)	Parks, recreational and cultural
10,774	(1,275)	9,499	Community development
(47,263)	-	(47,263)	Interest on long-term debt
<u>(1,135,880)</u>	<u>(916,510)</u>	<u>(2,052,390)</u>	Total governmental activities
			Business-type activities:
3,047	-	3,047	Landfill
(3,447)	-	(3,447)	Parks and Recreation
792	-	792	Innovation Technology Park
<u>392</u>	<u>-</u>	<u>392</u>	Total business-type activities
<u>(1,135,488)</u>	<u>(916,510)</u>	<u>(2,051,998)</u>	Total primary government
			Component Units:
-	(878,826)	(878,826)	School Board
-	(36,409)	(36,409)	Adult Detention Center
-	(1,275)	(1,275)	Convention & Visitors' Bureau
<u>-</u>	<u>(916,510)</u>	<u>(916,510)</u>	Total component units
			General revenues:
			Taxes:
628,960	-	628,960	Real property
114,750	-	114,750	Personal Property
60,551	-	60,551	Local sales
13,977	-	13,977	Consumers Utility
25,065	-	25,065	Business, professional and occupational license (BPOL)
10,613	-	10,613	Recordation
8,260	-	8,260	Motor vehicle licenses
3,721	-	3,721	Transient occupancy
3,350	-	3,350	Short term rental, bank stock, public utility gross receipts
-	783,479	783,479	Payment from primary government
			Grants and contributions not restricted to specific programs:
75	2,353	2,428	Federal revenue
74,184	375,109	449,293	State revenue
11,068	4,394	15,462	Local revenue
27,269	3,489	30,758	Investment earnings
2,197	(1)	2,196	Gain (Loss) on disposal of capital assets
17	-	17	Insurance claims and recoveries
13,413	3,734	17,147	Miscellaneous
2,929	-	2,929	Special item - transfer of volunteer fire and rescue operations
-	-	-	Transfers
<u>1,000,399</u>	<u>1,172,557</u>	<u>2,172,956</u>	Total general revenues and transfers
<u>(135,089)</u>	<u>256,047</u>	<u>120,958</u>	Change in net position
<u>(96,835)</u>	<u>656,262</u>	<u>559,427</u>	Net position- beginning
<u>(231,924)</u>	<u>912,309</u>	<u>680,385</u>	Net position- end of year

The accompanying notes are an integral part of these financial statements.

COUNTY OF PRINCE WILLIAM, VIRGINIA
GOVERNMENTAL FUNDS

Exhibit 3

Balance Sheet

As of June 30, 2016

(amounts expressed in thousands)

	Capital Projects					Fire & Rescue Levy	Other Governmental Funds	Total Governmental Funds
	General	Streets and Roads	Other Capital Projects	Education				
ASSETS								
Equity in pooled cash and investments	\$ 499,407	41,968	56,022	-	86,150	18,754	702,301	
Restricted cash and temporary investments	1,166	11,779	26,825	-	11	-	39,781	
Property taxes receivable, net	4,515	-	-	-	-	-	4,515	
Accounts receivable, net	5,009	127	45	-	294	303	5,778	
Due from other funds	12,055	-	-	-	-	-	12,055	
Due from other governmental units	20,849	16,805	-	-	-	-	37,654	
Investment in direct financing leases	14,222	-	-	-	-	-	14,222	
Inventory	122	-	-	-	-	-	122	
Prepaid items	20	331	-	-	-	2,167	2,518	
Total assets	\$ 557,365	71,010	82,892	-	86,455	21,224	818,946	
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ 14,718	5,475	1,784	-	345	203	22,525	
Wages and benefits payable	11,903	-	-	-	-	637	12,540	
Deposits and escrows	28,005	-	-	-	1	-	28,006	
Due to other governmental units	200	746	62	-	-	8	1,016	
Retainages	-	1,857	326	-	11	-	2,194	
Unearned revenue	53,827	-	-	-	-	2,456	56,283	
Total liabilities	108,653	8,078	2,172	-	357	3,304	122,564	
DEFERRED INFLOW OF RESOURCES								
Prepaid taxes	227,963	-	-	-	-	-	227,963	
Unavailable transportation revenue	-	12,055	-	-	-	-	12,055	
Unavailable taxes	3,365	-	-	-	-	-	3,365	
Unavailable lease revenues	14,222	-	-	-	-	-	14,222	
Total deferred inflows of resources	245,550	12,055	-	-	-	-	257,605	
FUND BALANCES								
Non-spendable	142	331	-	-	-	2,167	2,640	
Restricted	12,833	-	-	-	86,098	15,753	114,684	
Committed	105,707	50,546	80,720	-	-	-	236,973	
Assigned	7,733	-	-	-	-	-	7,733	
Unassigned	76,747	-	-	-	-	-	76,747	
Total fund balances	203,162	50,877	80,720	-	86,098	17,920	438,777	
Total liabilities, deferred inflows of resources and fund balances	\$ 557,365	71,010	82,892	-	86,455	21,224	818,946	

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Position

As of June 30, 2016

(amounts expressed in thousands)

Fund balances--total governmental funds (Exhibit 3)	\$ 438,777
<p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excludes \$47,473, related to Internal Service Fund assets, which is included in Internal Service Fund net position below.)</p>	494,832
<p>Deferred outflow of resources that are not financial resources and, therefore are not reported in the funds</p>	
Deferred loss on bond refunding	32,319
Deferred outflows of pension contributions (excludes \$1,354 related to Internal Service Fund)	31,235
<p>Deferred inflow of resources are not available to pay for current-period expenditures:</p>	
Deferred inflows of resources - Transportation revenue	12,055
Deferred inflows of resources - Unavailable taxes	3,365
Deferred inflows of resources - Unavailable lease revenue	11,628
Deferred inflows of pension contributions (excludes \$627 related to Internal Services Fund)	(14,765)
<p>Internal Service Funds are used by management to charge costs of certain activities such as insurance, fleet operations, and data processing to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.</p>	115,387
<p>Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.</p>	(17,361)
<p>Sewer and water availability credit is not recognized in the governmental funds, but rather, is recognized as an expenditure when used.</p>	11,911
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note 10):</p>	
Other long term obligations	(114,516)
Bonds payable	(214,275)
School bonds payable	(793,235)
Capital lease obligations	(115,454)
Compensated absences (excludes \$1,685 for Internal Service Fund)	(30,125)
Operating settlement - Schools	(4,685)
Premium on bonds issued	(118,152)
Total long-term liabilities	(1,390,442)
Net position of governmental activities (Exhibit 1)	\$ (271,059)

The accompanying notes are an integral part of these financial statements.

COUNTY OF PRINCE WILLIAM, VIRGINIA
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016
(amounts expressed in thousands)

Exhibit 5

	Capital Projects				Fire & Rescue Levy	Other Governmental Funds	Total Governmental Funds
	General	Streets and Roads	Other Capital Projects	Education			
REVENUES:							
General property taxes	\$ 703,953	-	-	-	37,149	3,201	744,303
Other local taxes	125,537	-	-	-	-	-	125,537
Permits, privilege fees and regulatory licenses	2,295	-	-	-	-	15,744	18,039
Fines and forfeitures	2,952	-	-	-	-	1	2,953
From use of money and property	12,366	551	849	-	2,362	408	16,536
Charges for services	12,826	-	16	-	-	14,150	26,992
Intergovernmental revenues:							
Federal	19,510	23,144	144	-	-	26,756	69,554
State	122,851	23,574	64	-	-	15	146,504
Local	7,302	15	3,766	-	-	-	11,083
Donations and contributions	-	213	-	-	-	-	213
Miscellaneous	13,550	649	-	-	528	269	14,996
Total revenues	<u>1,023,142</u>	<u>48,146</u>	<u>4,839</u>	<u>-</u>	<u>40,039</u>	<u>60,544</u>	<u>1,176,710</u>
EXPENDITURES:							
Current:							
General government administration	39,122	-	-	-	-	-	39,122
Judicial administration	20,175	-	-	-	-	-	20,175
Public safety	219,365	-	-	-	29,536	12,441	261,342
Public works	31,407	-	-	-	-	226	31,633
Health and welfare	85,237	-	-	-	-	-	85,237
Education	423,385	-	1,293	243,190	-	-	667,868
Parks, recreational and cultural	34,797	-	-	-	-	-	34,797
Community development	8,168	-	-	-	-	45,195	53,363
Debt service:							
Principal retirement	77,986	-	-	-	107	-	78,093
Interest and other debt costs	45,230	215	409	-	218	-	46,072
Capital outlays	-	64,141	28,978	-	-	-	93,119
Total expenditures	<u>984,872</u>	<u>64,356</u>	<u>30,680</u>	<u>243,190</u>	<u>29,861</u>	<u>57,862</u>	<u>1,410,821</u>
Excess (deficiency) of revenues over (under) expenditures	38,270	(16,210)	(25,841)	(243,190)	10,178	2,682	(234,111)
OTHER FINANCING SOURCES (USES):							
Transfers in	31,014	19,406	26,454	-	934	6,414	84,222
Transfers out	(43,280)	(16,942)	(6,633)	-	(11,767)	(7,978)	(86,600)
Bonds, notes and capital leases	-	32,528	52,632	218,705	-	-	303,865
Issuance of refunding bonds	2,935	-	-	50,940	-	-	53,875
Premium on sale of bonds	-	3,231	5,952	24,109	-	-	33,292
Premium on refundings	189	-	-	13,484	-	-	13,673
Payments to escrow agent	(3,068)	-	-	(64,048)	-	-	(67,116)
Insurance claims and recoveries	12	-	5	-	-	-	17
Sale of surplus property	2,094	-	-	-	136	36	2,266
Total other financing sources (uses)	<u>(10,104)</u>	<u>38,223</u>	<u>78,410</u>	<u>243,190</u>	<u>(10,697)</u>	<u>(1,528)</u>	<u>337,494</u>
Net change in fund balances	28,166	22,013	52,569	-	(519)	1,154	103,383
FUND BALANCE, beginning of year	174,996	28,864	28,151	-	86,617	16,766	335,394
FUND BALANCE, end of year	<u>\$ 203,162</u>	<u>50,877</u>	<u>80,720</u>	<u>-</u>	<u>86,098</u>	<u>17,920</u>	<u>438,777</u>

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016
 (amounts expressed in thousands)

Net change in fund balances--total governmental funds (Exhibit 5) \$ 103,383

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Add capital acquisitions and transfers in	37,793	
Add transfer of volunteer fire and rescue capital assets	2,929	
Add receipt of donated land and infrastructure assets	5,588	
Add donated equipment for Public Safety	119	
Add donated equipment for parks, recreational & cultural	15	
Add donated land for General Government Administration	658	
Subtract depreciation (excludes \$6,826 related to Internal Service Fund assets included in Internal Service Fund net position below)	<u>(21,042)</u>	26,060

In the statement of activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold. (70)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Subtract revenue recognized for the water and sewer availability credit used		(1,369)
Add amortized premium		8,433
Add current year's deferred inflows of resources related to transportation revenue		12,055
Add current year's deferred inflows of resources related to deferred lease revenue (Note 5)	11,628	
Subtract prior year's deferred inflows of resources related to deferred lease revenue	<u>(13,332)</u>	
Add current year's deferred inflows of resources related to financing activities and uncollectible tax billings (Note 4)	3,365	(1,704)
Subtract prior year's deferred inflows of resources related to financing activities and uncollectible tax billings	<u>(3,958)</u>	(593)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (Note 11). Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Add debt principal repayment	78,093	
Add payment to escrow agent for refunding	57,635	
Subtract debt proceeds	(357,740)	
Subtract premium on debt	<u>(46,965)</u>	(268,977)

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:

Add current year refunding		11,226
Amortized bond refunding loss		(2,462)
Subtract prior year operating settlement - School Board	327	
Subtract current year operating settlement - School Board	<u>(4,685)</u>	(4,358)
Add prior year's compensated absences liability (excludes \$1,710 for Internal Service Fund)	30,458	
Subtract current year's compensated absences liability (excludes \$1,685 for Internal Service Fund)	<u>(30,125)</u>	333
Add prior year's net pension accrual	79,971	
Subtract current year's net pension accrual	<u>(98,046)</u>	(18,075)
Add prior year's accrued interest liability	16,887	
Subtract current year's accrued interest liability	<u>(17,361)</u>	(474)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities:

Add internal service funds' change in net position	<u>581</u>
----------------------------------------------------	------------

Change in net position of governmental activities (Exhibit 2) \$ (136,011)

The accompanying notes are an integral part of these financial statements.

COUNTY OF PRINCE WILLIAM, VIRGINIA
PROPRIETARY FUNDS
Statement of Fund Net Position
As of June 30, 2016
(amounts expressed in thousands)

Exhibit 7

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Landfill	Innovation Technology Park	Parks & Recreation	Totals	
ASSETS					
Current assets:					
Equity in pooled cash and investments	\$ 9,509	4,488	-	13,997	66,757
Restricted cash and temporary investments	12,831	-	258	13,089	14,382
Investments	-	-	-	-	18,644
Accounts receivable, net	216	5	128	349	4,478
Note receivable	154	-	-	154	-
Due from other governmental units	625	-	-	625	-
Inventory	4	3,833	74	3,911	332
Prepays	-	-	90	90	279
Total current assets	23,339	8,326	550	32,215	104,872
Non-current assets:					
Restricted investments	-	-	-	-	1,250
Note receivable	1,115	-	-	1,115	-
Capital assets:					
Land and construction in progress	21,889	1,084	5,751	28,724	20,502
Buildings and other capital assets, net of depreciation	15,091	-	8,023	23,114	26,971
Total non-current assets	38,095	1,084	13,774	52,953	48,723
Total assets	61,434	9,410	14,324	85,168	153,595
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	528	528	-
Deferred outflows related to pensions	400	-	360	760	1,354
Total deferred outflows of resources	400	-	888	1,288	1,354
LIABILITIES					
Current liabilities:					
Accounts payable	504	10	343	857	2,843
Wages and benefits payable	117	-	660	777	394
Deposits and escrows	-	150	-	150	-
Retainages	32	-	-	32	353
Accrued interest	31	-	83	114	-
Unpaid losses, related liabilities and IBNR	-	-	-	-	6,927
Due to other funds	235	-	11,820	12,055	-
Unearned revenue	4,659	-	1,313	5,972	3,459
Current portion of surplus distribution payable	-	-	-	-	945
Current portion of bonds payable	-	-	611	611	-
Current accrued closure liability	-	-	-	-	-
Current other long term liabilities	-	-	99	99	-
Compensated absences	28	-	28	56	100
Total current liabilities	5,606	160	14,957	20,723	15,021
Non-current liabilities:					
Accrued closure liability	12,750	-	-	12,750	-
Unpaid losses, related liabilities and IBNR	-	-	-	-	12,338
Surplus distribution payable	-	-	-	-	4,367
Bonds payable, net of current portion	-	-	9,370	9,370	-
Other long term liabilities	1,734	-	1,484	3,218	5,624
Compensated absences	452	-	457	909	1,585
Total non-current liabilities	14,936	-	11,311	26,247	23,914
Total liabilities	20,542	160	26,268	46,970	38,935
Deferred Inflows of Resources					
Deferred inflows related to pensions	185	-	166	351	627
Total deferred inflows of resources	185	-	166	351	627
NET POSITION					
Net investment in capital assets	36,980	1,084	3,694	41,758	47,473
Restricted for self-insurance funds	-	-	-	-	6,282
Unrestricted	4,127	8,166	(14,916)	(2,623)	61,632
Total net position (deficit)	\$ 41,107	9,250	(11,222)	39,135	115,387

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Landfill	Innovation	Parks & Recreation	Totals	
		Technology Park			
OPERATING REVENUES:					
Charges for services	\$ 19,660	1,132	12,456	33,248	93,529
Miscellaneous	795	130	-	925	5,053
Total operating revenues	20,455	1,262	12,456	34,173	98,582
OPERATING EXPENSES:					
Personal services	4,800	-	8,497	13,297	15,197
Contractual services	3,538	141	3,865	7,544	17,790
Materials/supplies	2,822	-	1,882	4,704	6,764
Depreciation	3,957	-	1,135	5,092	6,826
Closure expense	1,484	-	-	1,484	-
Cost of sale of land	-	89	-	89	-
Other	40	51	64	155	1,439
Claims and premiums	-	-	-	-	43,971
OPEB cost	-	-	-	-	4,753
Losses and loss adjustment expenses	-	-	-	-	4,194
Total operating expenses	16,641	281	15,443	32,365	100,934
Operating income/(loss)	3,814	981	(2,987)	1,808	(2,352)
NON-OPERATING REVENUES/(EXPENSES):					
Interest income	595	80	(278)	397	1,903
Interest and other debt costs	-	(59)	(460)	(519)	-
Gain on sale of capital assets	28	-	-	28	-
Declaration of surplus distribution	-	-	-	-	(2,140)
Total non-operating revenues/(expenses)	623	21	(738)	(94)	(237)
Income/(loss) before transfers	4,437	1,002	(3,725)	1,714	(2,589)
TRANSFERS:					
Transfers in:					
General fund	50	35	2,291	2,376	2,633
Special revenue funds	-	-	-	-	442
Fire & Rescue Levy funds	-	-	-	-	98
Transfers out:					
General fund	(2,875)	-	(213)	(3,088)	(3)
Capital projects funds	-	(80)	-	(80)	-
Total transfers	(2,825)	(45)	2,078	(792)	3,170
Change in net position	1,612	957	(1,647)	922	581
NET POSITION, beginning of the year	39,495	8,293	(9,575)	38,213	114,806
NET POSITION, end of the year	\$ 41,107	9,250	(11,222)	39,135	115,387

The accompanying notes are an integral part of these financial statements.

COUNTY OF PRINCE WILLIAM, VIRGINIA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2016
(amounts expressed in thousands)

Exhibit 9

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Landfill	Innovation Technology Park	Parks & Recreation	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 20,131	1,264	12,597	33,992	76,220
Cash received from employees	-	-	-	-	17,032
Cash received from other entities	554	-	-	554	4,594
Payments for claims and premiums	-	-	-	-	(55,161)
Payments to suppliers for goods and services	(9,205)	(82)	(4,892)	(14,179)	(24,431)
Payments to employees for services	(4,502)	-	(8,002)	(12,504)	(14,153)
Payments of closure expenses	(3,220)	-	-	(3,220)	-
Net cash provided (used) by operating activities	3,758	1,182	(297)	4,643	4,101
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Surplus distributions paid	-	-	-	-	(402)
Proceeds from notes receivable	156	-	-	156	-
Transfers in	50	35	2,291	2,376	3,173
Transfers out	(2,875)	(80)	(213)	(3,168)	(3)
Net cash provided (used) by non-capital financing activities	(2,669)	(45)	2,078	(636)	2,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(2,562)	-	(353)	(2,915)	(7,791)
Proceeds from the sale of capital assets	28	-	-	28	-
Principal paid on bonds, leases, and other debt	-	-	(787)	(787)	-
Interest paid on bonds, leases, and other debt	-	(59)	(415)	(474)	-
Net cash provided (used) by capital and related financing activities	(2,534)	(59)	(1,555)	(4,148)	(7,791)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from maturities of investments	-	-	-	-	24,322
Purchases of investments	-	-	-	-	(21,671)
Interest and dividends received on investments	549	80	(272)	357	1,758
Net cash provided (used) by investing activities	549	80	(272)	357	4,409
Net increase (decrease) in cash and cash equivalents	(896)	1,158	(46)	216	3,487
CASH AND CASH EQUIVALENTS, beginning of year	23,236	3,330	303	26,869	77,652
CASH AND CASH EQUIVALENTS, end of year	\$ 22,340	4,488	257	27,085	81,139
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income/(loss)	\$ 3,814	981	(2,987)	1,808	(2,352)
Adjustments to reconcile operating income/(loss) to net cash provided (used) by operating activities:					
Depreciation	3,957	-	1,135	5,092	6,826
Change in assets, deferred outflow of resources and liabilities:					
(Increase) decrease in:					
Accounts receivable, net of accrued interest	15	2	52	69	(1,004)
Due from other governmental units	(241)	-	-	(241)	4
Inventory	(1)	89	-	88	8
Prepaid items	-	-	-	-	(141)
Deferred refunding	-	-	-	-	(63)
Deferred outflows of pensions	(1)	-	(19)	(20)	-
Increase (decrease) in:					
Accounts payable and accrued liabilities, net of accrued interest	(1,230)	10	177	(1,043)	(1,520)
Retainages	(551)	-	-	(551)	-
Unpaid losses and related expenses	-	-	-	-	1,026
Accrued closure liability	(1,736)	-	-	(1,736)	-
Due to other governmental units	(986)	-	1,000	14	-
Unearned revenue	456	-	89	545	279
Deposits and escrow	-	100	-	100	-
Other long term liabilities	255	-	239	494	966
Deferred inflows from pensions	7	-	17	24	72
Total adjustments	(56)	201	2,690	2,835	6,453
Net cash provided (used) by operating activities	\$ 3,758	1,182	(297)	4,643	4,101

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

Statement of Fiduciary Net Position

As of June 30, 2016

(amounts expressed in thousands)

		Other Post-Employment Benefits (OPEB) and Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Equity in pooled cash and investments	\$	-	843	628
Restricted cash		585	-	-
Accounts receivable, net				
Employer		18	-	-
Interest and dividends		-	1	-
Total accounts receivables		18	1	-
Restricted Investments				
Money market mutual funds		345	-	-
Tactical asset allocation funds		3,147	-	-
Equity mutual funds		49,759	-	-
Real assets		6,866	-	-
Bond mutual funds		36,579	-	-
Life insurance annuity		14,632	-	-
Common stock		294	-	-
Total investments		111,622	-	-
Total assets		112,225	844	628
LIABILITIES				
Accounts payable		4,276	-	-
Deposits and escrows		-	-	628
Total liabilities		4,276	-	628
NET POSITION				
Net position restricted for pensions		47,669	-	
Assets held in trust for OPEB benefits		60,280	-	
Net position restricted for other purposes		-	844	
Total net position	\$	107,949	844	

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Other Post-Employment Benefits (OPEB) and Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Member	\$ 1,137	5
Employer	7,203	-
Total contributions	8,340	5
Donations	-	217
Investment income:		
Interest and dividends	2,392	20
Net appreciation in fair value of investments	(452)	-
Total investment income	1,940	20
Less investment expense	195	-
Net investment income	1,745	20
Total additions	10,085	242
DEDUCTIONS		
Pension/post-employment benefit payments	6,627	-
Refund of members' contributions	144	-
Administrative expenses	162	257
Total deductions	6,933	257
Change in net position	3,152	(15)
NET POSITION, beginning of year	104,797	859
NET POSITION, end of year	\$ 107,949	844

The accompanying notes are an integral part of these financial statements.

COUNTY OF PRINCE WILLIAM, VIRGINIA
 COMPONENT UNITS

Exhibit 12

Combining Statement of Net Position

As of June 30, 2016

(amounts expressed in thousands)

	School Board	Adult Detention Center	Convention & Visitors Bureau	Totals
ASSETS				
Equity in pooled cash and investments	\$ 251,962	8,806	144	260,912
Accounts receivable, net	2,657	-	1	2,658
Due from other governmental units	32,283	1,966	-	34,249
Due from primary government	4,685	-	-	4,685
Net OPEB asset	2,109	-	-	2,109
Inventory	3,683	-	-	3,683
Prepays	13	-	58	71
Deposits	-	-	4	4
Restricted assets:				
Restricted cash and temporary investments	178,339	-	-	178,339
Deposits	500	-	-	500
Capital assets:	-			
Land and construction in progress	121,784	31	-	121,815
Buildings and other capital assets, net of depreciation	1,229,313	63,210	29	1,292,552
Total assets	1,827,328	74,013	236	1,901,577
Deferred outflow of resources				
Deferred outflows from pension contributions	90,630	2,758	-	93,388
Total deferred outflow of resources	90,630	2,758	-	93,388
LIABILITIES				
Accounts payable	14,358	88	40	14,486
Wages and benefits payable	93,119	812	-	93,931
Retainages	7,743	-	-	7,743
Due to other governmental units	140	-	-	140
Unearned revenue	10,196	257	-	10,453
Noncurrent liabilities:				
Due within one year	20,698	223	-	20,921
Due in more than one year	850,893	14,554	-	865,447
Total liabilities	997,147	15,934	40	1,013,121
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources-pension	68,259	1,276	-	69,535
Total deferred inflows of resources	68,259	1,276	-	69,535
NET POSITION				
Net investment in capital assets	1,351,097	63,241	29	1,414,367
Restricted for:				
Capital projects	165,353	-	-	165,353
Food & nutrition services	26,629	-	-	26,629
Other purposes	6,124	-	-	6,124
Unrestricted (deficit)	(696,651)	(3,680)	167	(700,164)
Total net position	\$ 852,552	59,561	196	912,309

The accompanying notes are an integral part of these financial statements.

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
School Board					
Instruction	\$ 695,873	3,285	126,020	124	(566,444)
Support Services	359,320	20,143	27,459	-	(311,718)
School Age Child Care	632	500	-	-	(132)
Education foundation	3,832	-	3,300	-	(532)
Adult Detention Center	48,241	501	11,331	-	-
Convention & Visitors Bureau	1,275	-	-	-	-
Total component units	\$ 1,109,173	24,429	168,110	124	(878,826)

General revenues:	
Payment from primary government	\$ 756,062
Federal revenue	2,353
State revenue	375,109
Local revenue	-
Investment earnings	3,353
Gain (loss) on disposal of capital assets	-
Miscellaneous	3,610
Total general revenues	<u>1,140,487</u>
Change in net position	261,661
Net position - beginning of year	<u>590,891</u>
Net position - end of year	<u>\$ 852,552</u>

The accompanying notes are an integral part of these financial statements.

Revenue and Changes in Net Position

Adult Detention Center	Convention & Visitors Bureau	Totals	Functions / Programs
-	-	(566,444)	School Board
-	-	(311,718)	Instruction
-	-	(132)	Support Services
		(532)	School Age Child Care
(36,409)	-	(36,409)	Education foundation
-	(1,275)	(1,275)	Adult Detention Center
(36,409)	(1,275)	(916,510)	Convention & Visitors Bureau
			Total component units
26,254	1,163	783,479	General revenues:
-	-	2,353	Payment from primary government
-	-	375,109	Federal revenue
4,329	65	4,394	State revenue
133	3	3,489	Local revenue
-	(1)	(1)	Investment earnings
75	49	3,734	Gain (loss) on disposal of capital assets
30,791	1,279	1,172,557	Miscellaneous
(5,618)	4	256,047	Total general revenues
65,179	192	656,262	Change in net position
59,561	196	912,309	Net position - beginning of year
			Net position - end of year

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(amounts expressed in thousands, except percentages, ratios and years)

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Prince William, Virginia (the County) prepares its financial statements in conformity with accounting principles generally accepted in the United States (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing governmental accounting and financial reporting standards which, along with subsequent GASB pronouncements (statements and interpretations), constitutes GAAP for governmental units. The accounting and reporting framework and significant accounting principles and practices utilized by the County are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the County’s financial activities for the fiscal year ended June 30, 2016.

A. Principles Used to Determine the Reporting Entity

The County is organized under the County Executive form of government, as provided for by Commonwealth of Virginia (the Commonwealth) law. Under this form of government, the policies concerning the financial and business affairs of the County are determined by the Board of County Supervisors (the Board). The Board is composed of eight elected members who serve four-year terms. The Board appoints a County Executive who is the government’s chief administrative officer and executes the Board’s policies and programs. The accompanying financial statements include the County’s primary government and component units over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial benefit/burden relationships with the County (as distinct from legal relationships).

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the County created public trusts to finance County services with revenue bonds or other non-general obligation financing. Financing services provided by these public trusts are solely for the benefit of the County. Public trusts created to provide financing services are blended into the County’s primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

Illustration 1-1 illustrates potential component units and the reporting method in the County’s Comprehensive Annual Financial Report (CAFR).

Illustration 1-1 Potential Component Units			
Potential Component Unit	Description of Activities and Relationship to the County	Inclusion Criteria	Reporting Method
Prince William Parkway District	Exercise the powers and duties enumerated in the <i>Code of Virginia</i> related to the transportation improvement district.	Financial benefit/burden relationship exists; Two Boards are relatively the same.	Component Unit Blended in the Special Revenue Funds
Route 234 Bypass District	Authorized by the <i>Code of Virginia</i> and established by Board resolution. Set the appropriate tax rate to fund improvements within the district and act on transportation matters within the district.	Financial benefit/burden relationship exists; Two Boards are relatively the same.	Component Unit Blended in the Special Revenue Funds

Illustration 1-1 (cont'd)
Potential Component Units

Potential Component Unit	Description of Activities and Relationship to the County	Inclusion Criteria	Reporting Method
Self-Insurance Group Workers' Compensation Association	Authorized by the <i>Code of Virginia</i> and licensed by the State Corporation Commission. Make available a long-term, stable source of cost-effective workers' compensation insurance protection for participating members.	Majority of Board is appointed by County; Financial benefit/burden relationship exists.	Component Unit Blended in the Internal Service Funds
Self-Insurance Group Casualty Pool	Authorized by the <i>Code of Virginia</i> and licensed by the State Corporation Commission. Make available a long-term, stable source of cost-effective casualty insurance protection for participating members.	Majority of Board is appointed by County; Financial benefit/ burden relationship exists.	Component Unit Blended in the Internal Service Funds
Adult Detention Center (ADC)	Authorized by the <i>Code of Virginia</i> . Establish policy for operation of regional adult detention center, providing care and confinement for all Counties and adjoining city prisoners.	Majority of Board is appointed by County; County is able to impose its will; financial benefit/burden relationship exists.	Discretely Presented Component Unit
Prince William County/Manassas Convention & Visitors Bureau, Inc. (CVB)	Established by Board resolution. Promote and market the County and Manassas area as a tourism destination for the benefit of the tourism industry and the citizens of the County and the City of Manassas.	Majority of the Board is appointed by the County; financial benefit/burden relationship exists.	Discretely Presented Component Unit
School Board	Authorized by the <i>Code of Virginia</i> and established by Board resolution. Make policies governing school division.	Board is separately elected; Fiscal dependency exists – School Board cannot issue bonded debt; Two Boards are not the same; School Board provides educational services to the County.	Discretely Presented Component Unit
District Home Board	Agreement between the five northern Virginia jurisdictions (Prince William County, Fairfax County, Loudoun County, Fauquier County and City of Alexandria) pursuant to the <i>Code of Virginia</i> . Establishes policy for operations of two district homes.	None	Jointly Governed Organization

Illustration 1-1 (cont'd)
Potential Component Units

Potential Component Unit	Description of Activities and Relationship to the County	Inclusion Criteria	Reporting Method
Northern Virginia Health Center Commission	Board resolution created a commission for the operation of a nursing home pursuant to the <i>Code of Virginia</i> . Develops and establishes policies for the operation of a nursing home. Service agreement between five northern Virginia jurisdictions (Prince William County, Fairfax County, Loudoun County, Fauquier County and City of Alexandria).	None	Jointly Governed Organization
Northern Virginia Special Education Regional Program	Agreement between the public schools of Prince William County and the cities of Manassas and Manassas Park to foster cooperation in the development and delivery of special education programs and other appropriate educational services.	None	Jointly Governed Organization
Upper Occoquan Sewage Authority (UOSA) (Note 18)	Authorized by the <i>Code of Virginia</i> and established by interjurisdictional agreement. Acquire, finance, construct and maintain facilities for abatement of pollution resulting from sewage in Occoquan watershed above its confluence with Bull Run.	None	Jointly Governed Organization; Note Disclosure
Governor's School @Innovation Park	Agreement between the public schools of Prince William County and the cities of Manassas and Manassas Park to deliver an advanced and intensive program in science, technology, engineering, and mathematics (STEM) for selected high school juniors and seniors.	None	Jointly Governed Organization
Peumansend Creek Regional Jail Authority (Note 19)	Governmental entity formed to construct and operate a regional correctional facility on property conveyed by U.S. Department of the Army pursuant to Public Law 102-25 and 102-484.	No ongoing financial interest; Ongoing financial responsibility exists; No explicit and measurable equity interest is deemed to exist.	Joint Venture; Note Disclosure

Illustration 1-1 (cont'd)
Potential Component Units

Potential Component Unit	Description of Activities and Relationship to the County	Inclusion Criteria	Reporting Method
Manassas Regional Airport	Agreement between Prince William County and the city of Manassas establishes the operation of a regional airport	None	Jointly Governed Organization
Potomac & Rappahannock Transportation Commission (PRTC) (Note 19)	Consider and make recommendation and oversight regarding activities pertaining to jurisdictional transportation issues.	No ongoing financial interest; Ongoing financial responsibility exists; No explicit and measurable equity interest is deemed to exist.	Joint Venture; Note Disclosure
Industrial Development Authority (IDA) (Note 18)	Authorized by the <i>Code of Virginia</i> and established by Board resolution. Promote industry and develop trade by inducing business to locate or remain in State and County.	None	Related Organization; Note Disclosure
Service Authority (Note 18)	Authorized by the <i>Code of Virginia</i> and established by Board resolution. Provide water and sewer utilities to County residents.	None	Related Organization; Note Disclosure
Northern Virginia Criminal Justice Training Academy (NVCJTA) (Note 18)	Established by Board resolution. Construct an Emergency Vehicle Operations Center in which the County has a 30% interest.	None	Related Organization; Note Disclosure

The Prince William Self-Insurance Group Workers' Compensation Association (the Association) and the Prince William Self-Insurance Group Casualty Pool (the Pool), blended component units of the County, issue separately audited financial statements. Copies of these financial statements may be obtained by writing to the Prince William County Finance Department, Office of Risk Management, 4379 Ridgewood Center Drive, Prince William, Virginia 22192.

The Adult Detention Center, a discretely presented component unit of the County, does not prepare separately audited financial statements.

The School Board, a discretely presented component unit of the county, issues separately audited financial statements. Copies of these financial statements may be obtained by writing to the School Board's Finance Division, P.O. Box 389, Manassas, Virginia 20118.

The Prince William/Manassas Convention & Visitors Bureau, Inc., a discretely presented component unit of the county, issues separately audited financial statements. Copies of these financial statements may be obtained by writing to the Prince William/Manassas Convention & Visitors Bureau, Inc., 10611 Balls Ford Road, Suite 110 Manassas, VA 20109.

All accounts of the County and its component units are reported as of and for the year ended June 30, 2016.

B. Basis of Presentation

The basic financial statements include both government-wide financial statements, which are based on the County as a whole, and fund financial statements, which are based on major individual funds.

Government-wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The focus of the government-wide financial statements is more on sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the fiscal period. As a general rule, the effect of inter-fund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and other charges for support. Likewise, the primary government is reported separately from the County's discretely presented component units.

In the government-wide statement of net position, the governmental and business-type activities columns are presented on a consolidated basis by column and are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets as well as long-term debt and obligations. Inter-fund balances between governmental funds and inter-fund balances between enterprise funds are included in the government-wide statement of net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given functional category (public safety, public works, etc.) or business-type activity (landfill, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category or business-type activity and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular functional category or business-type activity. Taxes and other items that are not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The financial transactions of the County are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. Emphasis is on major funds in the governmental or business-type categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The County has elected to present additional funds as major due to the specific community focus. The non-major funds in each category are combined in a column in the fund financial statements and detailed in the combining and individual fund statements and schedules section.

The governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. This is the manner which GAAP has prescribed as the most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid financial resources, and (c) demonstrate how the County's actual experience conforms to the budget fiscal plan. As the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements.

The County's internal service funds (which typically provide services to other funds of the government) are presented in a consolidated column in the proprietary fund financial statements. Since the principal users of these services are the County's governmental activities, the financial statements of the internal service funds are consolidated into the governmental activities column in the government-wide financial statements. To the extent possible, the costs of these services are allocated in the appropriate functional category of the Government-Wide Statement of Activities.

The County's enterprise funds, presented in the proprietary fund financial statements, are presented using the economic resources measurement focus and the accrual basis of accounting. The County's enterprise funds use the services of the internal service funds and these transactions are not eliminated when producing the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill Fund, the Innovation Technology Park Fund and the internal service funds are charges to customers for sales and services. Operating expenses of the enterprise funds and internal service funds include the costs of providing services, such as personnel, contracting and supplies, as well as depreciation. Additionally, landfill closure costs are included in operating expenses of the Landfill Fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County's fiduciary funds are presented in the fund financial statements by type (supplemental pension trust fund, length of service award pension trust, other post-employment benefits master trust fund, private purpose trust funds, and agency funds). Since by definition, the assets of these funds are held for the benefit of a third party (pension participants, other post-employment benefit participants, private parties, etc.) and cannot be used to satisfy obligations of the County, these funds are not incorporated into the government-wide financial statements.

The following major funds are used by the County:

Governmental Funds:

The focus of governmental fund measurement in the fund financial statements is based on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the County:

- General Fund – The General Fund accounts for numerous primary services of the County (Police, Fire, Public Works, Community Development, Debt Service, etc.) and is the primary operating unit of the County. It accounts for all financial resources of the general government, except those required to be accounted for by another fund.
- Streets and Roads Capital Projects Fund – The Streets and Roads Capital Projects Fund is used to account for the resources and expenditures related to the construction of sidewalks and roads within the County.
- Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the resources and expenditures related to construction projects such as libraries and parks, facilities to be used by police, detention and fire and rescue agencies, and storm water management ponds and channels.
- Education Capital Projects Funds – The Education Capital Projects Fund is used to account for the resources obtained exclusively for the construction of school buildings and other school projects (proceeds from bonds). Such resources are immediately provided to the School Board Component Unit to support the construction of such assets.
- Fire & Rescue Levy Special Revenue Fund – The Fire & Rescue Levy Special Revenue fund is used to account for fire and rescue services. Revenues are principally derived from a tax levy and interest earnings. Expenditures consist of the cost of delivering fire and rescue services.

Proprietary Funds:

The focus of proprietary fund measurement is based on the determination of operating income, changes in net position, financial position, and cash flows, which is similar to a business enterprise. The following is a description of the major proprietary funds of the County:

- Landfill Fund – The Prince William County Landfill provides refuse disposal services.
- Innovation Technology Park Fund – Innovation Technology Park provides land for economic development purposes.
- Parks & Recreation Fund – The Prince William County Department of Parks & Recreation provides recreation services to County residents.

In addition to the major funds discussed above, the County reports on the following fund types:

- The County operates a construction crew, an information technology center, and a vehicle maintenance facility. In addition, the County operates four self-insurance funds – three for risk management services that provide insurance for workers' compensation, general liability, and other insurance needs of the County, and the Adult Detention Center, and one that provides health insurance for eligible participating County employees. The effect of inter-fund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The internal service funds are included in governmental activities column for government-wide reporting purposes. Inter-fund services that are provided and used are not eliminated in the process of consolidation.

Fiduciary Funds:

Fiduciary funds are used to account for assets held by the government acting as a trustee or agent for entities external to the governmental unit. Trust funds and agency funds are the two types of fiduciary funds. The measurement focus for trust fiduciary funds is economic resources and the basis of accounting is accrual basis for fiduciary funds, reporting resources held in a custodial capacity.

- Supplemental Pension Plan trust fund – The County accounts for a defined benefit trust to provide Supplemental Pension Plan benefits to uniformed police officers and fire fighters.
- LOSAP trust fund – The County accounts for a length of service award program that provides benefits for certified volunteer fire department and rescue squad members.
- Other Post-Employment Benefits (OPEB) master trust fund – The County uses this fund to account for post-employment benefits other than pensions for eligible employees of the County and to account for post-employment benefits that provide death, disability, and healthcare benefits for public safety employees and volunteer fire department and rescue squad members.
- Private purpose trust funds – The County accounts for the operations of a business and industrial park owners' association, Historic Preservation Foundation and library donations.
- Agency funds – The County accounts for receipts and disbursements of monies for certain County welfare, mental health service, and federal self-sufficiency program recipients.

C. Basis of Accounting

The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements, the proprietary fund financial statements, the fiduciary fund financial statements, and the component unit financial statements are presented on an accrual basis of accounting. The governmental fund financial statements are presented on a modified accrual basis of accounting.

Accrual Basis of Accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis of Accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers the availability period for all significant revenue sources to be 60 days after the end of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes due, but not collected within 60 days after year-end, are reflected as deferred inflows of resources. Derived tax revenues such as sales and utility taxes that are collected by the Commonwealth or utility companies, and subsequently remitted to the County, are recognized as revenues and receivables when the underlying exchange transaction occurs, which is generally two months preceding receipt by the County. Licenses, permits and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure, except for Streets and Roads Capital Projects Fund that considers the availability period for all significant revenue sources to be 60 days after the end of the current fiscal period. Revenues from general-purpose grants are recognized in the period to which the grant applies. Interest earnings are recorded as earned.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

D. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year. Budgets for all governmental funds of the Primary Government and Discretely Presented Component Units of the County are adopted by the Board annually on a non-GAAP basis which excludes the effects of fair value adjustments to the carrying amounts of investments required by GASB Statement No. 31. Reconciliations between the non-GAAP basis amounts presented for budgetary comparisons and the GAAP basis amounts presented elsewhere in the CAFR are shown on the face of the budgetary comparison schedules (Schedules 1, 2, 9, 10, 11, 12 and 13).

Project length financial plans are adopted for all capital projects funds. In late February, the County Executive submits to the Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

The Board holds work sessions to review the proposed budget and conducts two public hearings to obtain taxpayer comments. The budget is legally adopted by the Board within the timelines stipulated by the *Code of Virginia*.

The Board appropriates the budget on an annual basis. During the year, several supplemental appropriations are necessary. The Board adopts resolutions for supplemental appropriations that increase or decrease the adopted budget. Departmental expenditures may not exceed Board approved appropriations, which lapse at the end of the year.

The Board appropriates available balances from one fiscal year to the next resulting from projected surplus revenues and budget savings generated during the year through departmental spending control efforts. The Board also authorizes the Director of Finance to administratively reduce the amount of available balances approved should the actual funds to support the appropriation be insufficient after completion of the County's year end closing cycle.

The budget is controlled at certain legal as well as administrative levels. The *Code of Virginia (1950)*, as amended (*Code of Virginia*) requires the County to annually adopt a balanced budget. The Board's Annual Adopted Budget Resolution places legal restrictions on expenditures at the department level (i.e., the level at which expenditures may not legally exceed appropriations). Management approves budget transfers of any amount between major expenditure categories within departments and in certain limited cases these are reviewed by the Board. Budget transfers of twenty thousand dollars or more between departments are approved by the Board. The Board approves resolutions for supplemental appropriations that increase or decrease (amend) the original budget. Only the Board can amend the budget. All budgets and appropriations lapse at the end of each fiscal year.

Annual transfers out are appropriated in the General and Special Revenue Funds and for the component units of the County. Expenditures in all governmental funds of the County were within authorized budget limitations.

Where required, the governmental fund financial statements provide budgetary comparison schedules that demonstrate compliance at the legal level of budgetary control.

On schedule 1, Finance and Technology and support services spending exceeded the amount budgeted. Finance incurred additional spending due to back filling of positions created from the implementation of the new ERP system, Ascend. Technology and support services costs increased due the Ascend implementation as well. Technology and support services purchased addition equipment needed to implement Ascend and also had increased payroll costs associated with the Ascend system creating the budget deficit.

E. Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other mandatory 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 source of funding and/or the specific constraints on the funds encumbered, since they do not constitute expenditures or liabilities. Encumbrances are normally re-appropriated each year by Board resolution. For more detailed information, see Note 11.

F. Cash and Investments

For purposes of the statement of cash flows, all cash on hand, deposits and highly liquid investments with original maturities of three months or less, as well as the County's cash management pool, are grouped into equity in pooled cash and investments. These pooled cash and investments, as well as restricted cash and temporary investments are considered to be cash and cash equivalents.

The County maintains a single cash and investment pool for use by all funds and component units, except for the Supplemental Pension Plan Trust Fund, certain enterprise and internal service funds, the School Board Student Activity Fund, the School Education Foundation, and the Community Services Board Payee Accounts. Each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average daily cash balances. A "zero balance account" mechanism provides for daily sweeps of deposits made to the County's checking accounts, resulting in an instantaneous transfer to the investment account. Hence, the majority of the County's funds are invested at all times.

Bond proceeds are maintained to comply with the provisions of the Tax Reform Act of 1986 or as required by various bond indentures.

Investments are carried at fair value based on quoted market prices. Interest earnings are allocated monthly to the respective funds based on the percentage of each fund's average daily balance of cash investments in the total pool.

G. 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 significant unobservable for the asset or liability and are significant to the fair value measurement.

H. Inventories and Prepaid items

Inventory is valued at cost for all governmental funds and at lower of cost or market for all other funds using the first-in, first-out method. Inventory in the General and certain Enterprise and Internal service funds consists of expendable supplies held for consumption and land held for resale. The cost is recorded as expenditure at the time individual inventory items are consumed. Reported inventories for governmental funds are offset equally by a non-spendable fund balance which indicates they do not constitute available expendable resources, even though they are a component of assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government wide and fund financial statements. Items are expensed in the period they are used.

I. Due from Other Funds, Component Units and Governmental Units

Noncurrent portions of long-term inter-fund loans receivable (reported in due from accounts in the asset section) and amounts due from other governments are equally offset by a committed fund balance account which indicates that they do not constitute available expendable resources and therefore are not available for appropriation.

J. Compensated Absences

In governmental fund types, the cost of vacation and sick pay benefits (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund type vested accrued vacation and sick pay benefits is recorded as noncurrent liabilities in the government-wide statement of net position. Proprietary fund types accrue vacation and sick leave benefits in the period they are earned.

K. Self-Insurance and Health Insurance Long-Term Liabilities

The County, and the Adult Detention Center component unit participate in the Prince William Self-Insurance Group Casualty Pool and Workers' Compensation Association, which provide casualty insurance and workers' compensation protection for the members. Under GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the Pool and the Association are classified as "entities other than pools" because the County and its component units are the only participants. The County provides three self-insured health insurance program options to its employees. Estimated liability for claims payable includes estimates of losses on claims reported and actuarial determinations of claims incurred but not reported.

L. Capital Assets

The cost of capital assets acquired for general government purposes is recorded as an expenditure in the governmental funds and as an asset in the government-wide financial statements to the extent the County's capitalization threshold has been met. Capital assets acquired by proprietary funds are recorded as assets in both the government-wide financial statements and in the proprietary fund financial statements to the extent the County's capitalization threshold has been met. The County capitalizes assets (non-software) costing at least five thousand dollars and having an estimated useful life longer than one year.

The County capitalizes software costing at least one hundred thousand dollars and having an estimated useful life longer than one year. The School Board and the Prince William/Manassas Convention & Visitors Bureau, Inc. component units' capitalization thresholds differ from the County's. Details of their capitalization thresholds are discussed in their separately issued financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition value as of the date of donation per GASB Statement No.72.

Maintenance, repairs, and minor renovations, are charged to operations when incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement, the cost and related accumulated depreciation is eliminated from the respective accounts, and any resulting gain or loss is included in the determination of change in net position for the period.

In accordance with GASB Statement No. 34 and GASB Statement No. 51, the County's infrastructure and commercial "off-the-shelf" software have been capitalized retroactively to 1980. Of the \$215 million in infrastructure capitalized at June 30, 2016, approximately \$166 million was valued using actual historical cost records; approximately \$49 million was estimated using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. \$41 million of intangible software capitalized at June 30, 2016 was valued using project costing models. The County does not capitalize streets and roads as these are transferred to and become property of the Commonwealth of Virginia upon completion.

Capital assets of the primary government and the Adult Detention Center component unit are depreciated using the straight-line method over the estimated useful lives of purchased, donated and leased assets as follows:

Public domain (infrastructure)	40-50 years
Buildings	20-40 years
Improvements to sites	2-50 years
Equipment	2-20 years
Vehicles	3-10 years
Intangible assets	5-15 years

Depreciation on the County's solid waste landfill liner system is calculated based on the percentage of the landfill liner's capacity used each year.

Details of the School Board and Prince William County/Manassas Convention & Visitors Bureau, Inc. component units' depreciation methods and estimated useful lives are discussed in their separately issued financial statements.

Impaired capital assets that are no longer used are reported at the lower of carrying value or fair value. An asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life of the capital asset.

M. 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 element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. Prince William County has the following deferred outflow of resources: Deferred loss on refunding and Deferred outflows related to pensions. In addition to liabilities, the Statement of Net Position and fund Balance sheets will sometimes report a separate section for deferred inflows of resources. Deferred inflows represent an acquisition of net position by the County that is applicable to a future reporting period. Prince William County has the following deferred inflow of resources: Prepaid taxes, Transportation Revenue, Deferred lease revenue and Deferred inflows related to pensions.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Prince William County's Defined Benefit Pension Plans and the additions to/deductions from the Prince William County's Defined Benefit Pension Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS), Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel Plan and Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP). 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.

O. Fund Equity

Nonspendable fund balances represent amounts that cannot be spent because they are not in spendable form. Restricted fund balances represent those portions of fund equity appropriate for expenditure or legally segregated for a specific future use. Committed and Assigned fund balances represent the County's managerial plans for future use of financial resources. Unassigned fund balance is the residual classification for the General Fund. For more detail information, see Note 11. Policy 1.02 of the County's *Principles of Sound Financial Management* requires an unassigned fund balance of 7.5% of the current year's General Fund revenues.

P. Leases

For capital leases in the governmental fund types, acquisition costs are recorded as expenditures with an offsetting entry to other financing sources.

Q. Deferred Gain (Loss) on Debt Refundings

Losses resulting from advance or current refundings of debt in government-wide and proprietary statements are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt. The amount is deferred and reported as an unamortized gain (loss) on refunding and is amortized and reported as a component of interest expense.

R. Governmental Accounting Standards Board ("GASB") Pronouncements

The County implemented the following GASB pronouncements with effective implementation dates for fiscal year ended June 30, 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application* – This statement improves financial report by state and local governments for certain investments and donated capital assets. It establishes a hierarchy of valuation techniques used to measure fair value. The requirements of this statement will enhance the comparability of financial statements among governments by requiring measurements at fair value using a more detailed definition of fair value and accepted valuation techniques.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – This statement clarifies the application of certain provisions of Statements 67 and 68 and establishes requirements for defined benefit plans and defined contribution plans that are outside of the scope of Statement 68. This statement will improve financial reporting by enhancing the comparability of pension-related information by employers and nonemployer contribution entities.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – This statement reduces the generally accepted accounting principles (GAAP) into two categories and addresses the use of authoritative and nonauthoritative guidance when the treatment for a transaction is not specified within a source of authoritative GAAP. It will improve reporting by requiring the consideration of consistency with the GASB Concepts Statements, resulting in less variation between the comparison financial statements among governments.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – This statement establishes criterion to determine how an investment pool should measure its investments. This will provide uniformity among governments financial statements.

The GASB has issued the following statements with effective implementation dates later than the fiscal year ending June 30, 2016. The statements deemed to have a future impact on the County are as follows:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – This statement sets the criteria to determine how other post employee benefits (OPEB) trusts are to be reported in the financial statements. This Statement objective is to improve the usefulness of information about OPEB for making decisions and assessing accountability.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This statement sets standards for the recognition and measurements of liabilities, deferred outflows of resources, deferred inflows of resources and costs associated with OPEB. This will improve the information provided by the government about the financial support for the OPEB it provides.

- GASB Statement No. 77, *Tax Abatement Disclosures* – This statement requires disclosures of tax abatement information about a reporting government’s tax abatement agreements and those that are entered into by other governments that reduces the reporting entities tax revenue. This will improve transparency of these transactions to the financial statement user.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* –This statement amends the scope and applicability of GASB Statement 68. GASB Statement 68 will not be applied to plans if the plan is not a state or local government pension plan or plans the include non-government employees. It addresses the requirements for the recognition and measurement of pension costs, liabilities, required supplementary information and note disclosures.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment to GASB Statement No. 14* –This statement adds additional criterion that requires a blending of a component unit that is a not-for-profit corporation in which the primary government is the sole corporate member and will make it easier for the readers to compare financial statements among governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* –This statement requires a government to recognize assets, liabilities and deferred inflows of resources at the beginning of irrevocable split-interest agreement when it receives the resources and record revenue when resources become applicable in the reporting period. This statement enhances the usefulness of the financial statements by more clearly identifying resources that the government has available to provide its services.
- GASB Statement No. 82, *Pension Issues—an Amendment of GASB Statements No. 67, No. 68 and No. 73*—This statement requires the presentation of covered payroll (payroll that is used as the bases for the contributions to a pension plan and ratios that use that measure. It clarifies that a deviation as defined by the Actuarial Standards of Practice is not in conformity with the requirements of Statements 67, 68 or 73 for the assumptions selected to determine the total pension liability and related measures. It states that payments made by an employer to meet contribution requirements need to be classified as plan member contributions for Statement 67 and as employee contribution for Statement 68, also requires that costs associated with the contribution should be recognized in the period that the contribution is assessed. This statement enhances the consistent application of financial reporting requirements for certain pension issues.

S. Special Items - Transfer of Operations

The County of Price William assumed the operations of the Coles District Volunteer Fire and Rescue Squad on July 1, 2015. The community has been changing making it extremely difficult to find volunteers to meet the needs of the station and could no longer successfully provide the fire and rescue services demanded by the district. Coles District Volunteer Fire and Rescue Squad transferred capital assets with a book value of \$2,929 with no adjustments to the made to the book value.

T. Subsequent Events

The County has evaluated subsequent events (events occurring after June 30, 2016, through February 3, 2017) in connection with the preparation of these financial statements. Such events have been disclosed in Note 21.

NOTE (2) - CASH AND INVESTMENTS

A. Cash Deposits

All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), §2.2-4400 through 2.2-4410. of the *Code of Virginia*. Under the Act, qualified public depositories shall elect to secure deposits by either the pooled method or the dedicated method. Every qualified public depository shall deposit with a qualified escrow agent eligible collateral equal to or in excess of the required collateral. If any qualified public depository fails, the collateral pool becomes available to satisfy the claims of governmental entities. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. Funds deposited in accordance with the requirements of the Act are considered fully secured and are not subject to custodial credit risk.

B. Investments

County Investments

Code of Virginia §2.2-4501 through 2.2-4600 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; banker's 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 deposits with federally insured banks and savings institutions that are qualified to accept public deposits. However, in some instances, the County's own investment policy is more stringent as to authorized investments as discussed below.

Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. Bond proceeds shall be invested in the Virginia State Non-Arbitrage Program (SNAP) and alternate external investment pools that provide assistance to local governments in the investment of bond proceeds and the preparation of rebate calculations in compliance with treasury arbitrage rebate regulations in accordance with the *Code of Virginia* requirements and the County's own investment policy.

In accordance with State Corporation Commission of Virginia (SCC) regulations for the licensing of the Prince William County Self-Insurance Group (PWSIG) Workers' Compensation Association and Casualty Pool, the Association and the Pool are required to deposit securities with the State Treasurer. As of June 30, 2016, the Self-Insurance Workers' Compensation Association had \$1,001 at fair value, in U.S. Government Agency Securities deposited with the State Treasurer to comply with the \$750 requirement, including \$250 serving as a security deposit in lieu of a surety bond. The remainder serves as additional collateral because the Association does not maintain aggregate excess insurance. As of June 30, 2016, the Casualty Pool had \$801, at fair value, in U.S. Government Agency Securities deposited with the State Treasurer to comply with the \$500 requirement since the Pool does not maintain aggregate excess insurance. While these securities are held by the State Treasurer, they are in the name of the Association and the Pool and are included in the investments of those funds.

The County and its discretely presented component units' investments are subject to interest rate, credit, custodial and concentration of credit risks as described below:

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the County's investment policy states that at the time of purchase, no more than 50% of the total portfolio shall be placed in securities maturing in more than three (3) years and the average maturity of the portfolio may not exceed seven (7) years. Further, the County may not directly invest in securities maturing in more than ten years from the date of purchase (unless the investment is maturity matched to long term cash flow requirements).

The weighted average maturity for the PWSIG Workers Compensation Association and Casualty Pool portfolios may not exceed three (3) years except where to the extent that assets are purchased specifically for collateral deposits with the Commonwealth of Virginia as required by the SCC. The final maturity of any individual security may not exceed five (5) years from the time of purchase, except where an asset is matched to a specific obligation of the PWSIG.

Illustration 2-1 reflects the fair value and the weighted average maturity (WAM) of the County's investments as of June 30, 2016.

Illustration 2-1			
Fair Value and Weighted Average Maturity of Investments at June 30, 2016			
		Fair Value	Weighted Average Maturity (Years)
Primary Government, School Board, and ADC			
Money Markets and Money Market Mutual Funds:			
Local Government Investment Pool (LGIP)	\$	220,236	0.003
State Non-Arbitrage Program (SNAP)		151,479	0.003
PFM Money Market		122,009	0.003
Other Money Markets and Money Market			
Mutual Funds		11,468	0.003
NOW Accounts		94,640	0.003
Certificate of Deposits		66,436	0.567
Negotiable Certificate of Deposits		40,801	0.650
Commercial Paper		25,178	0.412
U.S. Government Agency Securities		415,946	5.469
Corporate Bonds		129,529	2.349
Municipal Bonds		34,908	4.085
Total Primary Government, School Board, and ADC		1,312,630	2.132
Convention & Visitors Bureau Component Unit			
Cash and Cash Equivalents		144	0.003
Total Convention & Visitors Bureau Investments		144	0.003
Total Reporting Entity Investments		<u>\$ 1,312,774</u>	2.131

WAM expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, the County assumes that all of its investments will be held to maturity.

Credit Risk – State statutes authorize the County to invest in various instruments as described above. The County's Investment Policy, however, does not provide for investments in obligations of other states and political subdivisions outside of the Commonwealth of Virginia. It is also County policy to invest in Negotiable Certificates of Deposits from banks with a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investor's Services for maturities of one year or less. The County may also invest in corporate notes that have a rating of at least Aa by Moody's Investor's Services and AA by Standard & Poor's. Furthermore, the County will only invest in money market or mutual funds with a rating of AAA by at least one nationally recognized statistical rating organization; "prime quality" commercial paper rated by at least two of the following: Moody's Investor's Services within its NCO/Moody's rating of Prime 1; Standard & Poor's within its rating of A-1; Fitch Investor's Services within its rating of F-1 or by their corporate successors, provided that at the time of any such investment the issuing corporation has a net worth of at least \$50 million and the net income of the issuing corporation has averaged \$3 million per year for the previous five years and all existing senior bonded indebtedness of the issuer is rated A or its equivalent by at least two of the following: Moody's Investor's Services, Standard & Poor's or Fitch Investor's Services; and banker's acceptances with U.S. banks or domestic offices of international banks provided that the bank's assets exceed \$500 million or \$1 billion respectively.

Bond proceeds must be invested in accordance with the requirements and restrictions outlined in bond documents. As such, bond proceeds, per County policy, are exempt from portfolio composition, individual issuers, and maturity limitations set forth in the Investment Policy.

It is the PWSIG's policy to invest in obligations issued or guaranteed by the U.S. government, an agency thereof, or U.S. Government Sponsored Enterprises (GSEs); repurchase agreements collateralized by obligations issued or guaranteed by the U.S. Government, an agency thereof, or GSEs; non-negotiable certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act; municipal debt with a rating of at least AA by one nationally recognized rating agency, negotiable certificates of

deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least P-1 by Moody's Investor's Services and A-1 by Standard and Poor's; bankers' acceptances with major U.S. banks and domestic offices of international banks provided that the bank's assets exceed \$500 million or \$1 billion respectively; "prime quality" commercial paper rated by at least two of the following: P-1 by Moody's Investor's Services, A-1 by Standard & Poor's or F-1 by Fitch Investor's Services; corporate notes with a minimum rating of Aa by Moody's Investor's Services and AA by Standard & Poor's; money market, mutual funds or the LGIP with a minimum credit rating of AAA by at least one nationally recognized statistical rating organization. During the year, the County made investments in money market mutual funds, LGIP, SNAP, PFM Asset Management, U.S. Government Agency Securities, NOW Accounts, Certificates of Deposit, Corporate Bonds, Commercial Paper and Municipal Bonds. The County's investment ratings as of June 30, 2016, are presented in Illustration 2-2.

Illustration 2-2		
County, School Board, and ADC, Investment Credit Risk at June 30, 2016		
Investment Type	Credit Quality (Rating)	Credit Exposure as a % of Total Investments
Money Markets and Money Market Mutual Funds:		
Local Government Investment Pool (LGIP)	AAA	16.78%
State Non-Arbitrage Program (SNAP)	AAA	11.54%
PFM Asset management	AAA	9.30%
Other Money Markets and Money Market Mutual Funds	AAA	0.87%
NOW Accounts	Not applicable	7.21%
Certificate of Deposits	Not applicable	5.06%
Negotiable Certificate of Deposits	A-1 or Higher	3.11%
Commercial Paper	A-1 or Higher	1.92%
U.S. Government Agency Securities:		
FNMA, FHLB, FFCB and FHLMC Agency Notes	AA- or Higher	31.68%
Corporate Bond:	AA- or Higher	9.87%
Municipal Bond:	AA- or Higher	2.66%
		100.00%

Custodial Credit Risk – Custodial risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, the County's investment policy requires that all securities purchased by the County be properly and clearly labeled as an asset of Prince William County and held in safekeeping by a third party custodial bank or institution in compliance with §2.2-4515 of the *Code of Virginia*. Therefore, the County has no custodial credit risk.

Concentration of Credit Risk – To minimize credit risk, the County's Investment Policy seeks to diversify its portfolio by limiting the percentage of the portfolio that may be invested in any one type of instrument at the time of purchase as follows: 100% for U.S. Agency Obligations (not to exceed 25% for any one agency); 35% for "prime quality" commercial paper (not to exceed 5% in any one issuer); 40% for negotiable certificates of deposit (not to exceed 5% for any one issuer); 40% for bankers' acceptances (not to exceed 5% for any one issuer); 10% for U.S. Treasury Certificates; 30% for repurchase agreements (not to exceed 30% with the County's primary bank and 10% with any other institution/dealer); 60% for money market funds (not to exceed 20% in any one money market fund); 20% for corporate notes (not to exceed 5% for any one issuer); 40% for non-negotiable certificates of deposit (not to exceed 15% for any one issuer); and no more than 25% in Local Government Investment Pools (LGIP).

The PWSIG Investment Policy seeks to diversify its portfolio by security type and by issuer by limiting the percentage of the portfolio that may be invested at the time of purchase in any one type of instrument as follows:

100% for U.S. Treasury and Agency securities; 50% municipal debt (not to exceed 10% per issuer); 50% for repurchase agreements (not to exceed 20% per issuer); 30% for bankers' acceptances, negotiable certificates of deposit and/or negotiable bank deposit notes (not to exceed 5% per issuer); 35% for commercial paper (not to exceed 5% per issuer); 40% for non-negotiable certificates of deposit (not to exceed 10% per issuer); 25% for corporate notes (not to exceed 10% per issuer) and 80% for money market funds/investment pools (not to exceed 40% per issuer).

Supplemental Pension Plan Investments

§51.1-803 of the *Code of Virginia* authorizes the County's Supplemental Pension Plan to invest its funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. Such investments are not subject to custodial credit risk.

The County's Supplemental Pension Plan's investments are subject to interest rate, credit and concentration of credit risk as described below:

Interest Rate Risk – In accordance with state statute and the policy of the Supplemental Pension Plan, investments of the Supplemental Pension Plan are diversified so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so. The Supplemental Pension Plan contains primarily mutual fund type assets of varying characteristics. The specific content of each fund can change daily and is managed by the director/manager of each fund. Consequently, the ability to quantify interest rate risk at the Supplemental Pension Plan level is not possible.

Illustration 2-3 reflects the fair value and the duration of the County's Supplemental Pension Plan fixed income investments as of June 30, 2016. Weighted-average maturity expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. Duration is a measure of a fixed income's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes.

Illustration 2-3			
Supplemental Pension Plan Fair Value and Weighted Average Maturity/Duration of Investments at June 30, 2016			
		Fair Value	Weighted-Average Maturity(a)/ Modified Duration (b) (Years)
Supplemental Pension Plan Trust Fund:			
Money Market	\$	314	0.101 (a)
Tactical Asset Mutual Fund		3,147	Not applicable
Equity Mutual Funds		16,804	Not applicable
Real Assets		2,305	Not applicable
Common Stock		294	Not applicable
Bond Mutual Funds			
PIMCO Total Return Fund	\$	4,776	5.42 (b)
Brandywine Global Bond Fund		4,812	4.42 (b)
Total Bond Mutual Funds		9,588	
Total Supplemental Pension Plan Pension Trust Fund Investments		\$ 32,452	

Credit Risk – The Supplemental Pension Plan investment policy is silent as to credit risk. The Board of Trustees is ultimately responsible for making the decisions that affect the Supplemental Pension Plan's Investments. An independent investment consulting firm assists with the attainment of the Plan's objectives and monitors the Plan's compliance with its stated investment policies. During the year, the Plan invested in money market, fixed income bond funds and equity mutual funds.

The Supplemental Pension Plan's investment rating as of June 30, 2016 is presented in Illustration 2-4.

Illustration 2-4 Supplemental Pension Plan Credit Risk at June 30, 2016		
Investment Type	Credit Quality (Rating)	Credit Exposure as a % of Total Investments
Supplemental Pension Plan Trust Fund Investments:		
Money Market	AAA	0.97%
Tactical Asset Mutual Fund	Not rated	9.70%
Equity Mutual Funds	Not rated	51.77%
Real Assets	Not rated	7.10%
Common Stock	Not rated	0.91%
Fixed Income		
PIMCO Total Return Fund	AA	14.72%
Brandywine Global Bond Fund	AA -	14.83%
		100.00%

Concentration of Credit Risk – The long-term objective of the Supplemental Pension Plan is to achieve a total return equivalent to or greater than the Plan's long-term benefit obligation over the time horizon. The Board of Trustees has selected an asset allocation policy designed to achieve a return equal to or greater than the long-term objective. The excess return over the long-term objective is designed both to reduce the probability of missing the target return over the long-term and to provide for any future growth or benefit enhancements desired.

The Board of Trustees will seek to limit the overall level of risk, as defined by tracking error or the standard deviation of excess return, relative to the comparison benchmark and volatility, as measured by standard deviation, consistent with the chosen asset allocation policy.

Illustration 2-5 shows permissible asset classes, with target investment percentages.

Illustration 2-5 Statement of Investment Policy Supplemental Pension Plan Concentrations at June 30, 2016		
Asset Class	Policy Percent	Target Range Percent
Supplemental Pension Plan Trust Fund Investments:		
Tactical	10%	5% - 15%
Equity	54%	50% - 58%
Real Assets	6%	2% - 10%
Fixed Income	30%	25% - 35%
	100%	

For Domestic Equity, International Equity and REITs, the maximum weighting, on a market value basis, in any one company for active Investment Managers is 5% of the portfolio value. For domestic fixed income, international fixed income, hedge funds and cash equivalents the maximum weighting, on a market value basis, in any one security for active investment managers is 2% of the portfolio value. This does not apply to U.S. government and agency issues. The plan shall be rebalanced in the event any individual asset class differs from the permissible range described in the Asset Allocation.

Concentrations. At June 30, 2016, the Supplemental Pension Plan's investments were in money market, bond and equity mutual funds and therefore not subject to concentration of credit risk.

Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP) Investments

The County has appointed a Board of Trustees to oversee certain policies and procedures related to the operation and administration of the Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program. The Board of Trustees has the authority to invest the funds in the best interest of the Trust to satisfy the purpose of the Trust.

Illustration 2-6 reflects the fair value of the County's LoSAP Trust investments as of June 30, 2016.

Illustration 2-6			
LoSAP Fair Value and Weighted Average Maturity/Duration of Investments at June 30, 2016			
		Fair Value	Weighted-Average Maturity(a)/ Modified Duration (b) (Years)
LoSAP Pension Trust Fund Investments:			
Mass Mutual Annuity	\$	<u>14,632</u>	Not Applicable

Concentrations. At June 30, 2016, the LoSAP Plan's investments were 100% invested in an insurance annuity fund and are subject to concentration of credit risk.

Other Post-Employment Benefits (OPEB) Master Trust Investments

The County has appointed a Finance Board pursuant to *the Code of Virginia* §15.2-1547 to oversee certain policies and procedures related to the operation and administration of the Other Post-Employment Benefits Master Trust. The Finance Board has the authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust.

§51.1-803 of the *Code of Virginia* authorizes the County's Other Post-Employment Benefits Master Trust to invest its funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. Such investments are not subject to custodial credit risk.

Illustration 2-7 reflects the fair value of the County's Other Post-Employment Benefits Master Trust fixed income investments as of June 30, 2016. Weighted-average maturity expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. Duration is a measure of a fixed income's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes.

Illustration 2-7			
Other Post-Employment Benefits Fair Value and Weighted Average Maturity/Duration of Investments at June 30, 2016			
		Fair Value	Weighted-Average Maturity(a)/ Modified Duration (b) (Years)
Other Post-Employment Benefits Master Trust Fund:			
Money Market	\$	31	0.003(a)
Equity Mutual Funds		32,955	Not applicable
Real Assets		4,561	Not applicable
Bond Mutual Funds			
Metropolitan West Total Return	\$	7,206	4.82
Baird Core Plus		9,452	5.36
Vanguard Intermediate-Term		8,928	5.5
Vanguard High Yield Corporate		<u>1,405</u>	4.5
Total Bond Funds		<u>26,991</u>	
Total Other Post-Employment Benefits Trust Fund Investments	\$	<u><u>64,538</u></u>	

The Other Post-Employment Benefits Master Trust's rating and credit exposure as of June 30, 2016, is shown in Illustration 2-8.

Illustration 2-8		
Other Post-Employment Benefits Master Trust (OPEB) Credit Risk at June 30, 2016		
Investment Type	Credit Quality (Rating)	Credit Exposure as a % of Total Investments
Other Post-Employment Benefits Master Trust Fund Investments:		
Money Market	AAA	0.05%
Equity Mutual Funds	Not rated	51.05%
Real Assets	Not rated	7.07%
Fixed Income		
Metropolitan West Total Return	AA	11.17%
Baird Core Plus	A	14.65%
Vanguard Intermediate-Term	A	13.83%
Vanguard High Yield Corporate	BB	2.18%
		<u>100.00%</u>

Concentration of credit risk:

Permissible asset classes, with target investment percentages are shown in illustration 2-9.

Illustration 2-9			
OPEB Master Trust Fund Concentrations at June 30, 2016			
Asset Class	Policy Percent	Target Range Percent	Actual Percent
OPEB Master Trust Fund Investments:			
Domestic Equity	40%	20% - 60%	43.82%
International Equity	20%	0% - 40%	22.80%
Other Growth Assets	0%	0% - 20%	0.00%
Fixed Income	40%	20% - 60%	33.38%
Other Income Assets	0%	0% - 20%	0.00%
Real Return Assets	0%	0% - 20%	0.00%
Cash Equivalents	0%	0% - 20%	0.00%
	<u>100%</u>		<u>100.00%</u>

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS). Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. Alternatives may consist of non-traditional asset classes such as hedge funds, private equity, real estate and commodities, when deemed appropriate. The total allocation to this category may not exceed 30% of the overall portfolio. Private equity and publicly traded REITS will be categorized in the Other Growth Assets category. For purposes of asset allocation targets and limitations, single strategy hedge funds will be categorized under the specific asset class of the fund. At June 30, 2016, the OPEB Master Trust Fund's investments were in money market, bond and equity mutual funds and therefore not subject to concentration of credit risk.

Reconciliation of Cash and Investments

Reconciliation of total cash and investments to the entity-wide financial statements at June 30, 2016, is shown in Illustration 2-10.

Illustration 2-10					
Reconciliation of Cash and Investments to Entity-Wide Financial Statements at June 30, 2016					
Investments	-				
Primary Government and Component Units				\$	1,312,774
Supplemental Pension Plan Trust Fund					32,452
LoSAP Trust Fund					14,632
Other Post-Employment Benefits (OPEB) Master Trust Fund					64,538
Total Investments					1,424,396
Add: Cash on Hand					57
Deposits					9,444
Total Cash and Investments					1,433,897
Less: Supplemental Pension Plan Trust Fund's cash and investments					(33,037)
LoSAP Trust Fund cash and investments					(14,632)
OPEB Master Trust Fund cash and investments					(64,538)
Private Purpose Trust Funds					(843)
Agency Funds' equity in pooled cash and investments					(628)
School Board Agency Funds' cash and investments					(10,767)
Total Reporting Entity cash and investments				\$	1,309,452
	Governmental Activities	Business-Type Activities	Total	Component Units	Total Reporting Entity
Primary Government:					
Equity in Pooled Cash and Investments	\$ 769,058	13,997	783,055	260,912	1,043,967
Investments	18,644	-	18,644	-	18,644
Restricted Cash and Temporary Investments	54,163	13,089	67,252	178,339	245,591
Restricted Investments	1,250	-	1,250	-	1,250
Total Cash and Investments	\$ 843,115	27,086	870,201	439,251	1,309,452

The tables below show the levels used by Prince William County to value investments.

		Illustration 2-11			
		Fair Value Measurement Using			
		June 30, 2016	Level 1	Level 2	Level 3
Primary Government, School Board, ADC					
Investments by Fair Value Level					
U. S. Government agency securities	\$	415,946	-	415,946	-
Corporate bonds		129,529	-	129,529	-
Municipal bonds		34,908	-	34,908	-
		<u>580,383</u>	<u>-</u>	<u>580,383</u>	<u>-</u>
Investments by Amortized Cost					
LGIP		220,236			
SNAP		151,479			
PFM Money Market		122,009			
Other Money Market Accounts		11,468			
Certificate of Deposits		66,436			
Negotiable Certificates of Deposit		40,801			
Commercial Paper		25,178			
		<u>637,607</u>			
Cash and Cash Equivalents					
Now Accounts		<u>94,640</u>			
Total	\$	<u>1,312,630</u>			

Illustration 2-12

Fair Value Measurement Using

	June 30, 2016	Level 1	Level 2	Level 3
Supplemental Retirement Fund				
Investments by Fair Value Level				
Tactical Asset Allocation Mutual Fund	\$ 3,147	-	3,147	-
Equity Mutual Funds	16,804	-	16,804	-
Real Assets	2,305	39	-	2,266
Common Stock	294	294	-	-
Bond Mutual Funds	9,588	-	9,588	-
	<u>32,138</u>	<u>333</u>	<u>29,539</u>	<u>2,266</u>
Investments by Amortized Cost				
Money Market	314			
	<u>32,452</u>			
LoSAP Pension Trust Fund				
Investments by Amortized Cost				
Mass Mutual Annuity	14,632			
	<u>14,632</u>			
Other Post Employment Benefits				
Investments by Fair Value Level				
Equity Mutual Funds	32,955	-	32,955	-
Real Asset Mutual Fund	4,561	-	4,561	-
Bond Mutual Funds	26,991	-	26,991	-
	<u>64,507</u>	<u>-</u>	<u>64,507</u>	<u>-</u>
Investments by Amortized Cost				
Money Market	31			
	<u>64,538</u>			
Total	<u>\$ 111,622</u>			

Restricted cash and investments consist of amounts required by bond financing terms to be segregated in a debt service reserve account, a closure fund required by the Virginia Resource Authority (VRA) for the Landfill, capitalized interest accounts required to be used for debt service, unspent debt proceeds required to be used for capital projects, and retainages as depicted in Illustration 2-13.

Illustration 2-13			
Restricted Cash and Investments at June 30, 2016			
	Restricted Cash & Temporary Investments		Restricted Investments
Primary Government			
General Fund:			
IDA Lease Revenue Bonds	\$	1,166	\$ -
Total General Fund		1,166	-
Capital Projects Funds:			
General Obligation Bonds		10,815	-
VRA Lease Revenue Bonds		2,661	-
IDA Lease Revenue Bonds		22,945	-
Retainages		2,183	-
Total Capital Projects Funds		38,604	-
Special Revenue- Fire and Rescue Levy Fund:			
Retainages		11	-
Total Special Revenue - Fire and Rescue Levy		11	-
Enterprise Funds:			
VRA Closure Fund		12,799	-
Parks & Recreation		258	-
Retainages		32	-
Total Enterprise Funds		13,089	-
Internal Service Funds:			
PWSIG		14,029	-
Insurance Pool Collateral		-	1,250
Retainages		353	-
Total Internal Service Funds		14,382	1,250
Total Primary Government		67,252	1,250
Component Unit			
School Board:			
School Bonds		177,519	-
School Component Unit		820	-
Total School Board		178,339	-
Total Reporting Entity	\$	245,591	\$ 1,250

NOTE (3) - PROPERTY TAXES RECEIVABLE

The County's real estate and personal property taxes are levied each July 1, on the assessed value as of the prior January 1, for all property located in the County. Real estate taxes are due in two installments on July 15 and December 5 and personal property taxes are due on October 5. After October 5, personal property taxes are due 30 days following the levy date until the end of the fiscal year. Penalties and interest are assessed on taxes not paid by the due dates. Property tax levies are recorded as receivables and revenue, net of allowance for estimated uncollectible on the payment due dates. Property taxes due, but not collected within 60 days after fiscal year-end, are reflected as deferred inflows of resources.

Assessed values are established at 100% of appraised market value. The personal property tax is limited to vehicles and all business property. A valuation of all property is completed annually. The assessed value of real and personal property at January 1, 2015, upon which the July 1, 2016, levy was based, was approximately \$60 billion.

Current real estate and personal property tax collections for the year ended June 30, 2016, were 99.8% and 92.2%, respectively of the July 1, 2015, tax levy. Real property taxes attach an enforceable lien on property if not paid on the due date. Personal property taxes must be paid before the County vehicle license can be issued. Collections received on or before June 30, 2016, related to property taxes due on July 15 of the following fiscal year are recorded as deferred inflow of resources at June 30, 2016.

The County calculates its allowance for uncollectible accounts using historical collection data. Taxes receivable as of June 30, 2016, is detailed in Illustration 3-1.

Illustration 3-1				
Property Taxes Receivable at June 30, 2016				
		Gross Tax Receivable	Allowance for Uncollectible Accounts	Net Tax Receivable
Real estate taxes	\$	3,909	2,244	1,665
Personal property taxes		5,369	2,519	2,850
Total	\$	9,278	4,763	4,515

NOTE (4) – UNEARNED REVENUE/DEFERRED INFLOW OF RESOURCES

Unearned revenue consists of two components: unearned revenue and deferred inflows of resources. Unearned revenue, as shown in Illustration 4-1, represents amounts for which asset recognition criteria were met, but for which revenue recognition criteria were not met.

Illustration 4-1		
Unearned Revenue at June 30, 2016		
Primary Government		
Other Unearned Revenue – Prepaid recreation fees, developer fees, health premiums, and other	\$	65,714
Total Primary Government		65,714
Component Unit		
Adult Detention Center		257
School Board		10,196
Total Component Unit		10,453
Total Reporting Entity	\$	76,167

Deferred inflow of resources, as shown in Illustration 4-2, represents amounts for which asset recognition criteria were met, but which were not available to finance expenditures of the current period under the accrual basis of accounting.

Illustration 4-2		
Deferred Inflow of Resources at June 30, 2016		
Primary Government		
Prepaid Taxes – Taxes due subsequent to June 30, 2016, but paid in advance by taxpayers	\$	227,963
Deferred lease revenue – Uncollected revenues associated with direct financing leases		2,594
Deferred inflows related to pensions		15,743
Total Primary Government		246,300
Component Unit		
Deferred inflows related to pensions		69,535
Total Reporting Entity	\$	315,835

Deferred inflow of resources for General fund represents amounts for which the revenue recognition was not met under the modified accrual basis of accounting for the period ended June 30, 2016.

Illustration 4-3		
Governmental Funds Deferred Inflow of Resources at June 30, 2016		
General Fund		
Prepaid Taxes – Taxes due subsequent to June 30, 2016, but paid in advance by taxpayers	\$	227,963
Unavailable taxes – Taxes not paid within sixty days of June 30, 2016		3,365
Deferred lease revenue – Uncollected revenues associated with direct financing leases		14,222
Total General Fund	\$	245,550
Streets and Roads Fund		
Unavailable transportation revenue -- Revenue not received within sixty day of June 30, 2016	\$	12,055

NOTE (5) – INVESTMENT IN DIRECT FINANCING LEASES/ACCOUNTS RECEIVABLE

The County has investments in direct financing leases, consisting of financing arrangements with various volunteer fire and rescue companies and other organizations operating within the County. Under the terms of these financing arrangements, the County obtains leasehold interests in specific properties, and uses those leasehold interests as collateral to obtain financing. The County uses the proceeds from these financings to reimburse the organizations for capital expenses related to the renovation or construction of facilities. In separate-but-related agreements, the County subleases the original leasehold interests and any existing and future improvements back to the organizations; each sublease contains a clause which transfers title of the properties, as well as any existing and future improvements of the properties back to each respective organization at the time the related debt is fully extinguished.

Illustration 5-1 shows the investment in direct financing leases.

Illustration 5-1				
Investment in Direct Financing Leases at June 30, 2016				
		Volunteer Fire & Rescue Companies	Other	Total
Total minimum lease payments to be received	\$	13,161	1,061	14,222
Less: Deferred inflow of resources		2,552	42	2,594
Net investment in direct financing leases	\$	10,609	1,019	11,628

Illustration 5-2 shows the scheduled minimum lease payments as of June 30, 2016.

Illustration 5-2				
Scheduled Minimum Lease Payments at June 30, 2016				
		Volunteer Fire & Rescue Companies	Other	Total
FY 2017	\$	1,618	637	2,255
FY 2018		1,546	424	1,970
FY 2019		1,493	-	1,493
FY 2020		1,444	-	1,444
FY 2021		1,399	-	1,399
FY 2022-2026		4,750	-	4,750
FY 2027-2029		911	-	911
Total minimum lease payments	\$	13,161	1,061	14,222

Accounts receivable, as shown in Illustration 5-3, are recorded at net of allowance for uncollectible accounts.

Illustration 5-3					
Accounts Receivable at June 30, 2016					
	Primary Government	Component Units			Total
		School Board	ADC	Convention & Visitors Bureau	
Accrued interest	\$ 1,469	-	-	-	1,469
Enterprise operations	898	-	-	-	898
Utility/consumption taxes	1,707	-	-	-	1,707
Transient occupancy taxes	1,136	-	-	-	1,136
Stormwater management fee	283	-	-	-	283
Cable franchise tax	353	-	-	-	353
Premiums due from participants	7	-	-	-	7
Other	9,640	2,657	-	1	12,298
	<u>15,493</u>	<u>2,657</u>	<u>-</u>	<u>1</u>	<u>18,151</u>
Allowance for doubtful accounts	(4,888)	-	-	-	(4,888)
Total	<u>\$ 10,605</u>	<u>2,657</u>	<u>-</u>	<u>1</u>	<u>13,263</u>

NOTE (6) - DUE FROM AND TO OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units are detailed in Illustration 6-1.

Illustration 6-1			
Due from Other Governmental Units at June 30, 2016			
PRIMARY GOVERNMENT			
General Fund:			
From other localities	\$	450	
From the Federal Government		1,036	
From the Commonwealth			
Local sales taxes		10,852	
Other		8,511	\$
Total General Fund			20,849
Street and road-Capital Projects Fund:			
From the Commonwealth		8,816	
From the Federal Government		5,357	
From other localities		2,632	
			16,805
Landfill Enterprise Fund:			
From other localities			625
Total Primary Government			38,279
COMPONENT UNITS			
School Board:			
From the Commonwealth	\$	18,826	
From the Federal Government		13,457	
			32,283
Adult Detention Center:			
From other localities			1,966
Total Component Unit			34,249
Total Reporting Entity			<u>\$ 72,528</u>

Illustration 6-2 details the amounts due to other governmental units at June 30, 2016.

Illustration 6-2			
Due to Other Governmental Units at June 30, 2016			
PRIMARY GOVERNMENT			
General Fund:			
To Other Localities	\$	172	
To the Commonwealth		28	
Total General Fund		<u>200</u>	\$ 200
Streets and Roads – Capital Project fund:			
To the Commonwealth	\$	346	
To Other Localities		400	
Total Street and Roads -- Capital Project fund		<u>746</u>	746
Other - Capital Projects Fund:			
To the Federal Government			62
Nonmajor Governmental Funds:			
To the Commonwealth			8
Total Primary Government			<u>1,016</u>
COMPONENT UNIT			
School Board:			
To the Federal Government			140
Total Reporting Entity			<u>\$ 1,156</u>

NOTE (7) – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund balances and transfers are generally made for the purpose of providing operational support for the receiving fund. During the year ended June 30, 2016, the County did not make any significant inter-fund transfers that were not routine and not consistent with the activities of the fund making the transfer.

Illustration 7-1 details the amounts due from and due to other funds at June 30, 2016.

Illustration 7-1			
Internal Balances			
	Due from Other Funds		Due to Other Funds
General Fund	\$	12,055	\$ -
Landfill - Enterprise Fund		-	235
Parks & Recreation - Enterprise Fund		-	11,820
Total Reporting Entity	\$	<u>12,055</u>	<u>\$ 12,055</u>

Illustration 7-2 details the transfers between funds for the year ended June 30, 2016.

Illustration 7-2					
Inter-fund Transfers for the Year Ended June 30, 2016					
Transfer to General Fund from:			Transfer from General Fund to:		
Streets and Roads – Capital Projects Fund	\$ 9,000	\$ 15,817	Streets and Roads – Capital Projects Fund		
Other Capital Projects Fund	1,456	16,599	Other Capital Projects Fund		
Fire & Rescue Fund	11,669	478	Fire & Rescue Levy Fund		
Nonmajor Governmental Funds	5,798	5,377	Nonmajor Governmental Funds		
Landfill Enterprise Fund	2,875	50	Landfill – Enterprise Fund		
Internal Service Funds	3	2,633	Internal Service Funds		
Parks & Recreation – Enterprise Fund	213	2,291	Parks & Recreation – Enterprise Fund		
Innovation--Enterprise Fund	-	35	Innovation – Enterprise Fund		
Total General Fund Transfers In	31,014	43,280	Total General Fund Transfers Out		
Transfer to Streets and Roads - Capital Projects Fund from:			Transfer from Streets and Roads - Capital Projects Fund to:		
General Fund	15,817	9,000	General Fund		
Innovation-Enterprise Fund	-	-	Landfill – Enterprise Fund		
Other Capital Projects Fund	3,589	7,942	Other Capital Projects Fund		
Total Streets and Roads – Capital Projects Fund Transfers In	19,406	16,942	Total Streets and Roads-- Capital Projects Fund Transfers Out		
Transfer to Other Capital Projects Fund from:			Transfer from Other Capital Projects Fund to:		
General Fund	16,599	1,456	General Fund		
Streets and Roads Capital Projects Fund	8,037	3,684	Streets and Roads Capital Projects Fund		
Fire & Rescue Fund	-	456	Fire & Rescue Levy Fund		
Nonmajor Governmental Funds	1,738	1,037	Nonmajor Governmental Funds		
Total Other Capital Projects Fund Transfers In	26,454	6,633	Total Other Capital Projects Fund Transfers Out		
Transfers to Fire & Rescue Levy Fund from:			Transfers from Fire & Rescue Levy Fund to:		
General Fund	478	11,669	General Fund		
Other Capital Projects Fund	456	-	Other Capital Projects Fund		
Internal Service Funds	-	98	Internal Service Fund		
Total Fire & Rescue Levy Fund Transfers In	934	11,767	Total Fire & Rescue Levy Special Revenue Funds Transfers Out		
Transfer to Nonmajor Governmental Funds from:			Transfer from Nonmajor Governmental Funds to:		
General Fund	5,377	5,798	General Fund		
Other Capital Projects Fund	1,037	1,738	Other Capital Projects Fund		
Internal Service Fund	-	442	Internal Service Fund		
Total Nonmajor Governmental Funds Transfers In	6,414	7,978	Total Nonmajor Governmental Fund Transfers Out		
Transfers to Landfill Enterprise Fund from:			Transfers from Landfill Enterprise Fund to:		
General Fund	50	2,875	General Fund		
Total Landfill Enterprise Fund Transfers In	50	2,875	Total Landfill Enterprise Fund Transfers Out		
Transfers to Innovation Enterprise Fund from:			Transfers from Innovation Enterprise Fund to:		
General Fund	35	-	General Fund		
Other Capital Projects Fund	-	80	Other Capital Projects Fund		
Total Innovation Enterprise Fund Transfers In	35	80	Total Innovation Enterprise Fund Transfers Out		
Transfers to Parks & Recreation Enterprise Fund from:			Transfers from Parks & Recreation Enterprise Fund to:		
General Fund	2,291	213	General Fund		
Total to Parks & Recreation Enterprise Fund Transfers In	2,291	213	Transfers from Parks & Recreation Enterprise Transfers Out		
Transfers to Internal Service Funds from:			Transfers from Internal Service Funds to:		
General Fund	2,633	3	General Fund		
Nonmajor Governmental Funds	442	-	Nonmajor Governmental Funds		
Fire & Rescue Levy Fund	98	-	Fire & Rescue Levy Fund		
Total Internal Service Funds Transfers In	3,173	3	Total Internal Service Funds Transfers Out		
Total Primary Government Transfers In	\$ 89,771	\$ 89,771	Total Primary Government Transfers Out		

NOTE (8) – RECEIVABLES /PAYABLES WITH COMPONENT UNITS

Receivables/payables transactions between the primary government and component units are generally made for the purpose of providing operational support for the receiving fund. Illustration 8-1 summarizes the amounts due from the primary government and due to the component units at June 30, 2016.

Illustration 8-1		
Due To Primary Government/Due From Component Units at June 30, 2016		
	Due from Primary Government	Due to Component Unit
PRIMARY GOVERNMENT		
Governmental Activities	\$ -	4,685
COMPONENT UNITS		
School Board	4,685	-
Total Reporting Entity	\$ 4,685	4,685

NOTE (9) - CAPITAL ASSETS

Illustration 9-1 summarizes the changes in capital assets of the governmental activities for the year ended June 30, 2016.

Illustration 9-1					
Governmental Activities – Changes in Capital Assets					
	June 30, 2015	Additions	Deletions	Transfers	June 30, 2016
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 111,375	1,156	-	-	112,531
Construction in progress	60,538	31,224	(48,849)	-	42,913
Total capital assets not being depreciated	171,913	32,380	(48,849)	-	155,444
Buildings and other capital assets, being depreciated:					
Buildings and improvements to sites	244,202	29,928	(7)	618	274,741
Equipment	61,782	15,387	(3,031)	361	74,499
Vehicles	47,319	9,598	(2,754)	(481)	53,682
Infrastructure	207,536	7,053	-	-	214,589
Intangibles	36,147	4,490	-	-	40,637
Library collections	17,600	4,104	(3,614)	-	18,090
Total buildings and other capital assets being depreciated	614,586	70,560	(9,406)	498	676,238
Less accumulated depreciation for:					
Buildings and improvements to sites	(107,163)	(7,874)	7	316	(114,714)
Equipment	(42,398)	(7,630)	2,982	(214)	(47,260)
Vehicles	(33,321)	(5,184)	2,733	201	(35,571)
Infrastructure	(40,745)	(4,581)	-	-	(45,326)
Intangibles	(33,636)	(1,338)	-	-	(34,974)
Library collections	(13,885)	(1,261)	3,614	-	(11,532)
Total accumulated depreciation	(271,148)	(27,868)	9,336	303	(289,377)
Buildings and other capital assets, net	343,438	42,692	(70)	801	386,861
Governmental activities capital assets, net	\$ 515,351	75,072	(48,919)	801	542,305

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

General government	\$	1,610
Judicial administration		762
Public safety		7,264
Public works		508
Health and welfare		931
Parks, recreational and cultural		4,418
Community development		5,549
Capital assets held by the internal service funds are charged to the various functions based on their usage of the assets		6,826
Total	\$	27,868

Illustration 9-2 summarizes the changes in capital assets of the business-type activities for the year ended June 30, 2016.

Illustration 9-2					
Business-Type Activities – Changes in Capital Assets					
	June 30, 2015	Additions	Deletions	Transfers	June 30, 2016
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 24,195	-	-	-	24,195
Construction in progress	3,932	1,584	(987)	-	4,529
Total capital assets not being depreciated	28,127	1,584	(987)	-	28,724
Buildings and other capital assets, being depreciated					
Buildings and improvements to sites	97,034	991	(37)	(987)	97,001
Equipment	5,451	1,836	(95)	466	7,658
Vehicles	6,007	450	(1,034)	(346)	5,077
Total buildings and other capital assets being depreciated	108,492	3,277	(1,166)	(867)	109,736
Less accumulated depreciation for:					
Buildings and improvements to sites	(74,641)	(4,222)	8	-	(78,855)
Equipment	(3,754)	(568)	96	(220)	(4,446)
Vehicles	(4,209)	(302)	972	218	(3,321)
Total accumulated depreciation	(82,604)	(5,092)	1,076	(2)	(86,622)
Buildings and other capital assets, net	25,888	(1,815)	(90)	(869)	23,114
Business-type activities capital assets, net	\$ 54,015	(231)	(1,077)	(869)	51,838

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

Landfill	\$	3,957
Parks, recreational & cultural		1,135
Total	\$	5,092

Illustration 9-3 summarizes the changes in capital assets of the Adult Detention Center component unit activities for the year ended June 30, 2016.

Illustration 9-3					
Adult Detention Center Component Unit – Changes in Capital Assets					
	June 30, 2015	Additions	Deletions	Transfers	June 30, 2016
Adult Detention Center:					
Capital assets not being depreciated:					
Land	\$ 31	-	-	-	31
Total capital assets not being depreciated	31	-	-	-	31
Buildings and other capital assets, being depreciated:					
Buildings and improvements to sites	85,544	-	-	343	85,887
Equipment	726	61	(38)	26	775
Vehicles	728	-	(18)	-	710
Total buildings and other capital assets being depreciated	86,998	61	(56)	369	87,372
Less accumulated depreciation:					
Buildings and improvements to sites	(20,529)	(2,229)	-	(301)	(23,059)
Equipment	(482)	(67)	30	-	(519)
Vehicles	(541)	(61)	18	-	(584)
Total accumulated depreciation	(21,552)	(2,357)	48	(301)	(24,162)
Buildings and other capital assets, net	65,446	(2,296)	(8)	68	63,210
Adult Detention Center capital assets, net	\$ 65,477	(2,296)	(8)	68	63,241

Depreciation expense was charged to the following Adult Detention Center activities:

Public safety	\$ 2,357
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Illustration 9-4 summarizes the construction in progress at June 30, 2016.

Illustration 9-4				
Construction in Progress at June 30, 2016				
	Amount Authorized	Expended to Date	Project Balance	
PRIMARY GOVERNMENT				
800 MHz Radio Communications System	\$ 2,629	13		2,616
Fleet Management Information System	400	4		396
Jail Management- Medical Records	220	74		146
Financial Management System Replacement	10,792	8,247		2,545
Record Management System (RMS) Replacement	10,672	7,163		3,509
Land Use Information System	4,300	2,441		1,859
Business Continuity and Disaster Recovery	2,288	509		1,779
Sheriff Office Information System	200	139		61
Tax Administration System Replacement	2,000	1,732		268
Telephone Server	130	27		103
Central District Police Station	28,651	6,275		22,376
Montclair Community Library	866	-		866
Gainesville - Haymarket Community Library	1,993	1		1,992
Independent Hill Library Pavilion	35	-		35
Nokesville Fire & Rescue Reconstruction	9,523	770		8,753
Bacon Race Fire Station	10,381	2,042		8,339
Fire and Rescue System Vehicle Replacements	7,564	5,214		2,350
Coles Fire Station Reconstruction	5,606	841		4,765
Gainesville Fire & Rescue Station Renovation	5,251	716		4,535
Facility Inspection Web and Mobile Solution	133	73		60
ADC Phase 2 Expansion	5,071	1,891		3,180
Molinari Juvenile Shelter Generator	32	18		14
Public Safety Training Center Rifle Range	1,727	98		1,629
Rippon Lodge Restoration	90	55		35
Brentsville Jail Restoration	1,213	653		560
Fleet Calibration Building	444	63		381
Potomac Heritage Trail	769	757		12
Rollins Ford Parks – Phase I	4,278	566		3,712
Lake Ridge Trail	903	186		717
Broad Run Trail	596	504		92
Neabsco Trail	335	269		66
Silver Lake Picnic Shelter	33	4		29
Chinn Recreation HVAC	670	249		421
Catharpin Trail	30	1		29
Hellwig Park Soccer Field Lights	1,100	837		263
Hellwig Park Entrance Lights	95	52		43
Veterans Park Maintenance Building	559	69		490
Dumfries First Alert System	159	66		93
Potomac Heritage National Scenic Trail-Neabsco Boardwalk Segment	4,814	61		4,753
Potomac Heritage National Scenic Trail-Featherstone Segment	788	48		740
Animal Shelter HVAC	1,627	32		1,595
WaterWorks Children's Pool Renovation	1,359	119		1,240
Juvenile Detention Center	20	9		11
Human Services Bldg. Drop in Center Renovation	500	11		489
Salt Dome Manassas	35	11		24
Potomac Library Garden Patio	254	3		251
Total	\$ 131,135	42,913		88,222

The \$4,529 construction in progress balance of business-type activities represents capital improvements at the landfill complex, including the construction and installation of landfill liners to improve the landfill and protect public health, groundwater and the environment and is recorded in the Landfill enterprise fund. The Parks & Recreation enterprise fund did not have any construction in progress at June 30, 2016.

Illustration 9-5 summarizes the changes in capital assets of the School Board component unit activities for the year ended June 30, 2016.

Illustration 9-5				
School Board Component Unit – Changes in Capital Assets				
	June 30, 2015	Additions/ Transfers	Deletions/ Transfers	June 30, 2016
School Board:				
Capital assets not being depreciated:				
Land	\$ 67,311	-	-	67,311
Construction in progress	125,998	113,988	(185,513)	54,473
Total capital assets not being depreciated	193,309	113,988	(185,513)	121,784
Buildings and other capital assets, being depreciated:				
Buildings and improvements to sites	1,366,495	185,555	-	1,552,050
Library books	3,610	640	(713)	3,537
Equipment	39,979	2,856	(327)	42,508
Intangibles	3,516	-	-	3,516
Vehicles	92,385	11,813	(8,675)	95,523
Total buildings and other capital assets being depreciated	1,505,985	200,864	(9,715)	1,697,134
Less accumulated depreciation for:				
Buildings and improvements to site	(361,298)	(27,847)	-	(389,145)
Library books	(2,213)	(707)	713	(2,207)
Equipment	(23,666)	(3,067)	284	(26,449)
Intangibles	(1,655)	(502)	-	(2,157)
Vehicles	(49,292)	(6,895)	8,324	(47,863)
Total accumulated depreciation	(438,124)	(39,018)	9,321	(467,821)
Buildings and other capital assets, net	1,067,861	161,846	(394)	1,229,313
School Board capital assets, net	\$ 1,261,170	275,834	(185,907)	1,351,097

Depreciation expense was charged to the following School Board component unit activities:

Instruction:	
Regular	\$ 28,094
Special	364
Other	30
Support Services:	
General administration	1,106
Student services	9
Curricular/staff development	10
Pupil transportation	6,552
Operations	9
Maintenance	160
Central business services	2,649
Food services	35
Total	<u>\$ 39,018</u>

Illustration 9-6 summarizes the changes in capital assets of the Convention & Visitors Bureau component unit for the year ended June 30, 2016.

Illustration 9-6				
Convention & Visitors Bureau Component Unit– Changes in Capital Assets				
	June 30, 2015	Additions/ Transfers	Deletions/ Transfers	June 30, 2016
Convention & Visitors Bureau:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 117	-	(13)	104
Leasehold Improvements	13	-	-	13
Telephone System	6	-	-	6
Total capital assets being depreciated	136	-	(13)	123
Less accumulated depreciation for:				
Furniture and equipment	(80)	(17)	12	(85)
Leasehold improvements	(2)	(1)	-	(3)
Telephone system	(14)	-	8	(6)
Total accumulated depreciation	(96)	(18)	20	(94)
CVB capital assets, net	\$ 40	(18)	7	29

Depreciation expense was charged to the following Convention & Visitors Bureau component unit functions:

Community development	<u>\$ 18</u>
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NOTE (10) - LONG-TERM DEBT

The following bonds and capital lease obligations were issued in fiscal year 2016:

- On March 18, 2015, the Board of County Supervisors approved Resolution No. 15-212 authorizing the sale of General Obligation School Bonds to be sold to the Virginia Public School Authority in an amount not to exceed \$108,990 for the purpose of financing various school projects. On July 14, 2015, the County sold the VPSA Special Obligation School Financing Bonds, Series 2015 in the par amount of \$98,485.
- On May 19, 2015, the Board of County Supervisors approved Resolution No. 15-361 authorizing the sale of General Obligation School Bonds to be sold in an amount not to exceed \$67,565 for the purpose of financing various capital

improvement road project, library projects, and park projects. On July 29, 2015, the County sold the Prince William County General Obligation Public Improvement Bonds, Series 2015 in the par amount of \$61,805.

- On January 19, 2016, the Board of County Supervisors approved Resolution No. 16-42 requesting the Industrial Development Authority of Prince William County to issue revenue and refunding bonds not to exceed \$34,000 for the purpose of constructing and improving county facilities and refunding other outstanding facilities bonds. On March 1, 2016, the County sold the Prince William County Facilities Revenue and Refunding Bonds, Series 2016A through the Industrial Development Authority of Prince William County in the par amount of \$26,290. Of the bonds sold \$23,355 is to be used to construct and improve County facilities and \$2,935 is to be used in refunding other outstanding bonds. The refunded maturities totaled \$3,015 and resulted in a debt service savings of \$212 and a net present value savings of \$194.
- On March 15, 2016, the Board of County Supervisors approved Resolution No. 16-359 authorizing the sale of General Obligation School Bonds to be sold to the Virginia Public School Authority in an amount not to exceed \$254,480 for the purpose of financing various school projects and refunding other outstanding school bonds. On March 29, 2016, the County sold the VPSA Special Obligation School Financing Bonds, Series 2016 in the par amount of \$171,160. Of the bonds sold \$120,220 is to be used for various new school projects and \$50,940 is to be used in refunding other outstanding bonds. The refunded maturities totaled \$54,620 and resulted in a debt service savings of \$2,773 and a net present value savings of \$2,539.

For information on interest rates pertaining to bonds, capital leases and other long term debt, see Schedules 30 and 31.

Bonds Payable

The majority of the County's bonds payable are general obligations of the County and are secured by its full faith and credit. Some of the County's bonds are subject to arbitrage, and as such, actuarial calculations are made and liabilities are recorded annually.

A portion of the bonds are intended to be repaid from specific revenue sources as outlined below:

- The outstanding IDA Lease Revenue Refunding Bond, Series 2005, of \$2,290, is a limited obligation of the IDA, payable solely from a pledge of rent and receipts to be derived from a financing lease between the IDA and the County and certain funds held under an indenture of trust, including a debt service reserve account. The balance in this reserve account at June 30, 2016, was \$1,092 and is included in the restricted cash balance shown in Illustration 2-11.
- The outstanding Parks & Recreation enterprise fund Refunding Bonds of \$9,965 are paid from revenues of Forest Greens Golf Course, Generals Ridge Golf Course, and Splashdown Water Park.

The Commonwealth imposes no legal debt limitation on counties. Except for Virginia Public School Authority general obligation issuances, a referendum must be approved by the voters prior to the issuance of general obligation bonds. The County established a self-imposed limit on its total bonded debt of 3% of the net assessed valuation of taxable property. The County includes general obligation bonds, appropriation debt supported by tax revenue, and School Board bonds and literary fund loans in its determination of total bonded debt. As of June 30, 2016, the County's total bonded debt, as defined above, was \$677,201 less than the self-imposed limitation. In addition, there are a number of limitations and restrictions contained in the various bond indentures. The County is in compliance with all such limitations and restrictions.

The annual debt service requirements of general obligation and lease revenue bonds outstanding in governmental funds as of June 30, 2016, including interest payments, are shown in Illustration 10-1. Refer to Schedule 30 for information related to maturity dates and interest rates for these obligations.

Illustration 10-1				
Governmental Activities – Debt Service Requirements – General Obligation and Revenue Bonds				
		Principal	Interest	Total
Designated for Roads, Parks & Other				
General County Projects				
Year Ending June 30:				
2017	\$	17,560	8,733	26,293
2018		17,530	8,086	25,616
2019		15,570	7,334	22,904
2020		15,515	6,683	22,198
2021		15,320	6,091	21,411
2022 thru 2026		66,195	20,889	87,084
2027 thru 2031		41,020	8,632	49,652
2032 thru 2036		25,565	2,213	27,778
Subtotal		214,275	68,661	282,936
Designated for School Board				
Projects				
Year Ending June 30:				
2017		55,700	33,142	88,842
2018		61,670	32,330	94,000
2019		59,075	29,515	88,590
2020		58,320	26,694	85,014
2021		56,895	23,928	80,823
2022 thru 2026		241,745	82,046	323,791
2027 thru 2031		164,790	33,151	197,941
2032 thru 2036		89,030	7,367	96,397
2037		6,010	90	6,100
Subtotal		793,235	268,263	1,061,498
Total	\$	1,007,510	336,924	1,344,434

The annual debt service requirements of all bonds outstanding in business-type activities as of June 30, 2016, including interest payments, are shown in Illustration 10-2.

Illustration 10-2			
Business-type Activities – Debt Service Requirements – Revenue Bonds			
	Principal	Interest	Total
Year Ending June 30:			
2017	\$ 610	393	1,003
2018	630	369	999
2019	650	344	994
2020	680	318	998
2021	715	291	1,006
2022 thru 2026	3,945	1,034	4,979
2027 thru 2029	2,735	225	2,960
Subtotal	9,965	2,974	12,939
Add: unamortized premium on issuance of revenue bonds	16		
Total	\$ 9,981		

Operating and Capital Leases

The County leases real estate and equipment under operating and capital leases expiring at various dates through 2026. All leases are non-cancelable except they are contingent upon the Board appropriating funds for each year's payments. The County also has various short-term leases for real estate and equipment with initial or remaining non-cancelable lease terms of less than one year as of June 30, 2016. Total rental expense under operating leases of the primary government for the year ended June 30, 2016, was \$6,808. Illustration 10-3 summarizes the minimum lease commitments under the County's operating leases.

Illustration 10-3		
Minimum Lease Commitments – Operating Leases		
Year Ending June 30:		
2017	\$	6,408
2018		5,916
2019		5,400
2020		4,772
2021		4,259
2022-2026		11,559
Total minimum payments	\$	38,314

Illustration 10-4 presents the assets that were acquired through capital lease obligations.

Illustration 10-4		
Assets Acquired Through Capital Lease Obligations		
	Governmental Activities	ADC Component Unit
Other capital assets:		
Buildings	\$ 91,537	6,459
Improvements	13,576	105
Construction in progress	499	-
Machinery and Equipment	2,243	-
Vehicles	2,578	-
Less: accumulated depreciation	(40,321)	(4,150)
Total assets acquired through capital lease obligations	\$ 70,112	2,414

Illustration 10-5 presents a summary of minimum lease commitments on all capital leases.

Illustration 10-5		
Minimum Lease Commitments – Capital Lease Obligations		
Primary Government		
Year Ending June 30:		
2017	\$	18,667
2018		14,719
2019		17,434
2020		13,642
2021		16,363
2022 thru 2026		50,690
2027 thru 2030		12,559
Total minimum payments		144,074
Less: Interest		(28,619)
Present value of future minimum payments	\$	115,455
Business Type Activity		
Year Ending June 30:		
2017	\$	100
Less: Interest		(1)
Present value of future minimum payments		99

Changes in Long-Term Liabilities:

Changes in long-term liabilities of governmental activities for the year ended June 30, 2016, are shown in Illustration 10-6.

Illustration 10-6						
Governmental Activities – Changes in Long-Term Liabilities						
	Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year	Due within One Year
General obligation bonds:						
Designated for Roads, Parks and Other General County projects	\$ 138,853	88,095	(12,673)	214,275	196,715	17,560
Designated for School Board projects	630,638	269,645	(107,048)	793,235	737,535	55,700
Subtotal	769,491	357,740	(119,721)	1,007,510	934,250	73,260
Capital lease obligations	131,462	-	(16,007)	115,455	101,891	13,564
Unpaid losses and related liabilities (Note 16)	18,897	42,178	(41,810)	19,265	12,338	6,927
Net pension liability	100,670	19,470	-	120,140	120,140	-
Surplus distribution payable	4,114	2,140	(942)	5,312	4,367	945
Compensated absences	32,167	(472)	114	31,809	29,930	1,879
Unamortized premium	79,620	46,965	(8,433)	118,152	108,514	9,638
Total	\$ 1,136,421	468,021	(186,799)	1,417,643	1,311,430	106,213

Long-term liabilities of governmental activities are generally liquidated by the General Fund. Funds of the Intra-County Services internal service fund are used to liquidate approximately 5.14% of compensated absences.

Changes in long-term liabilities of business-type activities for the year ended June 30, 2016, are shown in Illustration 10-7.

Illustration 10-7						
Business-Type Activities – Changes in Long-Term Liabilities						
	Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year	Due Within One Year
Revenue bonds	\$ 10,555	-	(590)	9,965	9,355	610
Unamortized premium on issuance of revenue bonds	17	-	(1)	16	15	1
Revenue bonds, net	10,572		(591)	9,981	9,370	611
Capital lease obligations	295	-	(196)	99	-	99
Compensated absences	972	192	(199)	965	909	56
Net pension liability	2,723	3,218	(2,723)	3,218	3,218	-
Accrued closure liability (Note 12)	14,486	1,484	(3,220)	12,750	12,750	-
Total	\$ 29,048	4,894	(6,929)	27,013	26,247	766

Changes in deferred outflows of resources of business-type activities for the year ended June 30, 2016, are shown in Illustration 10-8.

Illustration 10-8					
Governmental Activities – Changes in Deferred Outflow of Resources					
		Beginning Balance	Additions	Reductions	Ending Balance
Unamortized Deferred loss on refunding	\$	23,555	11,226	(2,462)	32,319
Related to pensions	\$	29,328	32,589	(29,328)	32,589

Changes in deferred outflows of resources of business-type activities for the year ended June 30, 2016, are shown in Illustration 10-9.

Illustration 10-9					
Business-Type Activities – Changes in Deferred Outflow of Resources					
		Beginning Balance	Additions	Reductions	Ending Balance
Unamortized Deferred loss on refunding	\$	578	-	(50)	528
Related to pensions	\$	740	760	(740)	760

Changes in long-term liabilities of the component units for the year ended June 30, 2016, is shown in Illustration 10-10.

Illustration 10-10							
Component Units – Changes in Long-Term Liabilities							
		Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year	Due Within One Year
School Board:							
Compensated absences	\$	29,935	10,209	(8,750)	31,394	22,371	9,023
Net pension liability		774,927	49,034	-	823,961	823,961	-
Pollution remediation		193	526	(341)	378	-	378
Claims liabilities		14,436	81,976	(80,554)	15,858	4,561	11,297
Total School Board component unit		819,491	141,745	(89,645)	871,591	850,893	20,698
Adult Detention Center:							
Compensated absences		3,201	979	(920)	3,260	3,037	223
Net pension liability		9,946	1,571	-	11,517	11,517	-
Total Adult Detention Center component unit		13,147	2,550	(920)	14,777	14,554	223
Total		\$ 832,638	144,295	(90,565)	886,368	865,447	20,921

Defeasance of Long-Term Debt

In prior years the County defeased certain bonds, some of which have been called and repaid. Accordingly, the trust account assets and the liability for the defeased bonds were not included in the County's financial statements. At June 30, 2016, \$132,282 in principal of bonds outstanding is considered defeased by the County.

A. Component Unit Debt

The *Code of Virginia* establishes the School Board as a legal entity holding title to all school assets but having no taxing authority. The County must issue debt through bond referendum, Virginia Public School Authority or Literary Fund. Historically, the County has reported all School Board assets along with the related debt in the School Board component unit column of its CAFR. GASB 34 provided specific guidance that requires localities to separate internal activities (within the primary government) from intra-entity activities (between the primary government and its component units). This guidance prevents local governments from allocating debt incurred “on-behalf” of school boards to the School Board component unit column.

Therefore, the School Board assets are included in the component unit column while the debts related to those assets are included in the Primary Government – Governmental Activities column on Exhibit 1. At June 30, 2016, the County has outstanding debt of \$793,235 reflected in the Primary Government – Governmental Activities column on Exhibit 1 as a reduction to the unrestricted net position of the County. Similarly, assets of the Adult Detention Center are included in the component unit column, while the debts related to those assets are included in the Primary Government – Governmental Activities column on Exhibit 1. At June 30, 2016, the County has outstanding debt of \$18,230 reflected in the Primary Government – Governmental Activities column on Exhibit 1 as a reduction to the unrestricted net position of the County, respectively that relates to the Adult Detention Center.

To assist the readers in understanding this relationship and to more accurately reflect the total entity’s financial condition, a total Reporting Entity column has been added to match the asset and related debt information.

NOTE (11) – FUND BALANCES / NET POSITION

Illustration 11-1 details the fund balances of the County’s Governmental funds and Adult Detention Center (ADC) component unit at June 30, 2016.

Illustration 11-1 Fund Balances at June 30, 2016						
	Governmental Funds				Total Governmental Funds	ADC Component Unit
	General Fund	Capital Projects Funds	Fire & Rescue Levy Funds	Other Funds Governmental		
Nonspendable in the form of:						
Inventory	\$ 122	-	-	-	122	-
Prepaid expenditures	20	331	-	2,167	2,518	-
Restricted for:						
General government administration						
Debt service	1,136	-	-	-	1,136	-
Defaulted subdivision	209	-	-	-	209	-
Public safety						
Police	2,438	-	-	-	2,438	-
Fire and rescue	2,757	-	86,098	-	88,855	-
E911 operations	4,161	-	-	-	4,161	-
EMS operations	2,132	-	-	-	2,132	-
Site development	-	-	-	3,672	3,672	-
Public works						
Stormwater management	-	-	-	8,684	8,684	-
Transportation	-	-	-	1,572	1,572	-
Community development						
Development services	-	-	-	1,357	1,357	-
Housing	-	-	-	468	468	-
Committed for:						
General government administration						
General government operations	37,832	-	-	-	37,832	-
Capital reserve	41,021	-	-	-	41,021	-
Technology upgrades	2,526	-	-	-	2,526	-
General government capital projects	-	26,618	-	-	26,618	-
Judicial administration						
Courthouse complex master plan	250	240	-	-	490	-
General district courtroom	-	700	-	-	700	-
Public safety						
Police operations	260	-	-	-	260	-
AED replacement	3,000	-	-	-	3,000	-
Fire and rescue	1,450	-	-	-	1,450	-
Public safety capital projects	-	9,852	-	-	9,852	-
Adult detention center	-	-	-	-	-	200
Public works						
Unspent bond proceeds	-	36,421	-	-	36,421	-
Street and roads projects	6,822	40,623	-	-	47,445	-
Public transit	1,212	-	-	-	1,212	-
Public works capital projects	-	634	-	-	634	-
Health and welfare						
Health and welfare projects	-	550	-	-	550	-

Illustration 11-1 (cont'd)
Fund Balances at June 30, 2016

	Governmental Funds					ADC Component Unit
	General Fund	Capital Projects Funds	Fire & Rescue Levy Funds	Other Funds Governmental	Total Governmental Funds	
Parks, recreational and cultural						
Current parks projects	202	10,685	-	-	10,887	-
Future parks projects	10,736	-	-	-	10,736	-
Libraries	22	2,471	-	-	2,493	-
Community development						
Economic development projects	-	2,472	-	-	2,472	-
Tourism	374	-	-	-	374	-
Assigned for:						
General government administration	692	-	-	-	692	-
Judicial administration	787	-	-	-	787	-
Public safety	1,645	-	-	-	1,645	27
Public works	2,984	-	-	-	2,984	-
Health and welfare	728	-	-	-	728	-
Parks, recreational and cultural	778	-	-	-	778	-
Community development	119	-	-	-	119	-
Unassigned	76,747	-	-	-	76,747	9,388
Total	\$ 203,162	131,597	86,098	17,920	438,777	9,615

For further information about each classification of fund balance, see Note 1N.

Non-spendable Fund Balance. The amounts that are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balances. The portion of fund equity appropriated for expenditures or legally segregated for a specific future use. Committed and Assigned fund balances represent the County's managerial plans for future use of financial resources. Unassigned fund balance is the residual classification for the general fund. The County's restricted fund balance includes amounts restricted for debt service, unspent bond proceeds, cash equivalents, grants, and related to revenues restricted in the Special Revenue funds.

Committed Fund Balance. The County's highest level of decision-making authority is the Board of County Supervisors. The formal action required to establish, modify, or rescind a fund balance commitment is a resolution of the Board of County Supervisors.

Assigned Fund Balance. Assignment of fund balance occurs only through the encumbrance of funds for particular purposes for which there is no existing fund balance restriction or commitment. Department directors have the authority to approve such encumbrances; the County Executive has the authority to modify or rescind any fund balance assignment per §100.12(D)2.(a) of the County's Purchasing Regulations. Fund balance assignments resulting from the encumbrance of funds are governed through the County's Purchasing Regulations.

Fund Balance Classification. The County considers restricted amounts to have been spent first when both restricted and unrestricted fund balance is available. When amounts from multiple fund balance classifications are eligible to be expended, the County considers the amounts to be spent first from the category with the most stringent constraints and last from the category with the least stringent constraints.

Net Position. The reporting entity reported \$190,231 of restricted net position at June 30, 2016. Of this amount, \$104,018 is restricted by enabling legislation.

Illustration 11-2 details the encumbrances of the County’s Governmental funds and Adult Detention Center (ADC) component unit at June 30, 2016.

Illustration 11-2						
Encumbrances at June 30, 2016						
Governmental Funds						
	General Fund	Capital Projects Funds	Fire & Rescue Levy Funds	Other Funds Governmental	Total Governmental Funds	ADC Component Unit
Encumbrances	\$ 7,732	40,427	16,960	1,171	66,290	27

NOTE (12) – LANDFILL / CLOSURE AND POST CLOSURE CARE COST

In fiscal year 2016, the Landfill enterprise fund had no outstanding debt and there were no bond coverage requirements.

State and federal laws and regulations require the County to place a final cover on its Independent Hill landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date. The \$12,750 reported as landfill closure and post closure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 100% of the Phase I landfill, 40% of the Phase 2 landfill, and 46% of the total landfill capacity for the southern portion of the landfill, including Phases I, II and III. The total maximum exposure liability for closure and post closure care for all County solid waste facilities during the life of the landfill, as reported to the Virginia Department of Environmental Quality in December 2015, is \$33,645. The County will recognize the remaining total estimated cost of closure and post closure care for the southern portion of the landfill of \$20,895 as the remaining estimated capacity of the southern portion of the landfill is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2016. The County expects to close the southern portion of the landfill site in the year 2033 and the entire landfill in 2060. The total current cost of landfill closure and post closure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

NOTE (13) - DEFINED BENEFIT PENSION PLANS

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 Prince William County's Defined Benefit Pension Plans and the additions to/deductions from the Prince William County's Defined Benefit Pension Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS), Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel Plan and Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP). 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.

Illustration 13-1 Prince William County's Defined Benefit Pension Plans Net Pension Liability								
	June 30, 2015 Pension Liabilities	June 30, 2015 Pension Assets	FY 2015 Employer Contributions	Change in Beginning FY 2015 Net position	FY 2016 Pension Expenditures / Expense:	Deferred Outflows due to actuarial changes or experience:	Deferred Inflows due to actuarial changes or experience:	June 30, 2016 Ending NPL:
Virginia Retirement System	\$ 1,095,069	(937,892)	(30,571)	126,606	16,540	-	(9,517)	133,629
Police and Fire Retirement Plan	33,927	(32,908)	(1,083)	(64)	559	532	(656)	371
Length of Service Award Program	15,089	(13,769)	(940)	380	459	152	(116)	875
Total	\$ 1,144,085	(984,569)	(32,594)	126,922	17,558	684	(10,289)	134,875
Governmental	\$ 977,196	(841,634)	(27,936)	107,626	15,051	684	(8,845)	114,516
Landfill	14,236	(12,193)	(397)	1,646	206	-	(118)	1,734
Parks and Recreation	12,155	(10,410)	(339)	1,406	185	-	(107)	1,484
Internal Services - DoIT	32,195	(27,574)	(899)	3,722	491	-	(283)	3,930
Internal Services - Fleet	9,418	(8,066)	(263)	1,089	140	-	(81)	1,148
Internal Services - Construction Crew	3,723	(3,189)	(104)	430	52	-	(30)	452
Medical Internal Service Fund	767	(657)	(21)	89	13	-	(8)	94
Total proprietary funds	72,494	(62,089)	(2,023)	8,382	1,087	-	(627)	8,842
Adult Detention Center	94,395	(80,846)	(2,635)	10,914	1,420	-	(817)	11,517
Total	\$ 1,144,085	(984,569)	(32,594)	126,922	17,558	684	(10,289)	134,875
Schools Component Unit*								<u>\$ 823,961</u>

Note: Amounts are allocated to the funds based on proportion of pension contributions paid.

*Please see separately issued financial statements for details.

Illustration 13-2 represents contributions into plans after the measurement date of June 30, 2015.

Illustration 13-2			
Prince William County's Defined Benefit Pension Plans			
Deferred Outflows Due to Contributions Made After June 30, 2015 Measurement Date			
FY 2016 Contributions to:	Beginning Deferred Outflows	Change in Deferred Outflows	Ending Deferred Outflows
Virginia Retirement System	\$ 30,690	1,442	32,132
Police and Fire Retirement Plan	1,083	54	1,137
Length of Service Award Program	940	(87)	853
Total	<u>\$ 32,713</u>	<u>1,409</u>	<u>34,122</u>
Governmental	\$ 28,037	1,213	29,250
Landfill	399	1	400
Dept of Parks and Rec	341	19	360
Internal Services - DoIT	902	52	954
Internal Services - Fleet	264	9	273
Internal Services - Construction Crew	104	(3)	101
Medical Internal Service Fund	21	5	26
Total proprietary funds	<u>2,031</u>	<u>83</u>	<u>2,114</u>
Adult Detention Center	2,645	113	2,758
Total	<u>\$ 32,713</u>	<u>1,409</u>	<u>34,122</u>
Schools	<u>\$ 74,693</u>	<u>(622)</u>	<u>74,071</u>

Note: Amounts are allocated to the funds based on proportion of pension contributions paid.

Virginia Retirement System

Plan Description:

The County and the Adult Detention Center component unit contribute to the Virginia Retirement System (VRS), a multi-employer, agent defined benefit pension plan administered by the VRS.

Professional and non-professional employees of the School Board are also covered by the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees participate as a separate group in the multi-employer, agent retirement system. The Prince William County Public Schools retirement plans are reported separately in their audited financial statements. Copies of these financial statements may be obtained by writing to the School Board's Finance Division at P.O. Box 389, Manassas, Virginia 20108.

All full-time, salaried permanent (professional) employees of the School Board and employees of the County and the Adult Detention Center are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria 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 plans for local government employees – Plan 1, Plan 2, and the Hybrid Plan. Each plan has a different eligibility and benefit structure as set out below:

VRS Plan 1:

VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and were vested as of January 1, 2013.

Hybrid Opt-In Election. VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible VRS 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.

Retirement Contributions. Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The County elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The County makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and the County's contributions to provide funding for the future benefit payment.

Creditable Service. Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position and 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 eligibility for retirement and to calculate the retirement benefit and the VRS Health Insurance Credit detailed in Note 14.

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 the 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 their personal contributions into the Plan.

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. 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 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% as elected by the County.

Normal Retirement Age. Normal Retirement Age for non-hazardous duty members is age 65; hazardous duty members is age 60.

Earliest Unreduced Retirement Eligibility. Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 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 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 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 are eligible for a reduced retirement benefit at age 50 with at least five years of creditable.

Cost-of-Living Adjustment (COLA) in Retirement. The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility for COLA. For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates. The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013;
- The member retires on disability;
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP);
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program; or
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage. Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service. Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS Plan 2:

VRS 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 VRS 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. Employees who are covered by enhanced benefits for hazardous duty employees hired 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, are also eligible to participate in Plan 2.

Hybrid Opt-In Election. VRS 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 VRS 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.

Retirement Contributions. Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service. Creditable Service is the same as VRS Plan 1.

Vesting. Vesting is the same as VRS Plan 1.

Calculating the Benefit. See the definition detailed under VRS 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. The multiplier is the same as VRS Plan 1 for service earned, purchased or granted prior to January 1, 2013, which is 1.70%. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. For sheriffs and regional jail superintendents, and hazardous duty employees, the multipliers are the same as VRS Plan 1.

Normal Retirement Age. The Normal Retirement Age is the Normal Social Security retirement age. Hazardous duty employee normal retirement age is the same as VRS Plan 1.

Earliest Unreduced Retirement Eligibility. Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members' eligibility is the same as VRS Plan 1.

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 members' eligibility is the same as VRS Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement. The Cost-of-Living Adjustment (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%.

Eligibility for COLA. The eligibility for COLA increases is the same as VRS Plan 1.

Exceptions to COLA Effective Dates. The exceptions are the same as VRS Plan 1.

Disability Coverage. Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service. Purchase of Prior Service is the same as VRS Plan 1.

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 VRS Plan 1 and VRS 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's and County's contributions into 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 receive distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible employees are in the Hybrid Plan if their membership date is on or after January 1, 2014. This includes members in VRS Plan 1 or VRS 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. Employees who are covered by enhanced benefits for hazardous duty employees are not eligible to participate in the Hybrid Plan.

Retirement Contributions. A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the County 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 County. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the County is required to match those voluntary contributions according to specified percentages.

Creditable Service Defined Benefit Component. Under the defined benefit component of the Hybrid 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 the retirement benefit and the VRS Health Insurance Credit.

Creditable Service Defined Contributions Component. Under the defined contribution component of the Hybrid Plan, creditable service is used to determine the member's vesting for the County's contribution into 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. VRS Plan 1 or VRS 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. Members are always 100% vested in their personal contributions that they make into the plan.

Vesting 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 personal contributions that they make into the plan.

Withdrawals. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of the County's 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 County contributions;
- After three years, a member is 75% vested and may withdraw 75% of County contributions; or
- After four or more years, a member is 100% vested and may withdraw 100% of County contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit Defined Benefit Component. Calculating the benefit is the same as detailed under VRS Plan 1.

Calculating the Benefit Defined Contribution Component. The benefit is based on contributions made by the member and any matching contributions made by the County, plus net investment earnings on those contributions.

Average Final Compensation. Average final compensation is calculated the same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier. The retirement multiplier is 1.00%.

For members that opted into the Hybrid from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans prior to opting out.

Normal Retirement Age Defined Benefit Component. Normal retirement age is the same as VRS Plan 2.

Normal Retirement Age Defined Contribution Component. Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility Defined Benefit Component. Eligibility for an unreduced retirement benefit is the same as VRS Plan 2.

Earliest Unreduced Retirement Eligibility Defined Contribution Component. Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility Defined Benefit Component. Eligibility for a reduced retirement benefit is the same as VRS Plan 2.

Earliest Reduced Retirement Eligibility Defined Contribution Component. Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) Defined Benefit Component. COLA is the same as VRS Plan 2.

Cost-of-Living Adjustment (COLA) Defined Contribution Component. Not applicable.

Eligibility for COLA. The eligibility for COLA increases is the same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates. The exceptions are the same as VRS Plan 1 and VRS Plan 2.

Disability Coverage. Hybrid Plan members are eligible to participate in the County's Local Disability Program equivalent to the Commonwealth of Virginia's Local Disability Program (VLDP). Hybrid Plan members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under the County's Local Disability Program are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service Defined Benefit Component. Purchase of Prior Service is the same as VRS Plan 1 with the following exceptions:

- Hybrid Plan members are ineligible for ported service.
- The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Purchase of Prior Service Defined Contribution Component. Not applicable.

Employees Covered by Benefit Terms:

As of June 30, 2014 actuarial valuation, the following County employees and members were covered by benefit terms of the VRS:

Illustration 13-3 Prince William County - Virginia Retirement System (VRS) Plan Membership as of June 30, 2014	
Inactive plan members or their beneficiaries currently receiving benefits	1,721
Inactive members:	
Vested inactive members	534
Non-vested inactive members	962
Inactive members active elsewhere in VRS	<u>615</u>
Total inactive members	2,111
Active employees	<u>3,586</u>
Total covered members	<u><u>7,418</u></u>

Contributions:

The VRS contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution was assumed by the County. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. The County opted to phase in over a period of five years as permitted by the *Code of Virginia* by providing a salary increase equal to the amount of the increase in the employee-paid member contribution. The County’s contractually required contribution rate for the fiscal year ended June 30, 2016, was 13.32% of the covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS from the County were \$32,132 and \$30,960 for the years ended June 30, 2016, and June 30, 2015, respectively.

Detailed information about the VRS’s fiduciary net position is available in the separately issued VRS comprehensive annual financial report (CAFR). The VRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/publications/index.asp?ftype=annualreport>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Net Pension Liability:

The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions:

The total pension liability for employees in the Prince William County's VRS plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method. The following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015 are detailed in Illustration 13-4 below:

Illustration 13-4	
Prince William County - Virginia Retirement System	
Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent closed
Remaining amortization period	29 and 30 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.0%, net of investment expense, including inflation*
Inflation	2.5%
Non-LEOS:	
Payroll Growth	3.5% - 5.35%, including inflation
Mortality Rates	14% of deaths service related
Mortality	
Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years
Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
LEOS:	
Payroll Growth	3.5% - 4.75%, including inflation
Mortality Rates	60% of deaths service related
Mortality	
Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years
Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

* 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.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return:

The long-term expected rate of return on the County’s VRS plan 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 the County’s VRS plan 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:

Illustration 13-5 Prince William County - Virginia Retirement System Long-Term Expected Rate of Return				
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average	
U.S. Equity	19.50%	6.46%	1.26%	
Developed Non U.S Equity	16.50%	6.28%	1.04%	
Emerging Market Equity	6.00%	10.00%	0.60%	
Fixed Income	15.00%	0.09%	0.01%	
Emerging Debt	3.00%	3.51%	0.11%	
Rate Sensitive Credit	4.50%	3.51%	0.16%	
Non Rate Sensitive Credit	4.50%	5.00%	0.23%	
Convertibles	3.00%	4.81%	0.14%	
Public Real Estate	2.25%	6.12%	0.14%	
Private Real Estate	12.75%	7.10%	0.91%	
Private Equity	12.00%	10.41%	1.25%	
Cash	1.00%	-1.50%	-0.02%	
	<u>100.00%</u>		<u>5.83%</u>	
		Inflation	2.50%	
		*Expected arithmetic nominal return	<u>8.33%</u>	

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that County’s VRS plan member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County’s VRS plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VRS 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.

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

Illustration 13-6 presents the net pension liability of the County using the discount rate of 7.00%, as well as what the County’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:

Illustration 13-6					
Prince William County - Virginia Retirement System					
Sensitivity of Liability as of June 30, 2015					
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)		
County’s net pension liability	\$ 303,685	\$ 157,176	\$ 35,503		

Fiduciary Net Position:

Specific information about the County VRS plan’s audited Fiduciary Net Position Report is located at <http://www.varetire.org/pdf/publications/gasb-68-schedule-political-subdivision-retirement-plans-2015.pdf> , page 7. Significant accounting policies of all plans and the fiduciary net positions are stated above.

The Changes in Net Pension Liability and Related Ratios, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 3A, presents multiyear trend information about whether the actuarial value of the plan liabilities and assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Changes in Net Pension Liability:

Illustration 13-7			
Prince William County - Virginia Retirement System			
Changes in Net Pension Liability			
	Total Pension Liability	Plan Fiduciary Net Position- Increase (Decrease)	Net Pension Liability (NPL)
Balances at June 30, 2014	\$ 1,039,004	898,044	140,960
Changes for the year:			
Service cost	28,708	-	28,708
Interest	71,222	-	71,222
Differences between expected and actual experience	(757)	-	(757)
Contributions - employer	-	30,571	(30,571)
Contributions - employee	-	11,628	(11,628)
Net investment income	-	41,324	(41,324)
Benefit payments, including refunds of employee contributions	(43,108)	(43,108)	-
Administrative expenses	-	(558)	558
Other changes	-	(9)	9
Net changes	56,065	39,848	16,217
Balances at June 30, 2015	\$ 1,095,069	937,892	157,177

The audited Fiduciary Net Position Report located at <http://www.varetire.org/pdf/publications/gasb-68-schedule-political-subdivision-retirement-plans-2015.pdf>, page 7.

The measurement date of the net pension liability was June 30, 2015, the date of the actuarial valuation on which the total pension liability is based was June 30, 2014, and update procedures were used to roll forward the total pension liability to the measurement date. Change since the measurement date is VRS investment performance decreased over fiscal year 2016, which will result in an increase in the pension liability for fiscal year 2016 once it is measured.

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

For the year ended June 30, 2016, the County recognized pension expense of \$17,000. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Illustration 13-8		
Prince William County - Virginia Retirement System		
Deferred Outflows and (Inflows) of Resources as of June 30, 2015		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (600)
Change in actuarial assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(23,781)
Subtotal	-	(24,381)
Employer contributions subsequent to the measurement date	32,132	-
Total	\$ 32,132	\$ (24,381)

\$32,132 reported as deferred outflows of resources related to pensions resulting from the County's contributions to the VRS subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Illustration 13-9		
Prince William County - Virginia Retirement System		
Amortization of Deferred Outflows and (Inflows) of Resources		
Year ended June 30,		
2016	\$	(9,517)
2017		(9,517)
2018		(9,516)
2019		4,169
Total	\$	(24,381)

Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel

Summary of Significant Accounting Policies:

Basis of accounting. The Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel (Plan) [irrevocable] Trust Fund financial statements are prepared using the accrual basis of accounting. The Plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the term of the Plan.

Method used to value investments. Investments are reported at fair value. Fair value of investments is based on quoted market prices.

The Supplemental Pension Plan Trust does not issue a stand-alone financial report.

The following is a summary of the Statement of Fiduciary Net Position of the Supplemental Pension Trust Plan:

Illustration 13-10		
Summary of the Statement of Fiduciary Net Position		
Supplemental Pension Plan Trust Fund		
		Supplemental Pension Plan Trust Fund
Total assets	\$	33,037
Total liabilities		-
Net position	\$	<u>33,037</u>

Following is a summary of the Changes in Fiduciary Net Position of the Supplemental Pension Plan Trust Fund:

Illustration 13-11		
Summary of the Changes in Fiduciary Net Position		
Supplemental Pension Plan Trust Fund		
		Supplemental Pension Plan Trust Fund
Total additions	\$	2,393
Total deductions		2,264
Change in Net position		129
Net position, beginning of year		32,908
Net position, end of year	\$	<u>33,037</u>

Plan Description:

Plan administration. The Plan is a single-employer defined benefit pension plan. Each police officer and salaried Fire & Rescue Department employee employed by Prince William County prior to July 1, 1985, is eligible to participate in the Plan as of July 1, 1985, if they were covered by and participating in the VRS and elected to participate in the Plan. Each police officer and salaried Fire & Rescue Department employee, hired after June 30, 1985, becomes a participant on his or her date of employment. The Plan provides retirement and death benefits to plan members and beneficiaries.

These benefit provisions, and the contributions required to pay them, were established and may be amended by authority of the Plan's Board of Trustees.

Benefits provided. The Plan is designed to provide a benefit upon the retirement of participants, the amount of which takes into account the length of service and the compensation paid by the County to such employees with recognition given to the benefits that will be provided by the VRS. Normal retirement date is the earlier of the participant's 55th birthday or the completion of 25 years of credited service. Benefits, at the participants' election, are i) the larger of 1.5% of the participant's final average compensation times credited service or 1.65% of the final average compensation in excess of \$1.2 multiplied by the years of credited service; ii) a temporary annuity of \$0.54 per month for 15 years for participants who left employment prior to March 30, 2001, and then elect benefit commencement on or after such date or a temporary annuity of \$0.64 per month for 15 years for participants employed on or after March 30, 2001; or iii) a lump sum benefit of the participant contribution plus the employer's contributions during the period of employment. Final average compensation for participants hired before July 1, 2010 is the base salary of an employee for the 36 consecutive calendar months producing the highest total, selected from the 120 calendar months immediately preceding actual retirement or termination, divided by 36 (or total months of service if less). Final average compensation for participants hired after June 30, 2010, is the base salary of an employee for the 60 consecutive calendar months producing the highest total, selected from the 120 calendar months immediately preceding actual retirement or termination, divided by 60 (or total months of service if less).

Participants shall vest 100% in the benefit provided under the Plan upon attainment of the participant's normal retirement date. Participants are considered vested and eligible for early retirement after 20 years of credited service, but the benefits are reduced 0.5% for each month the commencement date precedes the normal retirement date. As an alternative, the member may elect a temporary annuity of \$0.32 thousand per month for 15 years, multiplied by the ratio of the number of completed years of service at early retirement date to 25 or the withdrawal benefit. Any participant or spouse receiving a monthly benefit for at least one year is eligible for the pension increase each July 1st. The benefit will be increased by 100% of the first 3%

increase in the cost-of-living index plus 50% of the increase in the cost-of-living index in excess of 3%. Increases in the cost-of-living index in excess of 7% are not recognized. Increases do not apply to supplemental benefits or early retirement pensions. Illustration 13-12 reflects Plan membership.

Illustration 13-12	
Prince William County - Supplemental Pension Plan	
Plan Membership as of June 30, 2015	
Inactive plan members or their beneficiaries currently receiving benefits	211
Inactive members not currently receiving benefits:	
Vested inactive members	253
Non-vested inactive members	108
Total inactive members	572
Active employees	1,089
Total covered members	1,661

Contributions. These benefit provisions, and the contributions required to pay them, were established and may be amended by authority of the Plan's Board of Trustees. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The County is not required to contribute the difference between the actuarially determined rate and the contribution rate of plan members to the Plan Trust Fund. For the year ended June 30, 2016, the average active member contribution rate was 1.44% of annual pay, and the County's average contribution rate was 1.44% of annual payroll.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Plan from the County was \$1,137 and \$1,083 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Schedule of County Contributions, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 4B, presents multiyear trend information about yearly contributions into the Plan relative to actuarially determined contributions and total covered-employee payroll.

Investments:

Investment policy. The Statement of Investment Policy for the Plan is administered by the Plan Board. Any changes to the Statement of Investment Policy must be voted on by the Plan Board in order to be adopted. The last revision to the policy was August 28, 2014.

Fair value of investments is based on quoted market prices.

For Domestic Equity, International Equity and REITs, the maximum weighting, on a market value basis, in any one company for active Investment Managers is 5% of the portfolio value. For domestic fixed income, international fixed income, hedge funds and cash equivalents the maximum weighting, on a market value basis, in any one security for active Investment Managers is 2% of the portfolio value. This does not apply to U.S. government and agency issues. It is desirable to rebalance the portfolio periodically to minimize deviations from the Asset Allocation mix. The Plan shall be rebalanced in the event any individual asset class allocation differs from the permissible range described in the Asset Allocation.

Illustration 13-13 was the Board's adopted asset allocation policy as of June 30, 2016.

Illustration 13-13 Prince William County - Supplemental Pension Plan Statement of Investment Policy Concentrations at June 30, 2016		
Asset Class	Policy Percent	Target Range Percent
Supplemental Pension Plan Trust Fund Investments:		
Tactical	10%	5% - 15%
Equity	54%	50% - 58%
Real Assets	6%	2% - 10%
Fixed Income	30%	25% -35%
	100%	

Concentrations. At June 30, 2016, the Plan's investments were in money market, bond and equity mutual funds and therefore not subject to concentration of credit risk.

Rate of return. For the year ended June 30, 2016 and June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.03% and -1.12%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County:

The components of the net pension liability of the County at June 30, 2016, were as follows:

Illustration 13-14 Prince William County - Supplemental Pension Plan Net Pension Liability					
Fiscal Year Ending:		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Net Position as % of Total Pension Liability
June 30, 2016	\$	35,826	(33,037)	2,789	92.22%
June 30, 2015	\$	33,927	(32,908)	1,019	97.00%

The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement. Illustration 13-15 reflects the actuarial methods and assumptions as follows:

Illustration 13-15 Prince William County - Supplemental Pension Plan Actuarial Methods and Assumptions	
Valuation Date	July 1, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Investment Rate of Return	7.0% net of investment expense
Payroll Growth	4.50%
Inflation	3.00%
Mortality	RP-2000 Combined Healthy table with Blue Collar adjustment with generational projection by Scale AA

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2014.

Historical long term average returns have been used as a reasonable expectation of returns. The returns presented here are nominal, 20-year arithmetic means of the corresponding benchmark, less 3% to account for expected rate of inflation. Based on the 10.0% Diversified Assets, 53.0% Equity, 7.0% Real Assets, and 30.0% Fixed Income policy target allocation of the Plan, we are comfortable with a long-term net return of 7.0%. For the short term, we assumed that the current volatility in the markets could persist and assigned a 50% discount to long-term expectations.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in Illustration 13-16.

Illustration 13-16
Prince William County - Supplemental Pension Plan
Asset Class, Index, Mean Expected Rate of Return at June 30, 2016

Asset Class	Target Allocation	Benchmark Index	Long Term Real Annualized Return*
Diversified	10.0%	HFRI Fund of Funds	5.0%
Domestic Equity	30.0%	Russell 3000	9.3%
International Equity Developed	16.0%	Blended Developed	6.1%
International Equity Emerging	7.0%	MSCI Emerging Markets	7.9%
Private Equity	1.0%	Cambridge Private Equity	14.6%
Real Estate	6.0%	NCREIF NFI-ODCE	10.1%
Fixed Income International	15.0%	Citi World Government Bond	5.0%
Fixed Income US Investment Grade	15.0%	Barclays Aggregate	5.7%
Cash	0.0%		0.0%
	100.0%		
Real Return			7.2%

*For illustrative purposes, historical long term average returns have been used as a reasonable expectation of returns. The expected inflation rate is 3%.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the member rate. 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 plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. Illustration 13-17 presents the net pension liability of the County, calculated using the discount rate of 7.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

Illustration 13-17
Prince William County - Supplemental Pension Plan
Sensitivity of Net Pension (Asset) / Liability

Fiscal Year Ending:	Current Discount		
	1% Decrease (6.0%)	Rate (7.0%)	1% Increase (8.0%)
June 30, 2016	\$ 5,221	\$ 2,789	\$ 570
June 30, 2015	\$ 3,406	\$ 1,019	\$ (1,157)

Fiduciary Net Position.

Fiduciary Net Position is available on Exhibit 10 of the Basic Financial Statements. Significant accounting policies of all plans and the fiduciary net positions are stated above.

The Changes in Net Pension Liability and Related Ratios, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 4A, presents multiyear trend information about whether the actuarial value of the plan liabilities and assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Changes in Net Pension Liability.

Illustration 13-18			
Prince William County - Supplemental Pension Plan			
Changes in Net Pension Liability			
	Total Pension Liability	Plan Fiduciary Net Position - Increase (Decrease)	Net Pension Liability (NPL)
Balances at June 30, 2014	\$ 33,266	33,144	122
Changes for the year:			
Service cost	1,747	-	1,747
Interest	2,259	-	2,259
Differences between expected and actual experience	(1,365)	-	(1,365)
Contributions - employer	-	1,083	(1,083)
Contributions - employee	-	1,083	(1,083)
Net investment income	-	(340)	340
Benefit payments, including refunds of employee contributions	(1,980)	(1,980)	-
Administrative expenses	-	(83)	83
Other changes	-	1	(1)
Net changes	661	(236)	897
Balances at June 30, 2015	\$ 33,927	32,908	1,019

The measurement date of the net pension liability was June 30, 2015, the date of the actuarial valuation on which the total pension liability is based was July 1, 2015, and update procedures were used to roll forward the total pension liability to the measurement date. Change since the measurement date is that investment performance decreased over fiscal year 2016, which will result in an increase in the pension liability for fiscal year 2017 once it is measured.

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

For the year ended June 30, 2016, the County recognized pension expense of \$559. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Illustration 13-19		
Prince William County - Supplemental Pension Plan		
Deferred Outflows and (Inflows) of Resources as of June 30, 2015		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(1,194)
Change in actuarial assumptions	-	-
Net difference between projected and actual earnings		
on pension plan investments	2,131	(1,456)
Subtotal	2,131	(2,650)
Employer contributions subsequent to the measurement date	1,137	-
Total	\$ 3,268	(2,650)

\$1,137 reported as deferred outflows of resources related to pensions resulting from the County's contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Illustration 13-20		
Prince William County - Supplemental Pension Plan		
Amortization of Deferred Outflows and (Inflows) of Resources		
Year ended June 30,		
2016	\$	(123)
2017		(123)
2018		(123)
2019		362
2020		(170)
Thereafter		(342)
Total	\$	(519)

Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP)

Summary of Significant Accounting Policies:

Basis of accounting. The Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP) [irrevocable] Trust Fund financial statements are prepared using the accrual basis of accounting. The LoSAP plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the LoSAP plan.

Method used to value investments. Investments are reported at fair value. Fair value of investments is based on quoted market prices.

The LoSAP Pension Trust Plan does not issue a stand-alone financial report.

The following is a summary of the Statement of Fiduciary Net Position of the LoSAP Pension Trust Plan:

Illustration 13-21		
Summary of the Statement of Fiduciary Net Position		
Length of Service Award Program (LoSAP) Pension Trust Funds		
	Length of Service Award Program (LoSAP) Trust Fund	
Total assets	\$	14,632
Total liabilities		-
Net position	\$	14,632

Following is a summary of the Changes in Fiduciary Net Position of the LoSAP Pension Trust Fund:

Illustration 13-22		
Summary of the Changes in Fiduciary Net Position		
Length of Service Award Program (LoSAP) Pension Trust Funds		
	Length of Service Award Program (LoSAP) Trust Fund	
Total additions	\$	1,271
Total deductions		408
Change in Net position		863
Net position, beginning of year		13,769
Net position, end of year	\$	14,632

Plan Description:

Plan administration. The LoSAP plan is a single-employer defined benefit pension plan. The LoSAP plan provides benefits for certified volunteer fire department and rescue squad members and is administered by the LoSAP's Board of Trustees. LoSAP was authorized by the Board of County Supervisors on October 22, 1991, and became effective July 1, 1997.

Certified active duty fire department and rescue squad volunteers are eligible to participate in LoSAP upon attainment of the minimum age of 21 years, and a minimum of twelve months of creditable service, and a minimum of 360 hours of creditable service. Each certified active duty fire department and rescue squad volunteer becomes a participant on July 1 coinciding with or the next following year when all the eligibility requirements are met. The LoSAP plan provides retirement and death benefits to plan members and beneficiaries.

Benefits provided. LoSAP is designed to provide a benefit upon the retirement of participants, the amount of which takes into account the length of service. Normal retirement date is first day of the month coinciding with or next following attainment of age 60. Benefits are \$0.01 monthly times years of service with a 50% joint and survivor annuity. Normal Retirement Benefit accrues based on service to date. The LoSAP plan also provides a pre-retirement death benefit or disability benefit after a minimum service of five years. The pre-retirement death benefit provides a life annuity to the surviving spouse equal to 50% of the accrued benefit. For non-married participants a life annuity to a named beneficiary equals 25% of the accrued benefit. Additional death benefit for active members, \$10 is provided to designated beneficiary. The disability benefit provides an immediate annuity equal to 100% of the accrued benefit.

Participants shall vest upon termination after five years of service, a percentage, ranging from 50% for five years of service to 100% for ten or more years of service, of the accrued benefit, deferred to normal retirement date.

Illustration 13-23 reflects plan membership.

Illustration 13-23 Prince William County - LoSAP Plan Plan Membership as of June 30, 2013	
Inactive plan members or their beneficiaries currently receiving benefits	138
Inactive members not currently receiving benefits:	
Vested inactive members	1,038
Non-vested inactive members	-
Total inactive members	1,176
Active participants	626
Total covered members	1,802

Contributions. These benefit provisions, and the contributions required to pay them, were established and may be amended by authority of the LoSAP's Board of Trustees. The LoSAP Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year. The County contributes the total actuarially determined rate which includes the difference between the discount rate and the investment rate of return to the LoSAP Trust Fund. The County paid contributions on behalf of each of the Volunteer Fire and Rescue Companies according to their respective actuarial valuations.

This rate was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the County was \$853 and \$940 for the years ended June 30, 2016, and June 30, 2015, respectively.

The Schedule of County Contributions, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 5B, presents multiyear trend information about yearly contributions into the Plan relative to actuarially determined contributions and total covered-employee payroll.

Investments:

Investment policy. The investment policy for the LoSAP plan is administered by the LoSAP's Board of Trustees. Any changes to the investment policy must be voted on by the LoSAP Board in order to be adopted. Currently, the LoSAP Fund invests 100% into an insurance annuity fund.

Fair value of investments is based on quoted market prices.

Concentrations. At June 30, 2016, the LoSAP Trust Fund's investments were 100% invested in an insurance annuity fund and are subject to concentration of credit risk.

Rate of return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County:

The components of the net pension liability of the County at June 30, 2016, were as follows:

Illustration 13-24 Prince William County - LoSAP Plan Net Pension Liability					
Fiscal Year Ending:	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Net Position as % of Total Pension Liability	
June 30, 2016	\$ 15,522	(14,631)	891	94.26%	
June 30, 2015	\$ 15,089	(13,769)	1,320	91.25%	

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement. Illustration 13-25 reflects the actuarial methods and assumptions as follows:

Illustration 13-25	
Prince William County- LoSAP Plan	
Actuarial Methods and Assumptions	
Valuation Date	July 1, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Investment Rate of Return	6.0% per annum
Discount Rate	5.99%*
Payroll Growth	N/A
Inflation	N/A
Mortality	RP2000 Mortality Table projected to 2014 using Scale AA

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2014.

Discount rate. The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution amount. This amount includes an additional 3% to compensate for the annuity investment rate of return of 3%. 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 plan members until year 67, then a blend of the expected long term rate of return and a current municipal bond rate was used as the discount. *Sensitivity of the net pension liability to changes in the discount rate.* Illustration 13-22 presents the net pension liability of the County, calculated using the discount rate of 6.0% blended with the long-term municipal bond rate of 3.66% beginning at year 67, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97%/4.99%) or 1-percentage point higher (5.97%/6.99%) than the current rate:

Illustration 13-26				
Prince William County - LoSAP Plan				
Sensitivity of Net Pension (Asset) / Liability				
Fiscal Year Ending:		1% Decrease (4.97%)	Current Discount Rate* (5.97%)	1% Increase (6.97%)
June 30, 2016	\$	3,639	891	(1,278)
June 30, 2015	\$	4,037	1,320	(819)

*The discount rate used for valuing the Total Pension Liability as of June 30, 2015, is 5.99%, which is lower than the 6.00% investment return. This is due to a contribution policy calculated under on the Aggregate Funding Method which is not sufficient to cover all plan benefit payments as projected under GASB 67 & 68 accounting procedures.

Fiduciary Net Position.

Fiduciary Net Position is available on Exhibit 10 of the Basic Financial Statements. Significant accounting policies of all plans and the fiduciary net positions are stated above.

The Changes in Net Pension Liability and Related Ratios, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 5A, presents multiyear trend information about whether the actuarial value of the plan liabilities and assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Changes in Net Pension Liability.

Illustration 13-27			
Prince William County - LoSAP Plan			
Changes in Net Pension Liability			
	Total Pension Liability	Plan Fiduciary Net Position - Increase (Decrease)	Net Pension Liability (NPL)
Balances at June 30, 2014	\$ 14,651	12,836	1,815
Changes for the year:			
Service cost	290	-	290
Interest	885	-	885
Differences between expected and actual experience	(392)	-	(392)
Contributions - employer	-	940	(940)
Contributions - employee	-	-	-
Net investment income	-	372	(372)
Benefit payments, including refunds of employee contributions	(345)	(345)	-
Administrative expenses	-	(34)	34
Net changes	438	933	(495)
Balances at June 30, 2015	\$ 15,089	13,769	1,320

The measurement date of the net pension liability was June 30, 2015, the date of the actuarial valuation on which the total pension liability is based was July 1, 2014, and update procedures were used to roll forward the total pension liability to the measurement date.

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

For the year ended June 30, 2016, the County recognized pension expense of \$459. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Illustration 13-28		
Prince William County - LoSAP Plan		
Deferred Outflows and (Inflows) of Resources as of June 30, 2015		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(276)
Change in actuarial assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	538	-
Subtotal	538	(276)
Employer contributions subsequent to the measurement date	853	-
Total	\$ 1,391	(276)

*Deferred inflows reclassification to combine investment experience with other pensions.

\$853 reported as deferred outflows of resources related to pensions resulting from the County's contributions to LoSAP subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Illustration 13-29		
Prince William County - LoSAP Plan		
Amortization of Deferred Outflows and (Inflows) of Resources		
Year ended June 30,		
2016	\$	38
2017		38
2018		106
2019		80
Total	\$	262
*Deferred inflows reclassification to combine investment experience with other pensions.		

NOTE (14) – OTHER POST-EMPLOYMENT BENEFIT PLANS

County Sponsored Plans

1. Prince William County Post-Retirement Medical Benefits Premium Plan (County Premium Plan)

Plan Description. The Prince William County Premium Plan is a single-employer defined benefit post-employment healthcare plan that covers eligible retired employees and Consolidated Omnibus Budget Reconciliation Act (COBRA) eligible employees of the County including all departments and agencies. The County Premium Plan provides limited health, dental and vision insurance benefits to eligible retirees and their eligible family members. In order to receive the subsidy, the participant must be eligible to retire or eligible for COBRA coverage and have coverage under the medical plan prior to termination. All employees who are retiree eligible or COBRA eligible have access to medical coverage. Dependents, including surviving spouses, are permitted access to medical coverage. No access to medical coverage is permitted after age 65. Eligible employees must elect coverage immediately upon retirement. Employees who terminate prior to retirement eligibility are not eligible for the Premium Plan. Terminated employees can elect COBRA coverage for up to eighteen months if previously enrolled in the County Premium Plan. As of the end of the current fiscal year, there were 238 retirees and 36 post-employed under COBRA option who participated in the County's group insurance plans.

The County Premium Plan does not issue a stand-alone financial report.

Funding Policy. Article X of the Trust Agreement also assigns to the Board of County Supervisors the authority to establish and amend contribution requirements of the County with 30 days' notice. Retired plan members and beneficiaries are required to pay 100% of published blended premium rates to the County, which totaled \$2,304. The County may contribute to the Trust such amounts as it deems appropriate to pre-fund and/or pay benefits provided under a Plan it sponsors. The County is not obligated by the Trust Agreement to make any contributions. Therefore, contributions are recognized when due and the County has made a formal commitment to provide the contributions.

The County Premium Plan participates in the County Trust Fund of the OPEB Master Trust Fund. The following is a summary of the Statement of Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 14-1				
Summary of the Statement of Fiduciary Net Position				
OPEB Master Trust Fund				
	County	Schools	LODA	Total OPEB Master Trust Fund
Total assets	\$ 28,302	26,333	9,921	64,556
Total liabilities	3,515	6	755	4,276
Net position	\$ 24,787	26,327	9,166	60,280

The following is a summary of the Changes in Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 14-2				
Summary of the Changes in Fiduciary Net Position				
OPEB Master Trust Fund				
	County	Schools	LODA	Total OPEB Master Trust Fund
Total additions	\$ 4,192	482	1,747	6,421
Total deductions	3,509	-	752	4,261
Change in Net position	683	482	995	2,160
Net position, beginning of year	24,104	25,845	8,171	58,120
Net position, end of year	\$ 24,787	26,327	9,166	60,280

The employer contribution rate was actuarially determined. For fiscal year 2016, the County Premium Plan actuarially determined contribution amounts were contributed by the County to the Other Post-Employment Benefits (OPEB) Master Trust Fund in the amount of \$1,623. When \$4,263 of the benefits paid on behalf of retirees and COBRA insured by the County were measured and made available, a request for reimbursement from the OPEB Master Trust Fund was made according to the Trust Agreement of \$1,959.

Annual OPEB Cost. For fiscal year 2016, the County Premium Plan annual OPEB cost (expense) was equal to the actuarially determined contribution. The County Premium Plan's annual OPEB cost, the percentage of OPEB cost contributed to the OPEB Master Trust Fund, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

Illustration 14-3									
Other Post-Employment Benefits – Net OPEB Obligation Premium Plan									
Prince William County, Including ADC Component Unit									
Fiscal Year Ending:	Actuarially Determined Contribution*	Less NOO Amortization Plus Adjustments	Plus Interest Net OPEB Obligation	Annual OPEB Cost*	County Contribution to Trust Fund*	Pay-As-You-Go OPEB Costs	Increase (Decrease) in Net OPEB Obligation	Net OPEB Obligation (NOO) Beginning	Net OPEB Obligation (NOO) Ending
June 30, 2014	\$ 2,085	-	-	2,085	(2,085)	-	-	-	-
June 30, 2015	\$ 1,567	-	-	1,567	(1,567)	-	-	-	-
June 30, 2016	\$ 1,623	-	-	1,623	(1,623)	-	-	-	-

* This includes \$199, \$141, and \$145 respectively, allocated to ADC component unit based on proportion of ADC premiums paid budget.

Benefits paid on behalf of retirees and COBRA insured are invoiced to the OPEB Master Trust Fund, so no Net OPEB Asset exists.

Illustration 14-4				
Other Post-Employment Benefits – Percentage of Annual OPEB Cost				
Prince William County Premium Plan, Including ADC Component Unit				
Fiscal Year Ending:	Annual OPEB Cost*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) (NOO) Ending	
June 30, 2014	\$ 2,085	100%	-	
June 30, 2015	\$ 1,567	100%	-	
June 30, 2016	\$ 1,623	100%	-	

* This includes \$199, \$141, and \$145 respectively, allocated to ADC component unit based on proportion of ADC premiums paid budget.

Funded Status and Funding Progress. The funded status of the Premium Plan, as of June 30, was as follows:

Illustration 14-5							
Other Post-Employment Benefits – County Sponsored Plans							
Schedule of Funding Progress for Prince William County Premium Plan							
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	
July 1, 2013	\$ 13,908	23,873	9,965	58.3%	\$ 247,366	4.0%	
July 1, 2014	\$ 13,304	20,187	6,883	65.9%	\$ 258,704	2.7%	
July 1, 2015	\$ 14,715	21,591	6,876	68.2%	\$ 280,308	2.5%	

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

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

Biennially calculated actuarially determined contributions are used as a guide to determine the annual OPEB cost which is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Contribution amounts are developed using the projected unit credit actuarial cost method. The actuarial accrued liability was determined as part of a biennial actuarial valuation as of July 1, 2014.

Significant actuarial valuation methods and assumptions used for the premium and credit plans include (a) current marital status and elected insurance coverage assumed to continue into retirement, (b) 50% of employees elect insurance coverage at retirement, (c) a rate of return on the investment of present and future assets of 7.0% per year compounded annually, (d) projected payroll growth rate of 3.5% per year, (e) inflation rate of 2.4% and rate of increase in medical insurance claims from 5.2% decreasing each year to an ultimate rate of 4.5% per year, (f) healthy mortality based on RP2014 Combined Mortality Table (sex distinct), fully generational with scale MP2014, disabled mortality table (for all groups) was changed to match the disability mortality table used by VRS: RP2000 Disabled Mortality Table, with 3 year setback for males (g) eligible retirement and disability rates, withdrawal rates and ages of retirement based on VRS statistical tables, (h) assumed cost and retiree contributions computed using fiscal year 2016 premium rates by current enrollment, (i) gross claims weighted and projected using paid medical and prescription claims for employees pre age 65 retirees from July 1, 2013 to June 30, 2014 with a 9%

annual increase to fiscal year 2016 and (j) Line of Duty (or service-related) disabilities are assumed to receive LODA benefits and hence will not receive any benefits from this plan.

2. Prince William County Post-Retirement Medical Benefits Credit Plan (RHICP)

Plan Description. The Prince William County Post-Retirement Medical Benefits Credit Plan (RHICP) is a single-employer defined benefit post-employment healthcare plan that covers eligible employees or former employees of the County including all departments and agencies. The RHICP provides \$0.0055 per month, per year of service (maximum 30 years) paid for life towards the purchase of a medical insurance plan, benefit referred to as the RHICP. Disabled employees receive the full 30-year allowance. However, employees disabled in-service, where the County pays the entire cost of insurance, do not receive the subsidy. The medical insurance plan can be the County Premium Plan or any health plan of the retiree's choosing. In order to receive the subsidy, the retiree must have 15 years of service with the County and must be receiving a pension payment from the VRS or the County Plan. Terminated vested employees are allowed. The health insurance credit cannot be used for spousal coverage. The retirees are granted the option to participate by paying 100% of their monthly health insurance premium towards the County Premium Plan less \$0.0055 times years of service for a maximum health insurance credit of \$0.165 from the County. For the year ended June 30, 2016, the County paid \$1,550 to 1,007 eligible retirees for the RHICP.

The County RHICP does not issue a stand-alone financial report.

Funding Policy. Article X of the Trust Agreement also assigns to the Board of County Supervisors the authority to establish and amend contribution requirements of the County with 30 days' notice. Retired plan members and beneficiaries do not pay for coverage under the RHICP. The County may contribute to the Trust such amounts as it deems appropriate to pre-fund and/or pay benefits provided under a Plan it sponsors. The County is not obligated by the Trust Agreement to make any contributions. Therefore, contributions are recognized when due and the County has made a formal commitment to provide the contributions.

The County RHICP participates in the County Trust Fund of the OPEB Master Trust Fund. The following is a summary of the Statement of Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 14-6				
Summary of the Statement of Fiduciary Net Position				
OPEB Master Trust Fund				
	County	Schools	LODA	Total OPEB Master Trust Fund
Total assets	\$ 28,302	26,333	9,921	64,556
Total liabilities	3,515	6	755	4,276
Net position	<u>\$ 24,787</u>	<u>26,327</u>	<u>9,166</u>	<u>60,280</u>

Following is a summary of the Changes in Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 14-7				
Summary of the Changes in Fiduciary Net Position				
OPEB Master Trust Fund				
	County	Schools	LODA	Total OPEB Master Trust Fund
Total additions	\$ 4,192	482	1,747	6,421
Total deductions	3,509	-	752	4,261
Change in Net position	683	482	995	2,160
Net position, beginning of year	24,104	25,845	8,171	58,120
Net position, end of year	<u>\$ 24,787</u>	<u>26,327</u>	<u>9,166</u>	<u>60,280</u>

The employer contribution rate was actuarially determined. For fiscal year 2016, the County RHICP actuarially determined contribution amounts were contributed by the County to the OPEB Master Trust Fund in the amount of \$2,061. When \$1,550 of the benefits paid to the County's retirees were measured and made available, a request for reimbursement from the OPEB Master Trust Fund was made according to the Trust Agreement of \$1,550.

Annual OPEB Cost. For fiscal year 2016, the RHICP annual OPEB cost (expense) was equal to the actuarially determined contribution. The County RHICP's annual OPEB cost, the percentage of OPEB cost contributed to the OPEB Master Trust Fund, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

Illustration 14-8									
Other Post-Employment Benefits – Net OPEB Obligation RHICP									
Prince William County, Including ADC Component Unit									
Fiscal Year Ending:	Actuarially Determined Contribution*	Less NOO Amortization Plus Adjustments	Plus Interest Net OPEB Obligation	Annual OPEB Cost*	County Contribution to Trust Fund*	Pay-As-You-Go OPEB Costs	Increase (Decrease) in Net OPEB Obligation	Net OPEB Obligation (NOO) Beginning	Net OPEB Obligation (Asset) (NOO) Ending
June 30, 2014	\$ 2,107	-	-	2,107	(2,107)	-	-	-	-
June 30, 2015	\$ 2,023	-	-	2,023	(2,023)	-	-	-	-
June 30, 2016	\$ 2,061	-	-	2,061	(2,061)	-	-	-	-

* This includes \$170, \$161, and \$162 respectively, allocated to ADC component unit based on proportion of RHICP budget.

Benefits paid to retirees are invoiced to the OPEB Master Trust Fund, so no Net OPEB Asset exists.

Illustration 14-9			
Other Post-Employment Benefits – Percentage of Annual OPEB Cost			
Prince William County RHICP, Including ADC Component Unit			
Fiscal Year Ending:	Annual OPEB Cost*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) (NOO) Ending
June 30, 2013	\$ 2,107	100%	-
June 30, 2014	\$ 2,023	100%	-
June 30, 2015	\$ 2,061	100%	-

* This includes \$170, \$161 and \$162 respectively, allocated to ADC component unit based on the proportion of RHICP budget.

Funded Status and Funding Progress. The funded status of the plan, as of June 30, was as follows:

Illustration 14-10						
Other Post-Employment Benefits – County Sponsored Plans						
Schedule of Funding Progress for Prince William County RHICP						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ 8,195	27,378	19,183	29.9%	\$ 247,366	7.8%
July 1, 2014	\$ 9,770	27,858	18,088	35.1%	\$ 258,704	7.0%
July 1, 2015	\$ 10,958	29,075	18,117	37.7%	\$ 280,308	6.5%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Biennially calculated actuarially determined contributions are used as a guide to determine the annual OPEB cost which is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Contribution amounts are developed using the projected unit credit actuarial cost method. The actuarial accrued liability was determined as part of a biennial actuarial valuation as of July 1, 2014.

Significant actuarial valuation methods and assumptions used for the premium and credit plans include (a) 100% of employees and 100% of non-line-of-duty disability assumed to elect health insurance credit at retirement, (b) general active participants with 15 or more years of service begin Credit Plan benefits at age 65; Public Safety participants with 15 or more years of service begin at age 60, (c) a rate of return on the investment of present and future assets of 7.0% per year compounded annually, (d) projected payroll growth rate of 3.5% per year, (e) healthy mortality based on RP2014 Combined Mortality Table (sex distinct), fully generational with scale MP2014, disabled mortality table (for all groups) was changed to match the disability mortality table used by VRS: RP2000 Disabled Mortality Table, with 3 year setback for males, (f) eligible retirement and disability rates, withdrawal rates and ages of retirement based on VRS statistical tables. There is no applicable inflation or healthcare cost trend rates.

3. Prince William County Line of Duty Act Plan (LODA Plan)

The Line of Duty Act is promulgated by § 9.1-400, et. seq. of the *Code of Virginia (1950)*, as amended. On June 5, 2012, the Board of County Supervisors authorized Resolution No. 12-588, pursuant to paragraph B2 of Item 258 of the Commonwealth Appropriations Act, to make an irrevocable election not to participate in the Commonwealth's Line of Duty Act Fund effective July 1, 2012. The County has assumed all responsibility for existing, pending and prospective claims for benefits approved and the associated administrative costs incurred by the State Comptroller of behalf of Prince William County.

Plan Description. The Prince William County LODA Plan is a single-employer defined benefit post-employment plan that provides death, disability and healthcare benefits for public safety employees and volunteer firefighters who hold specified hazardous duty positions and who die or who become permanently disabled in the line of duty. The LODA Plan includes a \$100 life insurance benefit for death occurring as a direct or proximate result of duties, a \$25 death benefit for death by presumptive clause within five years of retirement, and lifetime medical benefits for the disabled employee and their surviving spouse with certified children covered to age 21 or age 25 if continuously enrolled in college, comparable to the medical coverage held by the deceased or disabled employee or volunteer at the time of the qualifying incident.

In order to be eligible to receive LODA benefits, the disabled or deceased employee or volunteer must be certified by the Virginia Department of Accounts. To be eligible for the healthcare benefit portion of the plan, the employee or volunteer must subscribe to healthcare coverage under a medical plan prior to the date of incident. Eligible employees and/or family members are either enrolled in a County-sponsored group healthcare plan or reimbursed for their healthcare premiums. Surviving spouses who remarry or children who marry and have access to other medical insurance coverage are no longer eligible for the healthcare benefits under the LODA Plan. Certified LODA retirees and their beneficiaries are required to pay 0% of the published blended premium rate for any of the County sponsored group healthcare plans. Uncertified beneficiaries (i.e. dependent children added post LODA certification) are required to pay a differential tier rate.

As of June 30, 2016, 34 retirees or survivors participated in the County's group insurance plans and six retirees or survivors received premium reimbursements.

The County LODA Plan does not issue a stand-alone financial report.

Funding Policy. Article X of the Trust Agreement also assigns to the Board of County Supervisors the authority to establish and amend contribution requirements of the County with 30 days' notice. Retired plan members and beneficiaries do not pay for coverage under the RHICP. The County may contribute to the Trust such amounts as it deems appropriate to pre-fund and/or pay benefits provided under a Plan it sponsors. The County is not obligated by the Trust Agreement to make any contributions. Therefore, contributions are recognized when due and the County has made a formal commitment to provide the contributions.

The County LODA Plan participates in the LODA Trust Fund of the OPEB Master Trust Fund. The following is a summary of the Statement of Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 14-11				
Summary of the Statement of Fiduciary Net Position				
OPEB Master Trust Fund				
	County	Schools	LODA	Total OPEB Master Trust Fund
Total assets	\$ 28,302	26,333	9,921	64,556
Total liabilities	3,515	6	755	4,276
Net position	\$ 24,787	26,327	9,166	60,280

The following is a summary of the Changes in Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 14-12				
Summary of the Changes in Fiduciary Net Position at June 30, 2015				
OPEB Master Trust Fund				
	County	Schools	LODA	Total OPEB Master Trust Fund
Total additions	\$ 4,192	482	1,747	6,421
Total deductions	3,509	-	752	4,261
Change in net Position	683	482	995	2,160
Net Position, beginning of year	24,104	25,845	8,171	58,120
Net Position, end of year	\$ 24,787	26,327	9,166	60,280

The employer contribution rate was actuarially determined. For fiscal year 2016, the County LODA Plan actuarially determined contribution amounts were contributed by the County to the OPEB Master Trust Fund in the amount of \$1,529. Payments to the County LODA Plan on behalf of uncertified beneficiaries totaled \$22 for fiscal year 2016. When \$774 of benefits and administrative costs were measured and made available, a request for reimbursement from the OPEB Master Trust Fund was made according to the Trust Agreement of \$752.

Annual OPEB Cost and Net OPEB Obligation. For fiscal year 2016, the County LODA Plan annual OPEB cost (expense) was equal to the Actuarially Determined Contribution. The County LODA Plan's annual OPEB cost, the percentage of OPEB cost contributed to the OPEB Master Trust Fund, and the net OPEB obligation for fiscal year 2016 were as follows:

Funded Status and Funding Progress. The funded status of the plan, as of June 30, was as follows:

Illustration 14-13										
Other Post-Employment Benefits – Net OPEB Obligation LODA Plan										
Prince William County, Including ADC Component Unit										
Fiscal Year Ending:	Actuarially Determined Contribution*	Less NOO Amortization Plus Adjustments	Plus Interest Net OPEB Obligation	Annual OPEB Cost*	County Contribution to Trust Fund	Pay-As-You-Go OPEB Costs	Increase (Decrease) in Net OPEB Obligation	Net OPEB Obligation (NOO) Beginning	Net OPEB Obligation (NOO) Ending	
June 30, 2014	\$ 2,778	64	323	3,165	(7,778)	-	(4,613)	4,613	-	-
June 30, 2015	\$ 1,474	-	-	1,474	(1,474)	-	-	-	-	-
June 30, 2016	\$ 1,529	-	-	1,529	(1,529)	-	-	-	-	-

* This includes \$348, \$148, and \$153 respectively, allocated to the ADC component unit.

Illustration 14-14
Other Post-Employment Benefits – Percentage of Annual OPEB Cost
Prince William County LODA Plan, Including ADC Component Unit

Fiscal Year Ending:	Annual OPEB Cost*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) (NOO) Ending
June 30, 2014	\$ 3,165	245.8%	-
June 30, 2015	\$ 1,474	100.0%	-
June 30, 2016	\$ 1,529	100.0%	-

* This includes \$348, \$148, and \$153 respectively, allocated to the ADC component unit.

Illustration 14-15
Other Post-Employment Benefits – County Sponsored Plans
Schedule of Funding Progress for Prince William County LODA Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll*	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	24,235	24,235	0.0%	\$ 79,081	30.6%
July 1, 2014	\$ 7,258	16,386	9,128	44.3%	\$ 95,795	9.5%
July 1, 2015	\$ 8,737	17,959	9,222	48.6%	\$ 86,476	10.7%

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

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

Biennially calculated actuarially determined contributions are used as a guide to determine the annual OPEB cost which is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Contribution amounts are developed using the projected unit credit actuarial cost method. The actuarial accrued liability was determined as part of a biennial actuarial valuation as of July 1, 2014.

Significant actuarial valuation methods and assumptions used for the County LODA Plan includes (a) current marital status and elected insurance coverage assumed to continue upon LODA certification, (b) 100% of employees elect insurance coverage upon LODA certification, (c) a rate of return on the investment of present and future assets of 7.0% per year compounded annually, (d) projected payroll growth rate of 3.5% per year, (e) inflation rate of 2.4% and rate of increase in medical insurance claims from 5.2% decreasing each year to an ultimate rate of 4.5% per year, (f) healthy mortality based on RP2014 Combined Mortality Table (sex distinct), fully generational with scale MP2014, disabled mortality table (for all groups) was changed to match the disability mortality table used by VRS: RP2000 Disabled Mortality Table, with 3 year setback for males, (g) eligible retirement and disability rates, ages of retirement based on statistical rates, (h) assumed cost contributions computed using fiscal year 2014 claims data by current certified LODA retirees and beneficiaries.

County Sponsored Plans – Health Insurance Internal Service Fund Recap

Funding Policy:

The OPEB Master Trust Fund was established as of June 30, 2009. During fiscal year 2016, the County contributed the actuarially determined contribution amounts for the County Premium Plan, County RHICP and County LODA Plan of \$5,213. Plan members received \$6,588 benefits and contributed \$2,326 premiums, resulting in \$4,262 net benefits paid by the County. The County currently pays these benefits on a pay-as-you-go basis and seeks reimbursement from the OPEB Master Trust Fund according to the Trust Agreement at year end.

Annual OPEB Cost and Net OPEB Obligation:

The County's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the actuarially determined contributions of the County, and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The actuarially determined contributions represent a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For the year ended June 30, 2016, the County's annual OPEB cost for County Premium Plan, the County's RHICP, and the County LODA Plan, based on the actuarially determined contribution for OPEB funding was \$5,213 (\$2,231 amortization, \$2,982 actuarial normal cost, funded), which was equal to the actual OPEB payment of \$5,213. As a result, the County recognizes a total net negative OPEB obligation (asset) of \$0.

OPEB costs for retiree and COBRA claims and claims administration, net of premiums paid, of \$4,262 which were fully accrued in the OPEB Master Trust Fund statements and Health Insurance Internal Service Fund statements, and were billed according to the Trust Agreement to the OPEB Master Trust Fund for reimbursement, are not included. As a result, the County recognizes pay-as-you-go OPEB Costs of \$0.

Illustration 14-16 shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligations for all County sponsored plans:

Illustration 14-16										
Other Post-Employment Benefits – Net OPEB Obligation All Plans										
Prince William County, including ADC Component Unit										
Fiscal Year Ending:	Actuarially Determined Contribution*	Less NOO Amortization Plus Adjustments	Plus Interest Net OPEB Obligation	Annual OPEB Cost*	County Contribution to Trust Fund*	Pay-As-You-Go OPEB Costs	Increase (Decrease) in Net OPEB Obligation	Net OPEB Obligation (NOO) Beginning	Net OPEB Obligation (Asset) (NOO) Ending	
June 30, 2014	\$ 6,970	64	323	7,357	(11,970)	-	(4,613)	4,613	-	-
June 30, 2015	\$ 5,064	-	-	5,064	(5,064)	-	-	-	-	-
June 30, 2016	\$ 5,213	-	-	5,213	(5,213)	-	-	-	-	-

* This includes \$717, \$450, and \$460 respectively allocated to ADC component unit based on proportion of ADC premiums paid, RHICP budget and LODA allocation.

Funded Status and Funding Progress:

The funded status of County plans as of July 1, 2014, the date of the most recent actuarial valuations, the actuarial accrued liability for benefits was \$68,625 and the actuarial value of assets was \$34,410, resulting in an unfunded actuarial accrued liability (UAAL) \$34,215. The covered payroll (annual payroll of active employees covered by the plans) was \$280,308, and the ratio of the UAAL to the covered payroll was 12.2%. The UAAL is being amortized as a level percentage of projected pay on a closed basis. The remaining amortization period at June 30, 2016 was 22 years for County Premium Plan and County RHICP, 27 years for County LODA Plan.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 6, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Component Unit Sponsored Plans

4. Prince William County Public Schools Retiree Medical Program (Schools Premium Plan)

The Prince William County Public Schools Retiree Medical Program (Schools Premium Plan) is sponsored and administered by the School Board and reported separately in their audited financial statements. Copies of these financial statements may be obtained by writing to the School Board’s Finance Division at P.O. Box 389, Manassas, Virginia 20108.

VRS Health Insurance Credit Program

Plan Description:

Retirees of the County, as well as the Adult Detention Center, who have rendered at least fifteen years of total creditable service under the VRS, are granted the option to participate in the VRS Health Insurance Credit Program by paying 100% of their monthly health insurance premium less a \$0.0015 times years of service for a maximum credit of \$0.045 from the VRS. Title 51.1 of the *Code of Virginia* assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. As of the end of the current fiscal year, there were 1,053 retirees that received the VRS health insurance credit. The health insurance credit is financed by payments from the County to the VRS. For the year ended June 30, 2016, the County paid \$376.

The surplus funds are not considered advance funded because the County, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits. As of June 30, 2015, the date of the most recent actuarial valuation, there were 3,310 active participants and 845 retired and deferred vested members on that date.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy and Annual Benefit Contribution:

In accordance with Title 51.1 of the *Code of Virginia* the County is required to contribute an actuarial percentage of its employees’ annual reported compensation to the VRS to fund the VRS Health Insurance Credit Program. The County’s contribution rate for the fiscal year ended June 30, 2014, was 0.17% of annual covered payroll.

The required contributions for the County were determined as part of an actuarial valuation performed as of June 30, 2014, using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% investment rate of return, and (b) projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County assets is equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected pay on a closed basis. The remaining amortization period at June 30, 2015, was 19 to 28 years for the County.

Trend information:

Illustration 14-17 summarizes the required three-year trend information for the County.

Illustration 14-17				
Virginia Retirement System – Health Insurance Credit Program				
Three Year Trend Information for Prince William County				
Fiscal Year Ending:		Annual Benefit Cost (ABC) Employer Portion	Percentage of ABC Contributed	Net Benefit Obligation (NBO)
June 30, 2014	\$	371	100%	-
June 30, 2015	\$	357	100%	-
June 30, 2016	\$	376	100%	-

Funded Status and Funding Progress:

As of June 30, 2015, the most recent actuarial valuation date, the VRS Health Insurance Credit Program was 44.6% funded. The actuarial accrued liability for benefits was \$6,846 and the actuarial value of assets was \$3,050, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,796. The covered payroll (annual payroll of active employees of covered by the plan) was \$212,264, and the ratio of the UAAL to the covered payroll was 1.8%. Covered payroll was reduced to exclude constitutional officers, employees of constitutional officers, general registrars, employees of general registrars, and local social service employees. Annual salaries of valuations prior to June 30, 2011 included all employees within Prince William County, including constitutional officers, employees of constitutional officers, general registrars, employees of general registrars, and local social service employees, whose actuarial accrued liability is not with Prince William County.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 6, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE (15) – OTHER POST-EMPLOYMENT BENEFITS (OPEB) MASTER TRUST FUND

Description:

The Prince William County Other Post-Employment Benefits (OPEB) Master Trust Fund is an agent multiple-employer defined benefit post-employment benefits trust fund. As such, it is reported in accordance to GASB Statement No. 43, paragraph 13, in the aggregate. Individual plan information of the participating employer agents is reported in Note (15).

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

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

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

On June 17, 2014, the Board of County Supervisors authorized Resolution No. 14-391 establishing the Line of Duty Act sub-account to fund covered employees and authorized annual contributions to the OPEB Master Trust Fund. The beginning liability for fiscal year 2014 was also transferred to the OPEB Master Trust Fund.

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

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

The following is a summary of the Statement of Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 15-1					
Summary of the Statement of Fiduciary Net Position					
OPEB Master Trust Fund					
		County	Schools	LODA	Total OPEB Master Trust Fund
Total assets	\$	28,302	26,333	9,921	64,556
Total liabilities		3,515	6	755	4,276
Net position	\$	24,787	26,327	9,166	60,280

The following is a summary of the Changes in Fiduciary Net Position of the OPEB Master Trust Fund:

Illustration 15-2					
Summary of the Changes in Fiduciary Net Position					
OPEB Master Trust Fund					
		County	Schools	LODA	Total OPEB Master Trust Fund
Total additions	\$	4,192	482	1,747	6,421
Total deductions		3,509	-	752	4,261
Change in Net position		683	482	995	2,160
Net position, beginning of year		24,104	25,845	8,171	58,120
Net position, end of year	\$	24,787	26,327	9,166	60,280

Summary of Significant Accounting Policies:

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

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

Contribution Information:

Illustration 15-3 summarizes the membership in the OPEB Master Trust of each plan as of July 1, 2014, the latest actuarial valuations.

Illustration 15-3					
OPEB Master Trust Fund					
Membership Information as of July 1, 2014					
	County Premium Plan	County RHICP	County LODA Plan	School Board Premium Plan	
Active plan members	2,674	3,368	2,466	10,561	
Retirees and beneficiaries receiving benefits	212	831	35	441	
Terminated plan members entitled to but not yet receiving benefits	-	-	-	-	

Funded Status and Funding Progress – All Participating OPEB Plans:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements in Schedule 6, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Illustration 15-4 summarizes the funded status and Employer contributions of all plans as of the most recent actuarial valuation date.

Illustration 15-4							
Other Post-Employment Benefits - OPEB Master Trust Fund Participating Plans							
Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	
July 1, 2013	\$ 40,552	139,899	99,347	29.0%	\$ 783,660	12.7%	
July 1, 2014	\$ 54,890	116,374	61,484	47.2%	\$ 774,969	7.9%	
July 1, 2015	\$ 60,255	120,568	60,313	50.0%	\$ 812,419	7.4%	

The schedule of employer contributions, shown in Illustration 15-5, presents trend information about the amounts contributed to all plans by employers in comparison to an amount that is actuarially determined in accordance to the parameters of GASB Statement No. 45. The actuarially determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Illustration 15-5			
Other Post-Employment Benefits – OPEB Master Trust Fund Participating Plans			
Schedule of Employer Contributions			
Fiscal Year Ending:	Total Actuarially Determined Contributions		Percentage Contributed
June 30, 2014	\$	15,570	109%
June 30, 2015	\$	5,960	100%
June 30, 2016	\$	8,625	100%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information about the actuarial methods and assumptions, as of the latest actuarial valuations, is shown in Illustration 15-6.

Illustration 15-6				
Other Post-Employment Benefits – OPEB Master Trust Fund Participating Plans				
Actuarial Methods and Assumptions				
	County Premium Plan	County RHICP	County LODA Plan	School Board Premium Plan
Valuation Date	July 1, 2014	July 1, 2014	July 1, 2014	July 1, 2014
Actuarial Cost Method	Projected Unit Cost	Projected Unit Cost	Projected Unit Cost	Entry Age
Amortization Method	Level % of Projected Pay, closed	Level % of Projected Pay, closed	Level % of Projected pay, closed	Level % of Pay, closed
Remaining Amortization Period	22 years	22 years	27 years	29 years
Asset Valuation Method	Fair Market Value	Fair Market Value	Fair Market Value	Fair Market Value
Investment Rate of Return	7.0%	7.0%	7.0%	7.0%
Payroll Growth	3.5%	3.5%	3.5%	2.5%
Inflation	2.4%	n/a	2.4%	2.5%
Healthcare Cost Trend Rate	5.2% base, 6.2% sensitivity, initial	n/a	5.2% base, 6.2% sensitivity, initial	7.0% initial
	4.5% base, 5.5% sensitivity, ultimate	n/a	4.5% base, 5.5% sensitivity, ultimate	5.0% ultimate

Concentrations:

Permissible asset classes, shown with target investment percentages, include:

Illustration 15-7			
OPEB Master Trust Fund Concentrations at June 30, 2015			
Asset Class	Policy Percent	Target Range Percent	Actual Percent
OPEB Master Trust Fund Investments:			
Domestic Equity	40%	20% - 60%	40.7%
International Equity	20%	0% - 40%	10.4%
Other Growth Assets	0%	0% - 20%	7.1%
Fixed Income	40%	20% - 60%	41.8%
Other Income Assets	0%	0% - 20%	0.0%
Real Return Assets	0%	0% - 20%	0.0%
Cash Equivalents	0%	0% - 20%	0.0%
	<u>100%</u>		<u>100.0%</u>

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS). Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. Alternatives may consist of non-traditional asset classes such as hedge funds, private equity, real estate and commodities, when deemed appropriate. The total allocation to this category may not exceed 30% of the overall portfolio. Private equity and publicly traded REITS will be categorized in the Other Growth Assets category. For purposes of asset allocation targets and limitations, single strategy hedge funds will be categorized under the specific asset class of the fund. At June 30, 2016, the OPEB Master Trust Fund's investments were in money market, bond and equity mutual funds and therefore not subject to concentration of credit risk.

NOTE (16) – SELF INSURANCE

The County and Adult Detention Center are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to its employees; and natural disasters.

The Prince William County Self-Insurance Group Casualty Pool provides coverage to the County and the Adult Detention Center. The Casualty Pool has a \$750 per occurrence retention of coverage, except ambulances and fire trucks, \$1,000 per occurrence retention of coverage, and it purchases commercial excess insurance with a \$10,000 per occurrence and \$20,000 annual aggregate limit, except for automobile liability coverage, which has a \$10,000 annual aggregate limit and public official liability which has a \$10,000 aggregate limit. The Prince William County Self-Insurance Group Workers' Compensation Association provides coverage to the County and the Adult Detention Center. The Association has a \$1,500 per occurrence retention, and it purchases commercial excess coverage which provides statutory limits for workers' compensation claims and a \$1,000 excess of the \$1,500 per occurrence retention limit for employers' liability coverage.

The County's pre-65 retirees with over 15 years of service and permanent employees are eligible to enroll in one of three health insurance plans and a dental plan. All three health insurance plans include comprehensive medical, preventive care, vision, and prescription drug coverage. Three of the health insurance plans are self-insured with a \$225 specific individual stop loss limit. The basis for estimating incurred but not reported (IBNR) claims at year-end is an annual analysis performed by the plan's administrator. The County also offers an HMO option to limited employees and a dental option which are fully insured. The County expended \$38,363 for claims, administration and premiums in fiscal year 2016.

The County's Self-Insurance Group Casualty Pool, Workers' Compensation and Other Self-Insurance plans are fully funded. Losses are charged to operations as incurred. The liability for unpaid losses for self-insurance is determined using case-basis evaluations and a provision for incurred but not reported losses that is based upon actuarial projections. Actuarial projections of ultimate losses are based on a composite of the self-insurance members' experience and property and casualty insurance industry data, which is used to supplement the limited historical experience and includes the effects of inflation and other factors. Claims liabilities include allocated loss adjustment expenses and are reported net of estimated claims. Due to the limited historical experience of the Prince William Self-Insurance Group Casualty Pool, Workers' Compensation and Other Self-

Insurance, there exists a significant range of variability around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount of the liability for unpaid losses and related expenses and the related provisions included in financial statements may be more or less than the actual cost of settling all unpaid claims. Adjustments to claim liabilities are made continually, based on subsequent developments and experience, and are included in operations as made.

Illustration 16-1 presents a reconciliation of the changes in the aggregate liabilities for claims for the current and prior fiscal years. These claims liabilities are included in accrued liabilities in the accompanying statement of fund net position (Exhibit 7).

Illustration 16-1					
Prince William County Self-Insurance					
Other Self Insurance, Casualty Pool and Workers' Compensation Association, Health Insurance					
Changes in the Aggregate Liabilities for Claims					
		Other Self- Insurance	Casualty Pool	Workers' Compensation Association	Health Insurance*
Unpaid claims June 30, 2013	\$	178	628	14,747	3,300
Total claims incurred, fiscal year 2014		83	486	(592)	30,072
Total claims paid, fiscal year 2014		(17)	(441)	(1,366)	(29,772)
Unpaid claims June 30, 2014	\$	244	673	12,789	3,600
Total claims incurred, fiscal year 2015		-	349	3,631	35,414
Total claims paid, fiscal year 2015		(10)	(470)	(2,649)	(34,674)
Unpaid claims June 30, 2015	\$	234	552	13,771	4,340
Total claims incurred, fiscal year 2016		28	267	3,834	38,049
Total claims paid, fiscal year 2016		(11)	(325)	(3,490)	(37,984)
Unpaid claims June 30, 2016	\$	251	494	14,115	4,405

*Health Insurance column excludes certain HMO, dental and vision premiums, flexible spending benefits and retiree insurance credit expenses.

NOTE (17) - INTERJURISDICTIONAL AGREEMENT

The County has entered into a contractual agreement with Fairfax County for the purpose of exchanging solid waste. The agreement allows for the sharing of solid waste facilities between counties. Revenues and expenses generated by this agreement are recorded in the Landfill enterprise fund with billing for any balances to occur during the second half of the fiscal year or reconciliation at the end the fiscal year. Neither party is obligated to make payment unless the funds have been appropriated. The agreement is cancelable by giving 120 days' written notice. The amounts due from and due to Fairfax County are \$625 and \$0 respectively at June 30, 2016.

NOTE (18) - RELATED ORGANIZATIONS

A. Industrial Development Authority

The Prince William Industrial Development Authority (IDA) was duly created by the Board pursuant to the Industrial Development and Revenue Bond Act, Title 15.1, Chapter 33, *Code of Virginia*. The IDA is a political subdivision of the Commonwealth governed by seven directors appointed by the Board. The IDA is empowered, among other things, to acquire, construct, improve, maintain, equip, own, lease and dispose of parking and other facilities in the Commonwealth and to finance the same by the issuance of its revenue bonds. The IDA has no taxing power.

The Board approves the issuance of industrial development bonds solely to qualify such bonds for tax exemption. These bonds do not constitute indebtedness of the County and are secured solely by revenues received from the borrowers. The County has no financial responsibility for the day-to-day financial transactions of the IDA.

B. Service Authority

The Prince William County Service Authority (Service Authority) is authorized under the Virginia Water and Sewage Authorities Act; Title 15.1, Chapter 28 of the *Code of Virginia*, pursuant to resolution adopted by the Board on January 11, 1983. It was chartered by the State Corporation Commission. The members of the Service Authority are appointed by the Board; however,

there is no ability of the Board to direct the members of the Service Authority with respect to carrying out the Service Authority's fiscal and management functions. The Service Authority currently operates and sets the rates and charges for the sewer system in the County. The Service Authority's operations and capital funds are principally financed by user charges and bond issues. The Service Authority is an independent public body, who is solely responsible for all its outstanding debt.

The Prince William County Service Authority operates the sewer system in the County, including the portion of its system located in the UOSA service area. In 1992, the Service Authority contractually assumed the obligation to pay the amounts due from the County to UOSA under a Service Agreement, subject to an annual contribution to those payments by the County which declines over a period of years to zero in 2021. On December 11, 2012, the County and the Service Authority modified this agreement whereby the Service Authority assumed full responsibility for funding the County's obligation to UOSA in the future. Furthermore, the Service Authority granted and formally acknowledged a non-cash credit of \$13,782 to the County equivalent to payments the County made under the prior agreement. The County may use this credit to purchase sewer and water availability or any Service Authority asset offered for sale. The non-cash credit will be reduced by such value of any purchase of sewer and water availability or asset. The balance of the County's unused portion of the credit at June 30, 2016, is \$11,911.

C. Upper Occoquan Sewage Authority

The Upper Occoquan Sewage Authority (UOSA) was created under the provisions of the Virginia Water and Sewer Authorities Act to be the single regional entity to construct, finance and operates the regional sewage treatment facility mandated by the Occoquan policy for the upper portion of the Occoquan Watershed. UOSA is a joint venture formed on March 3, 1971, by a concurrent resolution of the governing bodies of the Counties of Fairfax and Prince William and the Cities of Manassas and Manassas Park. The governing body of UOSA is an eight-person Board of Directors consisting of 2 members appointed to four year terms by the governing body of each jurisdiction. The County has an ongoing financial responsibility for its share of UOSA's operating costs and construction costs.

D. Northern Virginia Criminal Justice Training Academy-Emergency Vehicle Operations Center (EVOC)

The Northern Virginia Criminal Justice Training Academy (NVCJTA) was re-chartered by the Commonwealth of Virginia in 1997. It was originally established in 1965 as the Northern Virginia Police Academy.

In 1980, the NVCJTA entered into an agreement with the Old Dominion Speedway in Manassas for the use of the facility as an Emergency Vehicle Operations Center (EVOC). It is anticipated that access to this facility will be terminated. Therefore, the NVCJTA has entered into an agreement to lease finance the construction and equipping of a new EVOC on its property located in Nokesville, VA.

There are four participating jurisdictions included in the financing of the new EVOC: Prince William County, Loudoun County, Arlington County and Alexandria City. The four jurisdictions are responsible for the debt service, and the operating and capital expenditures will be charged to all participating jurisdictions on a pro rata share basis.

The County's share of both operating and debt service expenditures has been set at 30 percent per the Memorandum of Understanding between NVCJTA and the County and approved by the Board of County Supervisors via Resolution No. 05-770 on September 6, 2005.

The Industrial Development Authority of Loudoun County VA issued \$18,650 of Lease Revenue Bonds on November 21, 2006, to finance the construction and equipping of the EVOC. Prince William County is responsible for debt service on 30% of the total issue, or \$5,505. On September 24, 2015, the Northern Virginia Criminal Justice Training Academy (NVCJTA) issued the 2015 Bond, a private placement bond, in the amount of \$9,613 to advance refund the Series 2006 Lease Revenue Bonds outstanding balance of 11,990. The lease revenue bonds were originally issued in November 2006 by the NVCJTA through the Loudoun County Industrial Development Authority in the total amount of \$18,650 to finance the Emergency Vehicle Operations Center (EVOC) located at the Public Safety Training Center. The County participated in the Series 2006 financing by committing to pay a share of the debt service on the bonds and the County will continue to participate in a proportionate share of the refunding savings. The County's payment for fiscal year 2016 was \$392. The County's General Fund committed share of the NVCJTA's remaining debt service (including interest), which approximates 30% of total NVCJTA principal and interest requirements as of June 30, 2016, is shown in Illustration 18-1.

Illustration 18-1		
County's Share of NVCJTA Debt Service Requirements		
Year Ending June 30:		
2017	\$	384
2018		372
2019		359
2020		352
2021		345
2022 thru 2026		1,597
Total	\$	<u>3,409</u>

E. Northern Virginia Transportation Authority (NVTA)

The Northern Virginia Transportation Authority (NVTA) was established under the provisions of the Code of Virginia, Title 15.2, Chapter 48.2. NVTA embraces the Counties of Arlington, Fairfax, Loudoun, and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. It provides a technical advisory committee to provide recommendations on the development of transportation projects, funding strategies, and other matters.

NVTA is funded through an increase in sales and use tax rate of 0.3%. Per the Memorandum of Agreement between NVTA and the County, 30% of the revenues received by NVTA shall be received by the County on a prorated share. These will be used to fund additional urban or secondary road construction, for other capital improvements that reduce congestion, for other transportation capital improvements in NVTA's most recent long range transportation plan, or for public transportation purposes. The remaining 70% of the increased sales and use tax will be distributed by NVTA to provide for regional projects across the counties and cities included within the authority.

NOTE (19) - JOINT VENTURES

A. Potomac and Rappahannock Transportation Commission

The Potomac and Rappahannock Transportation Commission (PRTC), was created in fiscal year 1987 to levy a 2% Motor Fuel Tax authorized by the Commonwealth. The PRTC is a joint venture of the contiguous jurisdictions of Prince William and Stafford Counties and the Cities of Manassas, Manassas Park, and Fredericksburg and was established to improve transportation systems, composed of transit facilities, public highways and other modes of transport. While each jurisdiction effectively controls PRTC's use of Motor Fuel Tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in PRTC.

The PRTC's governing structure consists of a seventeen-member board of commissioners that includes thirteen locally elected officials from the six member jurisdictions, three appointed commissioners from the General Assembly and one ex-officio representative representing from the Virginia Department of Rail and Public Transportation (VDRPT).

On December 16, 1997, the PRTC issued \$7,445 in Transportation Facilities Lease Revenue Refunding Bonds, Series 1997. The 1997 Bonds were issued to refinance certain of PRTC's outstanding indebtedness, originally incurred to finance the costs of the acquisition, design and construction of transportation facilities. The 1997 Bonds are limited obligations of PRTC payable solely from and secured by a pledge of (1) prior to March 1, 2000, a refunding escrow account, and (2) on and after March 1, 2000, (a) the County's portion of fuel tax revenues, (b) payments by the County to PRTC pursuant to the lease, subject to appropriation, and (c) certain funds and accounts established by indenture, including a debt service reserve fund.

In addition to lease payments to be made to PRTC, the County is also required to fund its share of PRTC's administrative expenses, certain costs of the commuter rail operations, and operating deficits of the County's commuter bus service. Funding sources include the motor fuel tax proceeds and other appropriated County resources. The County did not appropriate resources to be paid to PRTC in fiscal year 2014. The motor fuel tax proceeds were sufficient to cover all costs.

Copies of PRTC's financial statements may be obtained by writing to PRTC Finance Division, 14700 Potomac Mills Road, Woodbridge, Virginia 22192.

B. Peumansend Creek Regional Jail Authority

The Peumansend Creek Regional Jail Authority (the Authority) was created in fiscal year 1994 to construct and operate a 336 prisoner regional correctional facility. The Authority is a joint venture of the jurisdictions of Arlington, Caroline, Loudoun and Prince William Counties and the Cities of Alexandria and Richmond. The formation of the Authority was enabled by Public Law 102-25 and 102-484 that conveyed 150 acres at Fort A.P. Hill from the U.S. Department of the Army to Caroline County on the condition that Caroline County and at least three other jurisdictions named in the legislation construct and operate a regional correctional facility on the site. The City Manager, County Manager or County Executive of the member jurisdictions forms the Authority. The Authority has six member jurisdictions. The Authority employs a Superintendent who is responsible for the operation of the Jail. Each jurisdiction pays the per diem charge for the number of guaranteed beds set forth in the Service Agreement.

The County and the other participating jurisdictions have no explicit, measurable equity interest in the Authority, but do have an ongoing financial responsibility for their share of the Authority's operating costs. The County made payments to the Authority in fiscal year 2016 of \$801 to pay its share of the Authority's operating costs.

On March 20, 1997, the Authority issued \$10,220 Regional Jail Facility Revenue Bonds, Series 1997 and \$12,000 Regional Jail Facility Grant Anticipation Notes, Series 1997. The obligations were issued for the purpose of financing the Authority's planning, design, acquisition, construction and equipping of the Regional Jail Facility; funding a debt service reserve fund for the 1997 Bonds through the purchase of a surety bond from MBIA Insurance Corporation; funding payment of interest on the 1997 Notes through April 1, 2000; funding certain working capital expenditures incident to placing the Regional Jail in operation; and paying the costs of issuing the obligations. The Authority began accepting female prisoners in September 1999, and began full operation in November 1999.

Copies of the Authority's financial statements may be obtained by writing to Peumansend Creek Regional Jail Authority, P.O. Box 1460, Bowling Green, Virginia 22427.

On May 17, 2016, the Board of County Supervisors approved Resolution No. 16-497 authorizing the withdrawal of membership and participation in Peumansend Creek Regional Jail Authority, in accordance with Section 5.9 of the Service Agreement, effective June 30, 2017.

NOTE (20) - COMMITMENTS AND CONTINGENCIES

Virginia Railway Express

In May 2005, NVTC and PRTC entered into a capitalized lease obligation on behalf of VRE in the amount of \$25,100 for the acquisition of 11 cab cars. As of June 30, 2016, the outstanding balance on the capitalized lease was approximately \$14,159.

In fiscal year 2008 VRE entered into an agreement with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars. In fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance on the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The amount of notes outstanding at June 30, 2016, was \$55,629.

The County, through its membership in the PRTC, has joined with other jurisdictions through a Master Agreement to bear certain costs associated with operating and insuring the rail service as well as servicing the debt issued by NVTC. The Master Agreement requires that the County's governmental officers charged with preparing its annual budget include an amount equal to its share of the costs of the VRE. Each jurisdiction's share is determined by a formula set out in the Master Agreement. It is estimated the County's share of this cost will be approximately \$5,310 annually and will be paid with the 2.1% Motor Fuel Tax collected by the PRTC or the County's General Fund if fuel tax revenues are not sufficient.

Agreement to sell land

On December 8, 2015, The Prince William County Board of Supervisors authorized an Agreement of Sale of County-Owned property at Innovation Park, located at 9349 Hornbaker Road and consisting of approximately 21 acres of land, between the Prince William Board of County Supervisors, Virginia (seller) and COPT Acquisitions, Inc., A Delaware corporation (purchaser) at a sale price of \$4,312.

NOTE (21) – SUBSEQUENT EVENTS

On June 21, 2016, the Board of County Supervisors approved Resolution No. 16-533 that certifies the county's election of the Virginia Retirement System (VRS) member contribution requirements that will be effective in fiscal year 2017. The implementation of the member contribution requirements of Chapter 822 of the 2012 Act of Assembly (SB497) will begin in for the fiscal year beginning July 1, 2016. Employees in Plan 1 and Plan 2 will contribute a total of 5% of their credible compensation to VRS.

On June 21, 2016, the Board of County Supervisors approved Resolution No. 16-534 that employees of the County of Prince William, Virginia, who are employed as full time permanent salaries Law Enforcement Officers, Firefighter, Jail Officers, Jail Superintendent, Sheriff and Sheriff's Deputies will be entitled to receive the same benefits, including the retirement multiplier of 1.85%, provided by the Virginia Retirement System to state police officers of the Department of State Police. The County of Prince William, Virginia agrees to pay the employer cost for providing these benefits. This benefit takes effect July 1, 2016.

On October 18, 2016, The Board of County Supervisors approved Resolution No. 16-786 that authorized the issuance of general obligation school bonds not to exceed \$219,695 to finance certain school capital projects and refund other outstanding general obligation school bonds.

Christopher Martino became the Chief Executive Officer for the County of Prince William, Virginia on September 20, 2016, vacating his Deputy Executive Officer position.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)
For the Year Ended June 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
FROM LOCAL SOURCES:				
GENERAL PROPERTY TAXES:				
Real property taxes	\$ 568,165	568,165	570,372	2,207
Real and personal property taxes of public service corporations	17,357	17,357	18,831	1,474
Personal property taxes	156,236	101,936	108,682	6,746
Penalties and interest	5,651	5,651	6,068	417
Total general property taxes	747,409	693,109	703,953	10,844
OTHER LOCAL TAXES:				
Short term rental tax	206	206	285	79
Local sales taxes	60,280	60,280	60,551	271
Consumer's utility taxes	13,940	13,940	13,977	37
Bank stock taxes	1,500	1,500	1,709	209
Motor vehicle licenses	840	8,400	8,260	(140)
Taxes on recordation and wills	8,084	8,084	10,613	2,529
Business, professional and occupational license tax	25,025	25,025	25,065	40
Public utility gross receipts tax	1,296	1,296	1,356	60
Transient occupancy tax	3,973	3,973	3,721	(252)
Total other local taxes	115,144	122,704	125,537	2,833
PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES:				
Animal licenses	196	196	248	52
Fire protection permits	141	141	183	42
Health protection permits	177	177	185	8
Cable franchise fees	1,385	1,385	1,394	9
Permits and other licenses	145	145	285	140
Total permits, privilege fees and regulatory licenses	2,044	2,044	2,295	251
FINES AND FORFEITURES:				
	3,096	3,096	2,952	(144)
FROM USE OF MONEY AND PROPERTY:				
Use of money	6,249	4,369	6,085	1,716
Use of property	1,260	1,367	1,461	94
Total revenue from use of money and property	7,509	5,736	7,546	1,810
CHARGES FOR SERVICES:				
Court costs	2,966	2,966	1,920	(1,046)
Correction and detention	1,079	1,101	1,220	119
Commonwealth's Attorney	89	89	19	(70)
Parks and recreation	762	905	1,133	228
Mental health and mental retardation	740	808	863	55
Welfare and social services	232	232	232	-
Library	664	663	562	(101)
Planning and community development	36	36	-	(36)
Public safety	563	563	862	299
Ambulance and rescue	5,634	5,634	5,431	(203)
Other charges	507	507	584	77
Total charges for services	13,272	13,504	12,826	(678)
Total revenue from local sources	888,474	840,193	855,109	14,916

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)
For the Year Ended June 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
THE FEDERAL GOVERNMENT:				
Payments in lieu of taxes	70	70	75	5
Categorical aid grants:				
Aging programs	1,156	1,141	778	(363)
USDA	95	124	102	(22)
Welfare programs	10,278	10,980	12,788	1,808
Mental health/retardation and substance abuse programs	2,734	2,773	2,769	(4)
Homeland Security Grants	292	472	530	58
Police federal forfeitures and grant programs	179	237	282	45
Expenditure reimbursement for social services	330	330	330	-
Other	1,780	1,631	1,856	225
Total revenue from the federal government	16,914	17,758	19,510	1,752
THE COMMONWEALTH:				
NONCATEGORICAL AID:				
PPTRA revenue	-	54,300	54,288	(12)
Communications sales and use tax	20,050	20,050	18,745	(1,305)
Anti-Annexation public safety	9,104	9,104	9,188	84
Mobile home tax	35	35	52	17
Rental car tax	1,035	1,035	1,008	(27)
Rolling stock tax	101	101	91	(10)
Total noncategorical aid	30,325	84,625	83,372	(1,253)
SHARED EXPENDITURES:				
Commonwealth's Attorney	1,418	1,418	1,844	426
Sheriff	1,730	1,731	1,750	19
Director of Finance	560	560	676	116
Registrar	84	84	85	1
Clerk of the Court	572	572	1,792	1,220
Total shared expenditures	4,364	4,365	6,147	1,782
CATEGORICAL AID:				
Public safety	543	583	1,265	682
Fire programs	1,256	1,256	1,648	392
Library	524	524	520	(4)
Public assistance and welfare administration	9,785	9,738	9,566	(172)
Public health	228	228	426	198
Total categorical aid	12,336	12,329	13,425	1,096
OTHER CATEGORICAL AID:				
Aging program	413	400	381	(19)
Community services	14,326	16,584	15,619	(965)
Juvenile detention	2,075	2,033	2,064	31
Criminal justice services	1,029	1,040	1,042	2
Police extraditions	30	30	20	(10)
Sheriff extraditions	25	25	29	4
Victim/witness program	163	191	43	(148)
Other	603	754	709	(45)
Total other categorical aid	18,664	21,057	19,907	(1,150)
Total revenue from the Commonwealth	65,689	122,376	122,851	475

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)
For the Year Ended June 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
LOCAL GOVERNMENTS:				
City of Manassas	5,361	5,361	5,469	108
City of Manassas Park	1,903	1,947	1,833	(114)
Total revenues from local governments	7,264	7,308	7,302	(6)
MISCELLANEOUS:				
Expenditure refunds	546	600	526	(74)
Donations - proffers	2,415	12,437	12,437	-
Donations - other	269	415	166	(249)
Insurance recoveries	-	-	1	1
Other	175	175	420	245
Total miscellaneous revenues	3,405	13,627	13,550	(77)
Total budgetary revenues	981,746	1,001,262	1,018,322	17,060
BUDGETARY EXPENDITURES:				
GENERAL GOVERNMENTAL ADMINISTRATION:				
Board of County Supervisors	3,763	3,550	3,198	352
County Attorney	3,614	3,733	3,628	105
Office of Executive Management	9,112	8,916	8,771	145
Technology and support services	372	9	14	(5)
Finance	18,961	18,765	18,828	(63)
Audit services	772	884	868	16
Human Rights	589	624	592	32
Board of Registration/Elections	2,152	2,228	2,170	58
Mailroom and print shop	622	986	986	-
Contingency reserve	560	75	-	75
Unemployment insurance reserves	125	125	67	58
Total general governmental administration	40,642	39,895	39,122	773
JUDICIAL ADMINISTRATION:				
Commonwealth Attorney	5,414	5,505	5,421	84
Sheriff	9,491	9,589	9,567	22
Juvenile and Domestic Relations Court	105	106	83	23
Clerk of Court/Judges chambers	4,789	5,080	4,693	387
General District Court	268	271	191	80
Magistrates	151	147	128	19
Law library	161	161	92	69
Total judicial administration	20,379	20,859	20,175	684
PUBLIC SAFETY:				
Public Works - development	2,632	2,752	2,563	189
Police	97,059	95,936	94,059	1,877
Juvenile Court Services Unit	867	851	828	23
Adult Detention Center	26,383	26,254	26,254	-
Correction and detention of youth	6,323	5,878	5,863	15
Criminal Justice Services	3,542	3,684	3,557	127
Public Safety Communications	10,462	10,536	9,700	836
Fire service	75,911	76,532	75,989	543
Northern Virginia Criminal Justice Training Academy	430	560	552	8
Total public safety	223,609	222,983	219,365	3,618

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)
For the Year Ended June 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
PUBLIC WORKS:				
Public works	29,699	29,812	28,086	1,726
Transportation	2,816	2,695	2,572	123
Property and miscellaneous insurance	6,678	1,245	749	496
Total public works	39,193	33,752	31,407	2,345
HEALTH AND WELFARE:				
Social Services	35,857	36,622	36,454	168
Public health	3,324	3,365	3,351	14
Community Services Board	38,835	41,157	40,049	1,108
Office on aging	5,885	5,907	5,383	524
Total health and welfare	83,901	87,051	85,237	1,814
EDUCATION:				
Schools	508,617	423,385	423,385	-
PARKS, RECREATIONAL AND CULTURAL:				
Parks and recreation	18,912	18,765	18,186	579
Library	17,497	17,516	16,611	905
Total parks, recreational and cultural	36,409	36,281	34,797	1,484
COMMUNITY DEVELOPMENT:				
Office of Planning	3,383	3,514	3,319	195
Economic and community development	2,842	2,832	2,832	-
Extension and continuing education	800	877	854	23
Tourism	1,163	1,163	1,163	-
Total community development	8,188	8,386	8,168	218
DEBT SERVICE:				
Principal retirement	22,771	77,986	77,986	-
Interest and other debt costs	16,067	45,381	45,230	151
Total debt service	38,838	123,367	123,216	151
Total budgetary expenditures	999,776	995,959	984,872	11,087
Excess (deficiency) of budgetary revenues over (under) budgetary expenditures	(18,030)	5,303	33,450	28,147
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN:				
Fire & rescue levy fund	11,634	11,669	11,669	-
Special revenue funds	5,774	5,807	5,798	(9)
Capital projects funds	11,259	10,456	10,456	-
Internal service funds	-	-	3	3
Enterprise funds	1,899	3,088	3,088	-
Total transfers in	30,566	31,020	31,014	(6)
TRANSFERS OUT:				
Special revenue funds	(4,596)	(5,377)	(5,377)	-
Fire & rescue levy fund	-	(478)	(478)	-
Capital projects funds	(21,884)	(32,416)	(32,416)	-
Internal service funds	(2,870)	(2,633)	(2,633)	-
Enterprise funds	(1,943)	(2,376)	(2,376)	-
Total transfers out	(31,293)	(43,280)	(43,280)	-

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)
For the Year Ended June 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
NON-REVENUE RECEIPTS:				
Proceeds from refundings	-	-	2,935	2,935
Premium on refundings	-	-	189	189
Payments to escrow agent	-	-	(3,068)	(3,068)
Claims and judgment recoveries	-	-	12	12
Sale of surplus property	174	174	2,094	1,920
Total non-revenue receipts	174	174	2,162	1,988
Total other financing sources (uses)	(553)	(12,086)	(10,104)	1,982
Net change in budgetary fund balance	(18,583)	(6,783)	23,346	30,129
BUDGETARY FUND BALANCE, beginning of year	182,796	182,796	182,796	-
BUDGETARY FUND BALANCE, end of year	<u>\$ 164,213</u>	<u>176,013</u>	<u>206,142</u>	<u>30,129</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Use of money and property (Schedule 1)	\$ 6,249	6,249	7,546	1,297
Current year fair value adjustment	-	-	4,820	4,820
Use of money and property (Exhibit 5)	6,249	6,249	12,366	6,117
Cumulative fair value adjustments of prior periods	-	-	(7,800)	(10,753)
BUDGETARY FUND BALANCE, end of year	164,213	176,013	206,142	30,129
Total adjustments	-	-	(2,980)	(5,933)
FUND BALANCE, end of year	<u>\$ 164,213</u>	<u>176,013</u>	<u>203,162</u>	<u>24,196</u>

SPECIAL REVENUE FUND - Fire & Rescue Levy

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

(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
General property taxes	\$ 36,070	36,070	37,149	1,079
From use of money and property	-	-	1,527	1,527
Miscellaneous	-	444	528	84
Total budgetary revenues	36,070	36,514	39,204	2,690
BUDGETARY EXPENDITURES:				
Public safety - Fire & Rescue	44,578	63,859	29,536	34,323
Debt service:				
Principal retirement	330	107	107	-
Interest and other debt costs	-	309	218	91
Total debt service	330	416	325	91
Total budgetary expenditures	44,908	64,275	29,861	34,414
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General fund	-	478	478	-
Capital projects funds	-	456	456	-
Transfers out:				
General fund	-	(11,669)	(11,669)	-
Internal service funds	98	(98)	(98)	-
Sale of surplus property	11,669	-	136	136
Total other financing sources (uses)	11,767	(10,833)	(10,697)	136
Net change in budgetary fund balance	2,929	(38,594)	(1,354)	37,240
BUDGETARY FUND BALANCE, beginning of year	87,492	87,492	87,492	-
BUDGETARY FUND BALANCE, end of year	\$ 90,421	48,898	86,138	37,240
Reconciliation of Budgetary Basis to GAAP Basis:				
Use of money and property (Schedule 2)	\$ -	-	1,527	1,527
Current year fair value adjustment	-	-	835	835
Use of money and property (Exhibit 5)	-	-	2,362	2,362
Cumulative fair value adjustments of prior periods	-	-	(875)	(875)
BUDGETARY FUND BALANCE, end of year	90,421	48,898	86,138	37,240
Total adjustments	-	-	(40)	(40)
FUND BALANCE, end of year	\$ 90,421	48,898	86,098	37,200

COUNTY OF PRINCE WILLIAM, VIRGINIA
Changes in Net Pension Liability and Related Ratios-Post Employment Benefit Plans (UNAUDITED)
 Last Ten Fiscal Years
 (amounts expressed in thousands, except percentage and years)

Schedule 3A

Virginia Retirement System - All Plans										
Changes in the County's Net Pension Liability and Related Ratios - Last 10 Fiscal Years										
Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>Information for FY 2013 and earlier is not available.</i>										
Total pension liability										
Service cost	\$	28,708	28,205							
Interest		71,222	67,389							
Changes of benefit terms		-	-							
Differences between expected and actual experience		(757)	-							
Changes of assumptions		-	-							
Benefit payments, including refunds of member contributions		(43,108)	(38,578)							
Net change in total pension liability		56,065	57,016							
Total pension liability - beginning		1,039,004	981,988							
Total pension liability - ending (a)	\$	<u>1,095,069</u>	<u>1,039,004</u>							
Plan fiduciary net position										
Contributions - employer	\$	30,571	30,488							
Contributions - member		11,628	11,385							
Net investment income		41,324	122,481							
Benefit payments, including refunds of member contributions		(43,108)	(38,578)							
Administrative expense		(558)	(651)							
Other		(8)	7							
Net change in plan fiduciary net position		39,849	125,132							
Plan fiduciary net position - beginning		898,044	772,912							
Plan fiduciary net position - ending (b)	\$	<u>937,893</u>	<u>898,044</u>							
County's net pension liability - ending (a)-(b)	\$	157,176	140,960							
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)		85.65%	86.43%							
Covered-employee payroll	\$	242,757	230,499							
County's net pension liability as a percentage of covered-employee payroll		64.75%	61.15%							
Expected average remaining service years of all participants		n/a	n/a							
See illustration 13-5 for weighted average rate of return		8.33%	8.33%							

Notes to Schedule:

Projected benefit payments. Calculations assume that the County will continue to make all required actuarially determined contributions.

Based on that assumption, the plan's fiduciary net position is expected to make all future benefit payments of current plan members.

Changes of assumptions. There are no changes in actuarial assumptions reflected in the current schedule.

Based on GASB 73 regarding changes in calculating covered payroll to pensionable earnings, covered payroll for FY 2014 was corrected.

COUNTY OF PRINCE WILLIAM, VIRGINIA
Schedule of County Contribution-Post Employment Benefit Plans (UNAUDITED)
 Last Ten Fiscal Years
 (amounts expressed in thousands, except percentage, ratios and years)

Schedule 3B

Virginia Retirement System - All Plans											
Schedule of County Contributions - Last 10 Fiscal Years											
Fiscal Year		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
					<i>Information for FY 2013 and earlier is not available.</i>						
Actuarially determined contribution	\$	30,690	30,488								
Contributions in relation to the actuarially determined contribution		30,690	30,488								
Contribution deficiency (excess)	\$	-	-								
Covered-employee payroll	\$	242,757	230,499								
Contributions as a percentage of covered employee payroll ¹		12.64%	13.23%								

¹ The rates shown are as a percentage of total covered employee payroll. Contribution rates are set and contributed based on pensionable earnings only.

Notes to Schedule:

Valuation date. Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial valuations are performed every other year.

Methods and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed
Payroll growth rate	3.0%
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market value
Investment rate of return	7.0%, net of pension plan investment expense, including inflation rate of 2.5%
Salary increases	3.5%-5.35%
Inflation	2.5%
Cost-of-living adjustments	2.25% - 2.5%
Retirement age	Rates vary by participant age and service
Mortality	Pre-retirement based on RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years Post-retirement based on RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year Post-disablement based on RP-2000 Disabled Mortality Table Projected with Scale AA to 2020 with males set back 3 years and no provision for future mortality improvement

Based on GASB 73 regarding changes in calculating covered payroll to pensionable earnings, covered payroll for FY 2014 was corrected.

Changes in Net Pension Liability and Related Ratios-Post Employment Benefit Plans (UNAUDITED)

Last Ten Fiscal Years

(amounts expressed in thousands, except percentage and years)

Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel (Supplemental Pension Plan)										
Changes in the County's Net Pension Liability and Related Ratios - Last 10 Fiscal Years										
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<i>Information for FY 2013 and earlier is not available.</i>										
Total pension liability										
Service cost	\$ 1,747	1,747	1,602							
Interest	2,300	2,260	2,118							
Changes of benefit terms	-	-	238							
Differences between expected and actual experience	-	(1,365)	-							
Changes of assumptions	-	-	-							
Benefit payments, including refunds of member contributions	(2,149)	(1,980)	(1,905)							
Net change in total pension liability	\$ 1,898	662	2,053							
Total pension liability - beginning	33,927	33,265	31,212							
Total pension liability - ending (a)	\$ 35,826	33,927	33,265							
Plan fiduciary net position										
Contributions - employer	\$ 1,137	1,083	1,007							
Contributions - member	1,137	1,083	1,007							
Net investment income	119	(339)	4,438							
Benefit payments, including refunds of member contributions	(2,148)	(1,980)	(1,905)							
Administrative expense	(116)	(83)	(109)							
Other	-	-	-							
Net change in plan fiduciary net position	\$ 129	(236)	4,438							
Plan fiduciary net position - beginning	32,908	33,144	28,706							
Plan fiduciary net position - ending (b)	\$ 33,037	32,908	33,144							
County's net pension liability - ending (a)-(b)										
	\$ 2,789	1,019	121							
Plan fiduciary net position as a percentage of the										
total pension liability (b)/(a)	92.22%	97.00%	99.64%							
Covered-employee payroll										
	\$ 78,968	75,229	73,505							
County's net pension liability as a percentage of covered-employee payroll										
	3.53%	1.35%	0.16%							
Expected average remaining service years of all participants										
	8	8	8							
See Illustration 13-16 for long term average rate of return										
	7.20%	10.00%	7.00%							

Notes to Schedule:

Benefit changes. There were several changes to benefit terms reflected in FY 2014 including an increase to the rate of employee contributions to 1.44% and the change to COLAs for participants hired after June 30, 2010.

Projected benefit payments. Calculations assume that the County will continue to make all required actuarially determined contributions.

Based on that assumption, the plan's fiduciary net position is expected to make all future benefit payments of current plan members.

Changes of assumptions. There are no changes in actuarial assumptions reflected in the current schedule.

COUNTY OF PRINCE WILLIAM, VIRGINIA
Schedule of County Contribution-Post Employment Benefit Plans (UNAUDITED)
Last Ten Fiscal Years
(amounts expressed in thousands, except percentage, ratios and years)

Schedule 4B

Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel (Supplemental Pension Plan)											
Schedule of County Contributions - Last 10 Fiscal Years											
Fiscal Year		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$	1,137	1,083	1,000							
Contributions in relation to the actuarially determined contribution		1,137	1,083	1,007							
Contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>	<u>(7)</u>							
Covered-employee payroll	\$	78,968	75,229	73,505							
Contributions as a percentage of covered employee payroll ¹		1.44%	1.44%	1.37%							

Information for FY 2013 and earlier is not available.

¹The rates shown are as a percentage of pensionable covered employee payroll. Contribution rates are set and contributed based on pensionable earnings only. These amounts were recalculated for prior fiscal years to pensionable earnings per GASB 73.

Notes to Schedule:

Valuation date. Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial valuations are performed every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	Aggregate
Remaining amortization period	The benefits are funded as a level percent of payroll over the expected future working lifetime of current active participants
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.5%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	Rates based on RP2000 tables for males and females with generational mortality improvements by Scale AA

Changes in Net Pension Liability and Related Ratios-Post Employment Benefit Plans (UNAUDITED)

Last Ten Fiscal Years

(amounts expressed in thousands, except percentage and years)

Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP)										
Changes in the County's Net Pension Liability and Related Ratios - Last 10 Fiscal Years										
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	<i>Information for FY 2013 and earlier is not available.</i>									
Total pension liability										
Service cost	\$ 286	290	308							
Interest	911	885	821							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	(471)	(392)	-							
Changes of assumptions	70	-	-							
Benefit payments, including refunds of member contributions	(362)	(345)	(338)							
Net change in total pension liability	\$ 434	438	791							
Total pension liability - beginning	15,089	14,651	13,860							
Total pension liability - ending (a)	\$ 15,523	15,089	14,651							
Plan fiduciary net position										
Contributions - employer	\$ 853	940	2,115							
Contributions - member	-	-	-							
Net investment income	409	372	354							
Benefit payments, including refunds of member contributions	(362)	(345)	(338)							
Administrative expense	(37)	(34)	(61)							
Other	-	-	-							
Net change in plan fiduciary net position	\$ 863	933	2,070							
Plan fiduciary net position - beginning	13,769	12,836	10,766							
Plan fiduciary net position - ending (b)	\$ 14,632	13,769	12,836							
County's net pension liability - ending (a)-(b)	\$ 891	1,320	1,815							
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	94.26%	91.25%	87.61%							
* Covered-employee payroll	\$ -	-	-							
County's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A							
Expected average remaining service years of all participants	3	3	7							
Weighted average rate of return	2.95%	2.95%	2.95%							

Notes to Schedule:

Benefit changes. None.

Projected benefit payments. Calculations assume that all members and the County will continue to make all required actuarially

Changes of assumptions. There are no changes in actuarial assumptions reflected in the current schedule.

* All volunteers are not compensated.

Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP)										
Schedule of County Contributions - Last 10 Fiscal Years										
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	<i>Information for FY 2013 and earlier is not available.</i>									
Actuarially determined contribution	\$ 853	940	2,115							
Contributions in relation to the actuarially determined contribution	853	940	2,115							
Contribution deficiency (excess)	\$ -	-	-							
Covered-employee payroll	N/A	N/A	N/A							
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A							

Notes to Schedule:

Valuation date. Actuarially determined contribution rates are calculated as of the beginning of each fiscal year (July 1). Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate, level dollar
Amortization method	Aggregate, level dollar
Remaining amortization period	The benefits are funded as a level dollar amount over the expected future working lifetime of current active participants
Asset valuation method	Fair market value
Inflation	Not Applicable
Salary increases	Not Applicable
Investment rate of return	6.00%
Retirement age	100% at age 60
Mortality	Rates based on RP2000 Mortality Table projected to 2014 using Scale AA

**Other Post-Employment Benefits - County Sponsored Plans
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ 22,103	75,486	53,383	29.3%	247,366	21.6%
July 1, 2014	\$ 30,332	64,431	34,099	47.1%	258,704	13.2%
July 1, 2015	\$ 34,410	68,625	34,215	50.1%	280,308	12.2%

**Other Post-Employment Benefits- Virginia Retirement System - Health Insurance Credit Program
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 2,504	6,246	3,742	40.1%	198,448	1.9%
June 30, 2014	\$ 2,927	6,512	3,585	45.0%	204,740	1.8%
June 30, 2015	\$ 3,050	6,846	3,796	44.6%	212,264	1.8%

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The Transportation Districts receive their revenues from special tax levies, user fees, and interest earnings. These revenues are used primarily to pay debt service payments incurred in construction of streets and roads.

The Stormwater Management District and Gypsy Moth Levy receive its revenues from permits and development fees, charges for services, Federal and State grants, interest earnings and special tax levies. Expenditures consist of the cost of promoting storm water drainage and construction projects, maintaining water quality and protecting the environment.

Development Fee Services receive revenues from permits, privilege fees, and regulatory licenses related to land and building development. Expenditures consist primarily of the cost of conducting review, inspection, and planning services.

Housing receives its revenue primarily from Federal housing grants that are used to develop affordable housing opportunities for County residents.

Community Development Authorities receives revenue from special assessment levy included in the real estate bill. Expenditures consist of the cost of improvements to various authorities.

COUNTY OF PRINCE WILLIAM, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

Schedule 7

Combining Balance Sheet

As of June 30, 2016

(amounts expressed in thousands)

	Transportation Districts	Stormwater Management District/Gypsy Moth and Forest Pest Management	Development Fee Services	Housing	Totals
ASSETS					
Equity in pooled cash and investments	\$ 1,570	11,231	5,457	496	18,754
Accounts receivable, net	3	58	64	178	303
Prepaid items	-	-	-	2,167	2,167
Total assets	\$ 1,573	11,289	5,521	2,841	21,224
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 1	58	35	109	203
Wages and benefits payable	-	133	440	64	637
Due to other governmental units	-	8	-	-	8
Unearned revenue	-	2,406	17	33	2,456
Total liabilities	1	2,605	492	206	3,304
FUND BALANCES:					
Non-spendable	-	-	-	2,167	2,167
Restricted	1,572	8,684	5,029	468	15,753
Total fund balances	1,572	8,684	5,029	2,635	17,920
Total liabilities and fund balances	\$ 1,573	11,289	5,521	2,841	21,224

COUNTY OF PRINCE WILLIAM, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016
(amounts expressed in thousands)

Schedule 8

	Transportation Districts	Stormwater Management District/Gypsy Moth and Forest Pest Management	Development Fee Services	Housing	Community Development Authorities	Totals
REVENUES:						
General property taxes	\$ 624	1,348	-	-	1,229	3,201
Permits, privilege fees and regulatory licenses	-	217	15,527	-	-	15,744
Fines and forfeitures	-	-	1	-	-	1
From use of money and property	40	242	114	12	-	408
Charges for services	5	7,756	1,034	5,355	-	14,150
Intergovernmental revenues:						
Federal	-	-	-	26,756	-	26,756
State	-	15	-	-	-	15
Miscellaneous	-	10	246	13	-	269
Total revenues	669	9,588	16,922	32,136	1,229	60,544
EXPENDITURES:						
Public safety - Public Works	-	-	12,441	-	-	12,441
Public works - Public Works	226	-	-	-	-	226
Community development - Housing	-	-	-	31,382	-	31,382
Community development - Public Works	-	6,914	5,678	-	-	12,592
Community development authority	-	-	-	-	1,221	1,221
Total expenditures	226	6,914	18,119	31,382	1,221	57,862
OTHER FINANCING SOURCES (USES):						
Transfers in:						
General fund	-	-	5,321	56	-	5,377
Special revenue funds	-	-	18	-	-	18
Capital projects funds	-	1,037	-	-	-	1,037
Transfers out:						
General fund	(260)	(780)	(4,613)	(137)	(8)	(5,798)
Special revenue funds	-	(18)	-	-	-	(18)
Internal service funds	-	(86)	(356)	-	-	(442)
Capital projects funds	-	(1,738)	-	-	-	(1,738)
Sale of surplus property	-	27	9	-	-	36
Total other financing sources (uses)	(260)	(1,558)	379	(81)	(8)	(1,528)
Net change in fund balances	183	1,116	(818)	673	-	1,154
FUND BALANCE, beginning of year	1,389	7,568	5,847	1,962	-	16,766
FUND BALANCE, end of year	\$ 1,572	8,684	5,029	2,635	-	17,920

SPECIAL REVENUE FUND - Transportation Districts

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
General property taxes	\$ 619	619	624	5
From use of money and property	7	7	26	19
Charges for services	-	-	5	5
Total budgetary revenues	626	626	655	29
BUDGETARY EXPENDITURES:				
Public works - Public Works	368	443	226	217
Total budgetary expenditures	368	443	226	217
OTHER FINANCING SOURCES (USES):				
Transfers out:				
General fund	(260)	(260)	(260)	-
Total other financing sources (uses)	(260)	(260)	(260)	-
Net change in budgetary fund balance	(2)	(77)	169	246
BUDGETARY FUND BALANCE, beginning of year	1,435	1,435	1,435	-
BUDGETARY FUND BALANCE, end of year	\$ 1,433	1,358	1,604	246
Reconciliation of Budgetary Basis to GAAP Basis:				
Use of money and property (Schedule 9)	\$ 7	7	26	19
Current year fair value adjustment	-	-	14	14
Use of money and property (Schedule 8)	7	7	40	33
Cumulative fair value adjustments of prior periods	-	-	(46)	(46)
BUDGETARY FUND BALANCE, end of year	1,433	1,358	1,604	246
Total adjustments	-	-	(32)	(32)
FUND BALANCE, end of year	\$ 1,433	1,358	1,572	214

SPECIAL REVENUE FUND - Stormwater Management District/Gypsy Moth and Forest Pest Management
Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2016
 (amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
General property taxes	\$ 1,356	1,356	1,348	(8)
Permits, privilege fees and regulatory licenses	-	-	217	217
From use of money and property	97	97	152	55
Charges for services	7,634	7,634	7,756	122
Intergovernmental revenues:				
State	-	-	15	15
Miscellaneous	17	17	10	(7)
Total budgetary revenues	9,104	9,104	9,498	394
BUDGETARY EXPENDITURES:				
Community Development - Public Works	8,361	8,221	6,914	1,307
Total budgetary expenditures	8,361	8,221	6,914	1,307
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General fund	116	-	-	-
Capital projects funds	200	1,037	1,037	-
Transfers out:				
General fund	(780)	(780)	(780)	-
Special revenue funds	-	(18)	(18)	-
Internal service funds	(86)	(86)	(86)	-
Capital projects funds	(1,738)	(1,738)	(1,738)	-
Sale of surplus property	-	-	27	27
Total other financing sources (uses)	(2,288)	(1,585)	(1,558)	27
Net change in budgetary fund balance	(1,545)	(702)	1,026	1,728
BUDGETARY FUND BALANCE, beginning of year	7,677	7,677	7,677	-
BUDGETARY FUND BALANCE, end of year	\$ 6,132	6,975	8,703	1,728
Reconciliation of Budgetary Basis to GAAP Basis:				
Use of money and property (Schedule 10)	\$ 97	97	152	55
Current year fair value adjustment	-	-	90	90
Use of money and property (Schedule 8)	97	97	242	145
Cumulative fair value adjustments of prior periods	-	-	(109)	(109)
BUDGETARY FUND BALANCE, end of year	6,132	6,975	8,703	1,728
Total adjustments	-	-	(19)	(19)
FUND BALANCE, end of year	\$ 6,132	6,975	8,684	1,709

COUNTY OF PRINCE WILLIAM, VIRGINIA
SPECIAL REVENUE FUND - Development Fee Services

Schedule 11

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
Permits, privilege fees and regulatory licenses	\$ 17,317	17,011	15,527	(1,484)
Fines and forfeitures	-	-	1	1
From use of money and property	10	58	69	11
Charges for services	954	1,057	1,034	(23)
Miscellaneous	268	268	246	(22)
Total budgetary revenues	18,549	18,394	16,877	(1,517)
BUDGETARY EXPENDITURES:				
Public safety - Public Works	14,398	13,886	12,441	1,445
Community development - Public Works	6,030	6,023	5,678	345
Total budgetary expenditures	20,428	19,909	18,119	1,790
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General fund	3,981	5,321	5,321	-
Special revenue funds	-	18	18	-
Transfers out:				
General fund	(4,613)	(4,613)	(4,613)	-
Internal service funds	(325)	(356)	(356)	-
Other	-	-	9	9
Total other financing sources (uses)	(957)	370	379	9
Net change in budgetary fund balance	(2,836)	(1,145)	(863)	282
BUDGETARY FUND BALANCE, beginning of year	5,828	5,828	5,828	-
BUDGETARY FUND BALANCE, end of year	\$ 2,992	4,683	4,965	282
Reconciliation of Budgetary Basis to GAAP Basis:				
Use of money and property (Schedule 11)	\$ 10	58	69	11
Current year fair value adjustment	-	-	45	45
Use of money and property (Schedule 8)	10	58	114	56
Cumulative fair value adjustments of prior periods	-	-	19	19
BUDGETARY FUND BALANCE, end of year	2,992	4,683	4,965	282
Total adjustments	-	-	64	64
FUND BALANCE, end of year	\$ 2,992	4,683	5,029	346

SPECIAL REVENUE FUND - Housing

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
From use of money and property	\$ -	-	12	12
Charges for services	7,392	7,392	5,355	(2,037)
Intergovernmental revenues:				
Federal	30,091	30,091	26,756	(3,335)
Miscellaneous	50	50	13	(37)
Total budgetary revenues	<u>37,533</u>	<u>37,533</u>	<u>32,136</u>	<u>(5,397)</u>
BUDGETARY EXPENDITURES:				
Community development - Housing	37,657	37,307	31,382	5,925
Total budgetary expenditures	<u>37,657</u>	<u>37,307</u>	<u>31,382</u>	<u>5,925</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General fund	21	56	56	-
Transfers out:				
General fund	(86)	(146)	(137)	9
Total other financing sources (uses)	<u>(65)</u>	<u>(90)</u>	<u>(81)</u>	<u>9</u>
Net change in budgetary fund balance	(189)	136	673	537
BUDGETARY FUND BALANCE, beginning of year	<u>1,962</u>	<u>1,962</u>	<u>1,962</u>	<u>-</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 1,773</u>	<u>2,098</u>	<u>2,635</u>	<u>537</u>

COUNTY OF PRINCE WILLIAM, VIRGINIA
 SPECIAL REVENUE FUND - Community Development Authorities

Schedule 13

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual
 (UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2016
 (amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
BUDGETARY REVENUES:				
General property taxes	\$ -	1,229	1,229	-
Total budgetary revenues	-	1,229	1,229	-
BUDGETARY EXPENDITURES:				
Community development authority	-	1,229	1,221	8
Total budgetary expenditures	-	1,229	1,221	8
OTHER FINANCING SOURCES (USES):				
Transfers out:				
General fund	-	-	(8)	(8)
Total other financing sources (uses)	-	-	(8)	(8)
Net change in budgetary fund balance	-	-	-	-
BUDGETARY FUND BALANCE, beginning of year	-	-	-	-
BUDGETARY FUND BALANCE, end of year	\$ -	-	-	-

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided on a cost-reimbursement basis by one department or agency to other departments or agencies of the County. The County has the following internal service funds:

Intra-County Services Fund

Comprised of the Construction Crew, which provide roads and sidewalk construction and maintenance on County property; Data Processing, which provides computer operations and software applications; and Vehicle Maintenance, which provides fleet operations services.

Self-insurance Funds

Three self-insurance programs provide the County with liability, property damage, casualty and workers' compensation insurance.

Health Insurance

The County established a Health Insurance Fund to self-insure for medical coverage for employees, to provide fully insured dental, vision, and flexible spending benefits, and to provide an additional insurance credit for retirees.

COUNTY OF PRINCE WILLIAM, VIRGINIA
INTERNAL SERVICE FUNDS
Combining Statement of Net Position
As of June 30, 2016
(amounts expressed in thousands)

Schedule 14

	Intra-County Services	Other Self-Insurance	Self-Insurance Casualty Pool	Self-Insurance Workers' Compensation Association	Health Insurance	Totals
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 39,994	210	-	-	26,553	66,757
Restricted cash and temporary investments	353	-	1,125	12,904	-	14,382
Investments	-	-	2,702	15,942	-	18,644
Accounts receivable, net	78	-	7	75	4,318	4,478
Inventory	332	-	-	-	-	332
Prepays	225	-	26	28	-	279
Total current assets	40,982	210	3,860	28,949	30,871	104,872
Non-current assets:						
Restricted investments	-	-	500	750	-	1,250
Capital assets:						
Land and construction in progress	20,502	-	-	-	-	20,502
Buildings and other capital assets, net of depreciation	26,971	-	-	-	-	26,971
Total non-current assets	47,473	-	500	750	-	48,723
Total assets	88,455	210	4,360	29,699	30,871	153,595
Deferred outflow of resources						
Deferred outflows related to pensions	1,328	-	-	-	26	1,354
Total deferred outflow of resources	1,328	-	-	-	26	1,354
LIABILITIES						
Current liabilities:						
Accounts payable	2,451	-	28	108	256	2,843
Wages and benefits payable	394	-	-	-	-	394
Retainage payables	353	-	-	-	-	353
Unpaid losses, related liabilities and IBNR	-	251	392	1,879	4,405	6,927
Unearned revenue	-	-	-	-	3,459	3,459
Current portion of surplus distribution payable	-	-	445	500	-	945
Compensated absences	100	-	-	-	-	100
Total current liabilities	3,298	251	865	2,487	8,120	15,021
Non-current liabilities:						
Unpaid losses, related liabilities and IBNR	-	-	102	12,236	-	12,338
Surplus distribution payable	-	-	1,217	3,150	-	4,367
Other long term liabilities	5,530	-	-	-	94	5,624
Compensated absences	1,585	-	-	-	-	1,585
Total non-current liabilities	7,115	-	1,319	15,386	94	23,914
Total liabilities	10,413	251	2,184	17,873	8,214	38,935
Deferred inflows of resources:						
Deferred inflows from pension contributions	615	-	-	-	12	627
Total deferred inflows of resources	615	-	-	-	12	627
NET POSITION						
Net investment in capital assets	47,473	-	-	-	-	47,473
Restricted for self-insurance funds	-	-	500	1,960	3,822	6,282
Unrestricted	31,282	(41)	1,676	9,866	18,849	61,632
Total net position (deficit)	\$ 78,755	(41)	2,176	11,826	22,671	115,387

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Intra-County Services	Other Self-Insurance	Self-Insurance Casualty Pool	Self-Insurance Workers' Compensation Association	Health Insurance	Totals
OPERATING REVENUES:						
Charges for services	\$ 38,642	-	1,467	4,759	48,661	93,529
Miscellaneous	690	-	-	-	4,363	5,053
Total operating revenues	39,332	-	1,467	4,759	53,024	98,582
OPERATING EXPENSES:						
Personal services	14,929	-	-	-	268	15,197
Contractual services	14,098	-	-	-	3,692	17,790
Materials/supplies	6,764	-	-	-	-	6,764
Depreciation	6,826	-	-	-	-	6,826
Other	231	-	384	557	267	1,439
Claims and premiums	-	-	500	345	43,126	43,971
OPEB cost	-	-	-	-	4,753	4,753
Losses and loss adjustment expenses	-	28	267	3,834	65	4,194
Total operating expenses	42,848	28	1,151	4,736	52,171	100,934
Operating income/(loss)	(3,516)	(28)	316	23	853	(2,352)
NON-OPERATING REVENUES/(EXPENSES):						
Interest income	762	3	30	411	697	1,903
Declaration of surplus distribution	-	-	(540)	(1,600)	-	(2,140)
Total non-operating revenues/(expenses)	762	3	(510)	(1,189)	697	(237)
Income/(loss) before transfers and capital contributions	(2,754)	(25)	(194)	(1,166)	1,550	(2,589)
TRANSFERS:						
Transfers in:						
General fund	2,633	-	-	-	-	2,633
Special revenue funds	442	-	-	-	-	442
Fire & rescue levy funds	-	-	-	-	98	98
Transfers out:						
General fund	-	(3)	-	-	-	(3)
Total transfers	3,075	(3)	-	-	98	3,170
Change in net position	321	(28)	(194)	(1,166)	1,648	581
NET POSITION, beginning of year	78,434	(13)	2,370	12,992	21,023	114,806
NET POSITION, end of year	\$ 78,755	(41)	2,176	11,826	22,671	115,387

COUNTY OF PRINCE WILLIAM, VIRGINIA
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2016
(amounts expressed in thousands)

Schedule 16

	Intra-County Services	Other Self-Insurance	Self-Insurance Casualty Pool	Self-Insurance Workers' Compensation Association	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from County agencies	\$ 38,627	-	1,161	4,524	31,908	76,220
Cash received from employees	-	-	-	-	17,032	17,032
Cash received from other entities	781	-	-	15	3,798	4,594
Payments for claims and premiums	-	(11)	(790)	(3,835)	(50,525)	(55,161)
Payments to suppliers for goods and services	(21,677)	-	(404)	(562)	(1,788)	(24,431)
Payments to employees for services	(13,907)	-	-	-	(246)	(14,153)
Net cash provided (used) by operating activities	3,824	(11)	(33)	142	179	4,101
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Surplus distributions paid	-	-	(137)	(265)	-	(402)
Transfers in	3,075	-	-	-	98	3,173
Transfers out	-	(3)	-	-	-	(3)
Net cash provided (used) by non-capital financing activities	3,075	(3)	(137)	(265)	98	2,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(7,791)	-	-	-	-	(7,791)
Net cash provided (used) by capital and related financing activities	(7,791)	-	-	-	-	(7,791)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from maturities of investments	-	-	900	23,422	-	24,322
Purchases of investments	-	-	(1,600)	(20,071)	-	(21,671)
Interest and dividends received on investments	762	3	23	322	648	1,758
Net cash provided (used) by investing activities	762	3	(677)	3,673	648	4,409
Net increase (decrease) in cash and cash equivalents	(130)	(11)	(847)	3,550	925	3,487
CASH AND CASH EQUIVALENTS, beginning of year	40,477	221	1,972	9,354	25,628	77,652
CASH AND CASH EQUIVALENTS, end of year	\$ 40,347	210	1,125	12,904	26,553	81,139
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income/(loss)	\$ (3,516)	(28)	316	23	853	(2,352)
Adjustments to reconcile operating income/(loss) to net cash provided (used) by operating activities:						
Depreciation	6,826	-	-	-	-	6,826
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable, net of accrued interest	72	-	(307)	(204)	(565)	(1,004)
Due from other governmental units	4	-	-	-	-	4
Inventory	8	-	-	-	-	8
Prepaid items	(153)	-	23	(20)	9	(141)
Deferred outflows of resources	(58)	-	-	-	(5)	(63)
Increase (decrease) in:						
Accounts payable and accrued liabilities, net of accrued interest	(370)	17	(7)	(1)	(1,159)	(1,520)
Unpaid losses and related expenses	-	-	(58)	344	740	1,026
Unearned revenue	-	-	-	-	279	279
Other long term obligations	943	-	-	-	23	966
Deferred inflows from pensions	68	-	-	-	4	72
Total adjustments	7,340	17	(349)	119	(674)	6,453
Net cash provided (used) by operating activities	\$ 3,824	(11)	(33)	142	179	4,101

Fiduciary & Agency Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others which cannot be used to support the County's programs. The County uses fiduciary funds to report the financial activities related to Other Post-Employment Benefits (OPEB) obligations and the related assets held to fund those obligations, as well as for trust arrangements with private organizations.

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Special Welfare Fund, the Community Service Board Payees Fund and the Housing FSS Recipients Fund are used to account for receipts and disbursements of monies for certain County welfare, mental health services and Federal Self-Sufficiency (FSS) program recipients.

FIDUCIARY FUNDS

Statement of Fiduciary Net Position - Pension and OPEB Trust Funds

As of June 30, 2016

(amounts expressed in thousands)

	Pension Plan Trust Fund	Other Post-Employment Benefits (OPEB) Master Trust Fund	Total Pension and Other Post-Employment Benefits (OPEB) Trust Fund
ASSETS			
Restricted cash	\$ 585	-	585
Restricted investments	-	-	-
Accounts receivable, net	-	18	18
Restricted Investments			
Money market mutual funds	314	31	345
Tactical asset allocation funds	3,147	-	3,147
Equity mutual funds	16,804	32,955	49,759
Real assets	2,305	4,561	6,866
Bond mutual funds	9,588	26,991	36,579
Life insurance annuity	14,632	-	14,632
Common stock	294	-	294
Total investments	47,084	64,538	111,622
Total assets	47,669	64,556	112,225
LIABILITIES			
Accounts payable	-	4,276	4,276
Total liabilities	-	4,276	4,276
NET POSITION			
Net position restricted for pensions	47,669	-	47,669
Assets held in trust for OPEB	-	60,280	60,280
Total net position	\$ 47,669	60,280	107,949

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position - Pension and OPEB Trust Funds

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Pension Trust Funds	Other Post-Employment Benefits (OPEB) Trust Fund	Total Pension and Other Post-Employment Benefits (OPEB) Trust Fund
ADDITIONS			
Contributions:			
Member	\$ 1,137	-	1,137
Employer	1,990	5,213	7,203
Investment income:			
Interest and dividends	1,063	1,329	2,392
Net appreciation (depreciation) in fair value of investments	(482)	30	(452)
Total investment income	581	1,359	1,940
Less investment expense	44	151	195
Net investment income	537	1,208	1,745
Total additions	3,664	6,421	10,085
DEDUCTIONS			
Pension payments	2,366	-	2,366
Refund of members' contributions	144	-	144
Administrative expenses	162	-	162
Other post-employment benefit payments	-	4,261	4,261
Total deductions	2,672	4,261	6,933
Change in net position	992	2,160	3,152
NET POSITION, beginning of year	46,677	58,120	104,797
NET POSITION, end of year	\$ 47,669	60,280	107,949

FIDUCIARY FUNDS

Statement of Fiduciary Net Position - Pension Funds

As of June 30, 2016

(amounts expressed in thousands)

	Supplemental Pension Plan Trust Fund	Length of Service Award Program (LoSAP) Trust Fund	Total Pension Trust Funds
ASSETS			
Restricted cash	\$ 585	-	585
Accounts receivable, net		18	18
Restricted Investments			
Money market mutual funds	314	-	314
Tactical asset allocation funds	3,147	-	3,147
Equity mutual funds	16,804	-	16,804
Real assets	2,305	-	2,305
Bond mutual funds	9,588	-	9,588
Life insurance annuity	-	14,632	14,632
Common stock	294	-	294
Total investments	32,452	14,632	47,084
Total assets	33,037	14,632	47,669
NET POSITION			
Net position restricted for pensions	33,037	14,632	47,669
Total net position	\$ 33,037	14,632	47,669

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position - Pension Funds

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Supplemental Pension Plan Trust Fund	Length of Service Award Program (LoSAP) Trust Fund	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Member	\$ 1,137	-	1,137
Employer	1,137	853	1,990
Total contributions	2,274	853	3,127
Donations			-
Investment income:			
Interest and dividends	645	418	1,063
Net appreciation in fair value of investments	(482)	-	(482)
Total investment income	163	418	581
Less investment expense	44	-	44
Net investment income	119	418	537
Total additions	2,393	1,271	3,664
DEDUCTIONS			
Pension payments	2,004	362	2,366
Refund of members' contributions	144	-	144
Administrative expenses	116	46	162
Total deductions	2,264	408	2,672
Change in net position	129	863	992
NET POSITION, beginning of year	32,908	13,769	46,677
NET POSITION, end of year	\$ 33,037	14,632	47,669

FIDUCIARY FUNDS

Statement of Fiduciary Net Position - OPEB Master Trust Fund

As of June 30, 2016

(amounts expressed in thousands)

	Other Post-Employment Benefits (OPEB) County Trust Fund	Other Post-Employment Benefits (OPEB) School Board Trust Fund	Other Post-Employment Benefits (OPEB) LODA Trust Fund	Total Other Post-Employment Benefits (OPEB) Master Trust Fund
ASSETS				
Restricted investments, at fair value	\$ 28,302	26,333	9,903	64,538
Accounts receivable, net	-	-	18	18
Total assets	<u>\$ 28,302</u>	<u>26,333</u>	<u>9,921</u>	<u>64,556</u>
LIABILITIES				
Accounts payable	\$ 3,515	6	755	4,276
Total liabilities	<u>3,515</u>	<u>6</u>	<u>755</u>	<u>4,276</u>
NET POSITION				
Assets held in trust for OPEB benefits	24,787	26,327	9,166	60,280
Total net position	<u>\$ 24,787</u>	<u>26,327</u>	<u>9,166</u>	<u>60,280</u>

COUNTY OF PRINCE WILLIAM, VIRGINIA
 FIDUCIARY FUNDS

Schedule 22

Statement of Changes in Fiduciary Net Position - OPEB Master Trust Fund
 For the Year Ended June 30, 2016
 (amounts expressed in thousands)

	Other Post-Employment Benefits (OPEB) County Trust Fund	Other Post-Employment Benefits (OPEB) School Board Trust Fund	Other Post-Employment Benefits (OPEB) LODA Trust Fund	Total Other Post-Employment Benefits (OPEB) Master Trust Fund
ADDITIONS				
Contributions:				
Employer	\$ 3,684	-	1,529	5,213
Investment income:				
Interest and dividends	560	534	235	1,329
Net appreciation in fair value of investments	13	8	9	30
Total investment income	573	542	244	1,359
Less investment expense	65	60	26	151
Net investment income	508	482	218	1,208
Total additions	4,192	482	1,747	6,421
DEDUCTIONS				
Other post-employment benefit payments	3,509	-	752	4,261
Total deductions	3,509	-	752	4,261
Change in net position	683	482	995	2,160
NET POSITION, beginning of year	24,104	25,845	8,171	58,120
NET POSITION, end of year	\$ 24,787	26,327	9,166	60,280

FIDUCIARY FUNDS

Statement of Fiduciary Net Position - Private Purpose Trust Funds

As of June 30, 2016

(amounts expressed in thousands)

	Private Purpose Trust Funds			Total
	Innovation Owners' Association	Historic Preservation Foundation	Library Donations	
ASSETS				
Equity in pooled cash and investments	\$ 521	42	280	843
Accounts receivable, net	1	-	-	1
Total assets	<u>\$ 522</u>	<u>42</u>	<u>280</u>	<u>844</u>
NET POSITION				
Net position restricted for other purposes	522	42	280	844
Total net position	<u>\$ 522</u>	<u>42</u>	<u>280</u>	<u>844</u>

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Private Purpose Trust Funds			Total
	Innovation Owners' Association	Historic Preservation Foundation	Library Donations	
ADDITIONS				
Contributions:				
Member	\$ -	5	-	5
Total contributions	-	5	-	5
Donations	81	8	128	217
Investment income:				
Interest and dividends	12	1	7	20
Net investment income	12	1	7	20
Total additions	93	14	135	242
DEDUCTIONS				
Administrative expenses	115	-	142	257
Total deductions	115	-	142	257
Change in net position	(22)	14	(7)	(15)
NET POSITION, beginning of year	544	28	287	859
NET POSITION, end of year	\$ 522	42	280	844

COUNTY OF PRINCE WILLIAM, VIRGINIA
AGENCY FUNDS
Combining Statement of Fiduciary Net Position
As of June 30, 2016
(amounts expressed in thousands)

Schedule 25

	Special Welfare	Community Services Board Payees	Housing FSS Recipients	Total
ASSETS				
Equity in pooled cash and investments	\$ 24	54	550	628
Total assets	<u>\$ 24</u>	<u>54</u>	<u>550</u>	<u>628</u>
LIABILITIES				
Deposits and escrows	\$ 24	54	550	628
Total liabilities	<u>\$ 24</u>	<u>54</u>	<u>550</u>	<u>628</u>

COUNTY OF PRINCE WILLIAM, VIRGINIA
 AGENCY FUNDS

Schedule 26

Combining Statement of Changes In Assets and Liabilities

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
SPECIAL WELFARE				
Equity in pooled cash and investments	\$ -	138	114	24
Total assets	\$ -	138	114	24
Deposits and escrows	\$ -	138	114	24
Total liabilities	\$ -	138	114	24
COMMUNITY SERVICES BOARD PAYEES				
Equity in pooled cash and investments	\$ 48	545	539	54
Total assets	\$ 48	545	539	54
Deposits and escrows	\$ 48	545	539	54
Total liabilities	\$ 48	545	539	54
HOUSING FSS RECIPIENTS				
Equity in pooled cash and investments	\$ 456	144	50	550
Total assets	\$ 456	144	50	550
Deposits and escrows	\$ 456	144	50	550
Total liabilities	\$ 456	144	50	550
TOTAL AGENCY FUNDS				
Equity in pooled cash and investments	\$ 504	827	703	628
Total assets	\$ 504	827	703	628
Deposits and escrows	\$ 504	827	703	628
Total liabilities	\$ 504	827	703	628

**DISCRETELY PRESENTED
COMPONENT UNITS**

Adult Detention Center

The Adult Detention Center derives revenues from the County and charges for services. The Adult Detention Center statement includes revenues and expenditures for the general operation and capital projects of the Adult Detention Center.

COUNTY OF PRINCE WILLIAM, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - ADULT DETENTION CENTER
Combining Balance Sheet

Schedule 27

As of June 30, 2016

(amounts expressed in thousands)

	General Operating	Capital Projects	Totals
ASSETS			
Equity in pooled cash and investments	\$ 8,606	200	8,806
Due from other governmental units	1,966	-	1,966
Total assets	<u>\$ 10,572</u>	<u>200</u>	<u>10,772</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ 88	-	88
Wages and benefits payable	812	-	812
Unearned revenue	257	-	257
Total liabilities	<u>1,157</u>	<u>-</u>	<u>1,157</u>
FUND BALANCES:			
Committed	-	200	200
Assigned	27	-	27
Unassigned	9,388	-	9,388
Total fund balances	<u>9,415</u>	<u>200</u>	<u>9,615</u>
Total liabilities and fund balances	<u>\$ 10,572</u>	<u>200</u>	

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 funds.	63,241
GASB 68 requires that deferred inflow and outflows of resources be reported	
Deferred outflow from pension contributions	2,758
Deferred inflows from pension contributions	(1,276)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Other long term liabilities	(11,517)
Compensated absences	(3,260)
Net position of governmental activities	<u>\$ 59,561</u>

DISCRETELY PRESENTED COMPONENT UNIT - ADULT DETENTION CENTER

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Governmental Fund Types		Totals
	General Operating	Capital Projects	
REVENUES:			
From use of money and property	\$ 133	-	133
Charges for services	501	-	501
Intergovernmental revenues:			
Federal	240	-	240
State	11,091	-	11,091
Local	30,583	-	30,583
Miscellaneous	75	-	75
Total revenues	42,623	-	42,623
EXPENDITURES:			
Public safety	41,568	2,840	44,408
Total expenditures	41,568	2,840	44,408
Excess (deficiency) of revenues over (under) expenditures	1,055	(2,840)	(1,785)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	40	40
Transfers out	(40)	-	(40)
Sale of surplus property	-	-	-
Total other financing sources (uses)	(40)	40	-
Net change in fund balances	1,015	(2,800)	(1,785)
FUND BALANCES, beginning of year	8,400	3,000	
FUND BALANCES, end of year	\$ 9,415	200	

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Add capital acquisitions	129
Subtract depreciation expense	(2,357)
Subtract net book value of assets removed from service	(8)
Gasb 68 requires reporting deferred inflows and outflow of resources	
Add current year's deferred outflow of resources-pension	2,758
Add deferred outflow from pension contributions	(2,645)
Subtract current year's deferred inflow or resources-pension	(1,276)
Subtract deferred inflows from pension contributions	1,196
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.	
Subtract current year's other long term liabilities-pension	(11,517)
Add prior year's other long term liabilities-pension	9,946
Add prior year's compensated absences liability	3,201
Subtract current year's compensated absences liability	(3,260)
Cumulative effect due to change in accounting principal (GASB 68)	-
Change in Adult Detention Center net position	\$ (5,618)

DISCRETELY PRESENTED COMPONENT UNIT - Adult Detention Center (General Operating Fund)

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

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
From use of money and property	\$ -	-	133	133
Charges for services	663	663	501	(162)
Intergovernmental revenues:				
Federal	383	379	240	(139)
State	9,637	9,637	11,091	1,454
From other localities:				
Manassas	476	3,322	3,540	218
Manassas Park	3,322	476	789	313
Prince William County	26,383	26,479	26,254	(225)
Miscellaneous	57	57	75	18
Total revenues	40,921	41,013	42,623	1,610
EXPENDITURES:				
Public safety - Adult Detention	43,137	43,056	41,568	1,488
Total expenditures	43,137	43,056	41,568	1,488
OTHER FINANCING SOURCES (USES):				
Transfers out:				
Capital projects funds	(40)	(40)	(40)	-
Total other financing sources (uses)	(40)	(40)	(40)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,256)	(2,083)	1,015	3,098
FUND BALANCE, beginning of year	8,400	8,400	8,400	-
FUND BALANCE, end of year	\$ 6,144	6,317	9,415	3,098

DEBT OBLIGATIONS

The schedules of bonds, capital leases, and other long-term debt detail the maturity dates and variable interest rates of the governmental funds' and enterprise funds' general obligation bonds, revenue bonds, notes payable, capital leases, school bonds, and state literary funds.

Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016

(amounts expressed in thousands)

Description	Authorized	Issued	Date Issued	Total Outstanding at June 30, 2016					Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually	
				General County Related Debt	Road Related Debt	Adult Detention Center Related Debt	Park Related Debt	School Board Related Debt			Amount	Fiscal Year
General Obligation Bonds:												
2002 Referendum	\$ 42,795	15,755	6-Aug-08	--	2,364	--	--	--	2,364	3.75	788	2017
										4.00	788	2018 thru 2019
		4,955	29-Jul-10	--	2,200	--	--	--	2,200	3.00	550	2017 thru 2018
										5.00	550	2019
										3.00	550	2020
2002 Referendum Total	<u>\$ 42,795</u>	<u>20,710</u>		<u>--</u>	<u>4,564</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,564</u>			
2006 Referendum:	\$ 369,550	31,175	6-Aug-08	--	4,026	--	660	--	4,686	3.75	1,562	2017
										4.00	1,562	2018 thru 2019
		3,775	29-Jul-10	--	1,680	--	--	--	1,680	3.00	420	2017 thru 2018
										5.00	420	2019
										3.00	420	2020
Taxable - Local Build America Bonds		10,670	29-Jul-10	--	10,670	--	--	--	10,670	3.68	1,000	2021
										4.28	960	2022
										4.28	965	2023 thru 2026
										5.31	970	2027 thru 2031
		28,635	31-Jul-13	--	22,538	--	3,227	--	25,765	5.00	1,435	2017 thru 2021
										5.00	1,430	2022 thru 2024
										3.00	1,430	2025
										4.00	1,430	2026 thru 2027
										3.63	1,430	2028
										4.50	1,430	2029 thru 2031
										4.00	1,430	2032
										4.50	1,430	2033 thru 2034
	67,565	61,805	29-Jul-15	23,601	32,208	--	5,996	--	61,805	2.00	3,095	2017
										4.00	3,090	2018
										5.00	3,090	2019 thru 2026
										3.00	3,090	2027 thru 2028
										4.00	3,090	2029 thru 2030
										3.00	3,090	2031
										3.50	3,090	2032 thru 2034
										3.75	3,090	2035 thru 2036
2006 Referendum Total	<u>\$ 437,115</u>	<u>136,060</u>		<u>23,601</u>	<u>71,122</u>	<u>--</u>	<u>9,883</u>	<u>--</u>	<u>104,606</u>			
Revenue Bonds	\$ 30,985	61,805	1-Mar-16	23,355	--	--	--	--	23,355	2.00	1,170	2017 thru 2018
										3.00	1,170	2019
										5.00	1,170	2020
										3.00	1,170	2021 thru 2022
										5.00	1,170	2023 thru 2027
										5.00	1,165	2028
										4.00	1,165	2029 thru 2033
										3.50	1,165	2034 thru 2036
Revenue Bond Total	<u>\$ 30,985</u>	<u>61,805</u>		<u>23,355</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>23,355</u>			

Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016

(amounts expressed in thousands)

Description	Authorized	Issued	Date Issued	Total Outstanding at June 30, 2016					Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually	
				General County Related Debt	Road Related Debt	Adult Detention Center Related Debt	Park Related Debt	School Board Related Debt			Amount	Fiscal Year
General Obligation (cont'd):	\$ 19,900	19,900	1-Apr-97	--	--	--	--	1,990	1,990	5.60	995	2017 thru 2018
School Bonds												
	9,850	9,850	30-Apr-99	--	--	--	--	1,470	1,470	5.10	490	2017 thru 2019
	11,930	11,930	13-May-99	--	--	--	--	2,380	2,380	5.10	595	2017 thru 2018
										5.23	595	2019 thru 2020
	33,650	33,650	18-May-00	--	--	--	--	8,400	8,400	5.60	1,680	2017 thru 2021
	48,175	48,175	17-May-01	--	--	--	--	14,435	14,435	5.10	2,410	2017
										5.10	2,405	2018 thru 2022
	52,660	52,660	16-May-02	--	--	--	--	18,410	18,410	5.10	2,630	2017 thru 2023
	80,675	80,675	15-May-03	--	--	--	--	32,255	32,255	4.10	4,035	2017
										5.10	4,035	2018 thru 2019
										5.10	4,030	2020 thru 2021
										4.60	4,030	2022 thru 2024
	48,795	48,795	13-May-04	--	--	--	--	21,955	21,955	5.10	2,440	2017 thru 2024
										5.10	2,435	2025
	62,320	62,320	12-May-05	--	--	--	--	31,150	31,150	5.10	3,115	2017 thru 2019
										4.10	3,115	2020
										5.10	3,115	2021 thru 2025
										4.35	3,115	2026
	61,605	61,605	11-May-06	--	--	--	--	33,880	33,880	5.10	3,080	2017 thru 2021
										4.48	3,080	2022
										4.60	3,080	2023 thru 2026
										5.10	3,080	2027
	64,975	64,975	10-May-07	--	--	--	--	38,975	38,975	5.10	3,250	2017 thru 2020
										4.10	3,250	2021
										5.10	3,250	2022 thru 2023
										4.48	3,245	2024
										4.50	3,245	2025 thru 2026
										5.10	3,245	2027 thru 2028
	45,890	45,890	15-May-08	--	--	--	--	29,825	29,825	5.10	2,295	2017 thru 2027
										5.10	2,290	2028
										4.60	2,290	2029
	51,020	51,020	15-May-09	--	--	--	--	35,700	35,700	5.05	2,550	2017 thru 2019
										4.05	2,550	2020
										5.05	2,550	2021 thru 2025
										4.05	2,550	2026
										5.05	2,550	2027
										4.30	2,550	2028
										5.05	2,550	2029
										4.25	2,550	2030
	23,935	23,935	13-May-10	--	--	--	--	3,990	3,990	3.05	3,990	2017

Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016

(amounts expressed in thousands)

Description	Authorized	Issued	Date Issued	Total Outstanding at June 30, 2016					Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually	
				General County Related Debt	Road Related Debt	Adult Detention Center Related Debt	Park Related Debt	School Board Related Debt			Amount	Fiscal Year
General Obligation:												
School Bonds (cont'd)												
Taxable - Local Build America Bonds	60,765	56,445	13-May-10	--	--	--	--	56,445	56,445	3.85	4,035	2018
										4.22	4,035	2019
										4.42	4,035	2020
										4.52	4,035	2021
										4.72	4,035	2022
										4.82	4,030	2023
										4.97	4,030	2024
										5.07	4,030	2025
										5.17	4,030	2026
										5.56	4,030	2027 thru 2031
Direct Payment Qualified School Construction Bonds ^A	9,800	9,685	8-Jul-10	--	--	--	--	6,270	6,270	-	570	2017 thru 2027
	51,200	46,445	4-Aug-11	--	--	--	--	25,545	25,545	5.00	2,325	2017
										2.25	2,325	2018
										5.00	2,325	2019
										3.00	2,325	2020
										5.00	2,325	2021
										2.75	2,320	2022
										3.00	2,320	2023
										3.00	2,320	2024
										3.50	2,320	2028
										4.00	2,320	2031 thru 2032
	79,600	65,675	1-Aug-12	--	--	--	--	29,550	29,550	5.00	3,285	2017 thru 2022
										4.50	3,280	2031 thru 2033
	69,280	59,990	31-Jul-13	--	--	--	--	38,990	38,990	5.00	3,000	2017 thru 2024
										4.50	3,000	2030 thru 2032
										4.50	2,995	2033 thru 2034
	91,910	82,545	23-Sep-14	--	--	--	--	78,415	78,415	4.00	4,130	2017 thru 2018
										5.00	4,130	2019 thru 2024
										5.00	4,125	2025
										3.00	4,125	2026
										2.50	4,125	2027
										3.00	4,125	2028
										3.25	4,125	2029 thru 2030
										3.50	4,125	2031
										3.00	4,125	2032
										3.50	4,125	2033
										3.00	4,125	2034 thru 2035
	108,990	98,485	29-Jul-15	--	--	--	--	98,485	98,485	5.00	4,925	2017 thru 2026
										3.00	4,925	2027 thru 2031
										3.13	4,925	2032
										3.50	4,925	2033
										3.50	4,920	2034
										3.75	4,920	2035 thru 2036
	139,480	120,220	29-Mar-16	--	--	--	--	120,220	120,220	5.00	6,015	2018 thru 2021
										5.00	6,010	2022 thru 2030
										3.00	6,010	2031 thru 2037
Total School Bonds	\$ 1,226,405	1,154,870		--	--	--	--	728,735	728,735			
Refunding Bonds	\$ 47,175	47,175	1-Sep-04	355	--	--	--	635	990	4.13	990	2021
	50,000	48,260	29-Jul-10	--	34,265	--	2,485	3,000	39,750	3.00	770	2017
										5.00	5,000	2017
										3.00	780	2018
										5.00	5,000	2018
										5.00	6,190	2019
										3.00	5,895	2020
										4.00	710	2020
										2.75	4,845	2021
										4.00	1,700	2022
										5.00	3,100	2022
										5.00	3,830	2023
										5.00	1,930	2024

Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016

(amounts expressed in thousands)

Description	Authorized	Issued	Date Issued	Total Outstanding at June 30, 2016					Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually	
				General County Related Debt	Road Related Debt	Adult Detention Center Related Debt	Park Related Debt	School Board Related Debt			Amount	Fiscal Year
Refunding Bonds (cont'd)	59,000	35,550	29-Feb-12	--	34,135	--	1,415	--	35,550	4.00	1,650	2020
										4.00	3,295	2021
										4.00	3,275	2022
										4.00	3,695	2023
										5.00	5,590	2024
										5.00	6,610	2025
										5.00	3,695	2026
										5.00	3,690	2027
										5.00	2,025	2028 thru 2029
Taxable Bonds	26,000	16,035	29-Feb-12	--	3,232	--	638	9,925	13,795	1.12	5,010	2017
										1.42	4,815	2018
										1.73	2,010	2019
										1.93	1,960	2020
	115,000	50,940	29-Mar-16	--	--	--	--	50,940	50,940	5.00	3,210	2023
										5.00	2,940	2024
										5.00	8,275	2025
										5.00	8,310	2026
										5.00	8,350	2027
										5.00	6,055	2028
										5.00	8,385	2029
										5.00	5,415	2030
	3,015	2,935	1-Mar-16	2,935	--	--	--	--	2,935	2.00	555	2017
										2.00	570	2018
										3.00	580	2019
										5.00	600	2020
										5.00	630	2021
IDA Lease Revenue Bond - Refunding American Type Culture Collection (ATCC) Building	10,690	10,690	10-May-05	2,290	--	--	--	--	2,290	5.25	1,115	2017
										5.25	1,175	2018
Total General Obligation and Revenue Bonds	\$ 2,048,180	1,585,030		52,536	147,318	--	14,421	793,235	1,007,510			
Capital Leases:												
2006 VRA - River Oaks Fire Station	\$ 5,000	5,000	29-Nov-06	250	--	--	--	--	250	4.70	250	2017
2006A COP - Adult Detention Center	34,505	34,505	1-Aug-06	--	--	1,725	--	--	1,725	4.50	1,725	2017
2007 VRA - Roads	14,795	14,795	7-Jun-07	--	1,480	--	--	--	1,480	4.72	740	2017
										4.10	740	2018
2007 VRA - Antioch Fire Station	5,275	5,275	7-Jun-07	525	--	--	--	--	525	4.80	265	2017
										4.10	260	2018

Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016

(amounts expressed in thousands)

Description	Authorized	Issued	Date Issued	Total Outstanding at June 30, 2016					Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually	
				General County Related Debt	Road Related Debt	Adult Detention Center Related Debt	Park Related Debt	School Board Related Debt			Amount	Fiscal Year
Capital Leases (cont'd):												
2008 VRA - Roads	6,255	6,255	19-Jun-08	--	945	--	--	--	945	4.65 4.69 4.72	315 315 315	2017 2018 2019
2008 VRA - Birchdale Fire Station	4,455	4,455	19-Jun-08	675	--	--	--	--	675	5.63 4.67 4.71	225 225 225	2017 2018 2019
2009 VRA - Roads	37,945	37,945	19-Jun-08	--	7,595	--	--	--	7,595	5.13 5.13	1,900 1,895	2017 thru 2019 2020
Refunding LPC - Judicial Center	18,500	16,025	6-Oct-10	9,830	--	--	--	--	9,830	4.00 3.50 5.00 5.00	3,305 2,770 500 3,255	2017 2019 2019 2021
Refunding VRA - Yorkshire Fire Station	3,000	2,780	2-Nov-10	1,915	--	--	--	--	1,915	4.39 5.10 3.11 5.10 5.10 3.53 5.10	240 250 260 270 285 300 310	2017 2018 2019 2020 2021 2022 2023
Refunding VRA - Western District Police	16,000	13,165	2-Nov-10	9,055	--	--	--	--	9,055	4.40 5.10 3.14 5.10 5.10 3.54 5.10	1,130 1,180 1,230 1,280 1,350 1,410 1,475	2017 2018 2019 2020 2021 2022 2023
Refunding VRA - Nokesville Fire Station	3,000	2,180	2-Nov-10	1,730	--	--	--	--	1,730	4.10 5.10	225 215	2017 2018 thru 2024
Refunding VRA - Spriggs Road	10,100	10,095	27-Jun-12	--	10,010	--	--	--	10,010	4.13 4.82 5.13 5.13 4.83 4.82	1,010 1,005 1,005 1,000 995 995	2017 2018 2019 2020 thru 2024 2025 2026
Refunding VRA - Nokesville Fire Station	900	880	27-Jun-12	690	--	--	--	--	690	4.13 5.13	90 85	2017 thru 2018 2019 thru 2024
Refunding COP	50,000	35,205	26-Mar-13	16,455	--	16,505	285	--	33,245	3.00 4.00 4.00 4.00 5.00 5.00 5.00 5.00 5.00 5.00	1,925 3,615 3,575 3,535 3,510 3,500 3,495 3,500 3,510 1,540	2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 thru 2027
Equipment Lease - Parks and Recreation	1,309	1,309	14-Jul-11	--	--	--	110	--	110	1.87	110	2017
Refunding VRA - Spricer Fire Station	880	880	5-Nov-14	880	--	--	--	--	880	2.98 5.13 5.13 5.13 5.13 3.81 5.13	105 100 95 95 100 100 95	2017 2018 2019 thru 2020 2021 2022 2023 2024 2025

Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016

(amounts expressed in thousands)

Description	Authorized	Issued	Date Issued	Total Outstanding at June 30, 2016					Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually	
				General County Related Debt	Road Related Debt	Adult Detention Center Related Debt	Park Related Debt	School Board Related Debt			Amount	Fiscal Year
Capital Leases (cont'd):												
Refunding VRA - River Oaks Fire Station	2,330	2,330	5-Nov-14	2,330	--	--	--	--	2,330	5.13	235	2018 thru 2020
										4.42	235	2021
										5.13	235	2022 thru 2023
										3.87	230	2024
										5.13	230	2025 thru 2026
										4.82	230	2027
Refunding VRA - Antioch Fire Station	2,215	2,215	5-Nov-14	2,215	--	--	--	--	2,215	5.13	250	2019 thru 2020
										4.43	245	2021
										5.13	245	2022 thru 2023
										3.88	245	2024
										5.13	245	2025 thru 2026
										4.84	245	2027
Refunding VRA - Roads	6,245	6,245	5-Nov-14	--	6,245	--	--	--	6,245	5.13	700	2019 thru 2020
										4.42	695	2021
										5.13	695	2022
										5.13	690	2023
										3.91	690	2024
										5.13	690	2025 thru 2026
										4.82	695	2027
Refunding VRA - Birchdale Fire Station	2,140	2,140	5-Nov-14	2,140	--	--	--	--	2,140	5.13	220	2020
										4.43	215	2021
										5.13	215	2022 thru 2023
										3.90	215	2024
										5.13	215	2025 thru 2026
										4.84	210	2027 thru 2029
Refunding VRA - Roads	3,010	3,010	5-Nov-14	--	3,010	--	--	--	3,010	5.13	310	2020
										4.42	305	2021
										5.13	300	2022 thru 2023
										3.87	300	2024
										5.13	300	2025 thru 2026
										4.81	300	2027
										4.83	300	2028
										4.84	295	2029
Refunding VRA - Roads	29,925	18,855	5-Nov-14	--	18,855	--	--	--	18,855	5.13	5	2017 thru 2020
										4.42	1,890	2021
										5.13	1,885	2022
										5.13	1,895	2023
										3.90	1,885	2024
										5.13	1,880	2025
										5.13	1,885	2026
										4.83	1,885	2027
										4.82	1,885	2028
										4.82	1,880	2029
										3.43	1,865	2030
Total Capital Leases	\$ 257,784	225,544		48,690	48,140	18,230	395	--	115,455			
Total General Obligation, Capital Leases and Other Long-Term Debt	\$ 2,305,964	1,810,574		101,226	195,458	18,230	14,816	793,235	1,122,965			

A - Qualified School Construction Bonds (QSCB) are authorized by the federal government through the American Recovery and Reinvestment Act (ARRA) of 2009. The bonds provided reimbursement of interest paid by a credit from the US Treasury via VPISA.

PROPRIETARY FUNDS
 Schedule of Bonds, Capital Leases and Other Long-Term Debt

As of June 30, 2016
 (amounts expressed in thousands)

Description	Total Outstanding at June 30, 2016						Total Outstanding (Not Matured) at June 30, 2016	Interest Rate (%)	Maturing Annually Amount	Fiscal Year
	Authorized	Issued	Date Issued	Landfill	Parks & Recreation					
Revenue Bonds:										
Refunding Bonds	\$ 19,000	13,285	14-Apr-10	--	9,965	9,965	4.00	610	2017	
							4.00	630	2018	
							4.00	650	2019	
							4.00	680	2020	
							3.50	715	2021	
							3.75	730	2022	
							3.88	760	2023	
							4.00	790	2024	
							4.00	815	2025	
							4.00	850	2026	
							4.00	880	2027	
							4.00	910	2028	
							4.13	945	2029	
Total Revenue Bonds	\$ 19,000	13,285		--	9,965	9,965				
Capital Leases:										
Equipment Leases	952	952	14-Jul-11	--	99	99	1.87	99	2017	
Total Capital Leases	\$ 952	952		--	99	99				
Total Capital Leases and Other Long-Term Debt	\$ 19,952	14,237		--	10,064	10,064				

STATISTICAL SECTION

This part of Prince William County's 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 County's overall financial health.

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Contents	Page
Financial Trends	188
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	198
These schedules contain information to help the reader assess the County's most significant local revenue source, the real estate tax, as well as other revenue sources.	
Debt Capacity	206
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
Demographic and Economic Information	213
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	
Operating Information	216
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	
Other Statistical Tables	222
These schedules present other information useful to certain readers of the County's financial statements.	

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 1 - Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2007	2008 ^c	2009	2010	2011
Governmental activities:					
Net Investment in capital assets	\$ 176,505	\$ 228,235	\$ 252,588	\$ 308,128	\$ 309,109
Restricted	127,372	97,828	126,792	79,067	102,590
Unrestricted	(557,515)	(572,351)	(637,188)	(586,903)	(540,498)
Total governmental activities net position	\$ (253,638)	\$ (246,288)	\$ (257,808)	\$ (199,708)	\$ (128,799)
Business-type activities:					
Net Investment in capital assets	\$ 20,316	\$ 21,238	\$ 22,020	\$ 23,790	\$ 28,333
Unrestricted	1,784	6,345	7,411	12,253	9,506
Total business-type activities net position	\$ 22,100	\$ 27,583	\$ 29,431	\$ 36,043	\$ 37,839
Primary government:					
Net Investment in capital assets	\$ 196,821	\$ 249,473	\$ 274,608	\$ 331,918	\$ 337,442
Restricted	127,372	97,828	126,792	79,067	102,590
Unrestricted	(555,731)	(566,006)	(629,777)	(574,650)	(530,992)
Total primary government net position	\$ (231,538)	\$ (218,705)	\$ (228,377)	\$ (163,665)	\$ (90,960)
Component units:^d					
Net Investment in capital assets	\$ 849,253	\$ 959,640	\$ 1,021,548	\$ 1,087,841	\$ 1,161,881
Restricted	150,427	111,676	90,441	90,969	39,134
Unrestricted	105,568	85,760	126,805	146,002	139,408
Total component units net position	\$ 1,105,248	\$ 1,157,076	\$ 1,238,794	\$ 1,324,812	\$ 1,340,423
Total reporting entity:					
Net Investment in capital assets ^b	\$ 611,788	\$ 728,795	\$ 777,478	\$ 887,366	\$ 928,973
Restricted ^b	130,976	98,566	126,792	79,067	118,527
Unrestricted	130,946	111,010	106,147	194,714	201,963
Total reporting entity net position	\$ 873,710	\$ 938,371	\$ 1,010,417	\$ 1,161,147	\$ 1,249,463

^a Component unit net position represents a significant portion of net position for the total reporting entity.

^b The sum of the rows does not equal the amount reported for the total reporting entity because certain debt related to the School Board, and the Adult Detention Center Component Units is reflected in the primary government's general governmental activities. See Exhibit 1 for further details.

^c The restatement of net position resulting from the implementation of GASB Statement No. 51 was carried back to 2008. Net position values prior to 2008 do not reflect the capitalization of intangible assets.

^d The Park Authority Component Unit was dissolved and became the County Department of Parks & Recreation effective FY 2013. The Convention & Visitors Bureau became a component unit of the County effective FY 2013.

2012 ^d	2013	2014	2015	2016	
\$ 370,247	\$ 405,803	\$ 432,016	\$ 459,442	\$ 435,101	Governmental activities:
103,323	116,177	140,516	159,366	170,464	Net Investment in capital assets
(513,067)	(572,683)	(620,271)	(753,856)	(876,624)	Restricted
\$ (39,497)	\$ (50,703)	\$ (47,739)	\$ (135,048)	(271,059)	Unrestricted
					Total governmental activities net position
\$ 37,030	\$ 36,810	\$ 37,943	\$ 44,021	\$ 41,758	Business-type activities:
5,675	(146)	3,818	(5,808)	(2,623)	Net Investment in capital assets
\$ 42,705	\$ 36,664	\$ 41,761	\$ 38,213	\$ 39,135	Unrestricted
					Total business-type activities net position
\$ 407,277	\$ 442,613	\$ 469,959	\$ 503,463	\$ 476,859	Primary government:
103,323	116,177	140,516	159,366	170,464	Net Investment in capital assets
(507,392)	(572,829)	(616,453)	(759,664)	(879,247)	Restricted
\$ 3,208	\$ (14,039)	\$ (5,978)	\$ (96,835)	\$ (231,924)	Unrestricted
					Total primary government net position
\$ 1,149,459	\$ 1,195,075	\$ 1,247,771	\$ 1,326,687	\$ 1,414,367	Component units: ^d
34,791	43,091	50,515	66,882	198,106	Net Investment in capital assets
111,523	114,809	114,162	(737,984)	(700,164)	Restricted
\$ 1,295,773	\$ 1,352,975	\$ 1,412,448	\$ 655,585	\$ 912,309	Unrestricted
					Total component units net position
\$ 975,195	\$ 1,051,232	\$ 1,121,735	\$ 1,222,302	\$ 1,258,100	Total reporting entity:
115,407	139,850	168,908	183,503	190,231	Net Investment in capital assets ^b
212,308	147,854	115,827	(847,055)	(767,946)	Restricted ^b
\$ 1,302,910	\$ 1,338,936	\$ 1,406,470	\$ 558,750	\$ 680,385	Unrestricted
					Total reporting entity net position

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 2 - Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Government:										
Expenses										
Governmental activities:										
General government administration	\$ 38,452	\$ 40,289	\$ 41,470	\$ 37,377	\$ 45,435	\$ 40,151	\$ 37,932	\$ 34,857	\$ 34,865	\$ 40,051
Judicial administration	18,097	19,260	19,004	17,471	18,157	18,222	19,524	20,060	20,581	21,960
Public safety	247,862	194,468	210,257	197,928	205,341	215,366	234,880	238,965	243,870	270,610
Public works	90,004	94,042	124,491	54,892	48,819	55,538	72,924	91,874	88,390	96,977
Health and welfare	70,062	75,112	75,163	74,268	76,664	75,217	75,909	76,638	81,711	88,726
Education	413,349	403,396	434,797	440,443	368,236	406,022	463,154	461,676	513,087	672,297
Parks, recreational and cultural	36,114	37,291	35,793	38,347	33,728	54,934	34,077	36,059	37,150	68,802
Community development	45,225	45,474	49,100	49,524	50,227	52,318	53,726	59,129	64,674	37,307
Interest on long-term debt	40,074	41,526	41,868	44,253	44,095	43,242	43,086	47,553	45,104	47,263
Pension	--	--	--	--	--	--	--	--	(12,502)	--
Total governmental activities expenses	999,239	950,858	1,031,943	954,503	890,702	961,010	1,035,212	1,066,811	1,116,930	1,343,993
Business-type activities:										
Landfill	14,461	14,955	12,181	10,724	15,804	16,734	15,832	17,327	17,337	16,613
Parks and Recreation	--	--	--	--	--	15,927	19,729	14,793	14,865	15,903
Innovation Technology Park	949	209	242	49	48	48	60	75	405	340
Total business-type activities expenses	15,410	15,164	12,423	10,773	15,852	32,709	35,621	32,195	32,607	32,856
Total primary government expenses	\$ 1,014,649	\$ 966,022	\$ 1,044,366	\$ 965,276	\$ 906,554	\$ 993,719	\$ 1,070,833	\$ 1,099,006	\$ 1,149,537	\$ 1,376,849
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 539	\$ 570	\$ 678	\$ 554	\$ 554	\$ 597	\$ 590	\$ 571	\$ 568	\$ 2,263
Judicial administration	5,577	4,796	4,695	4,234	4,160	4,548	4,929	4,079	4,238	1,939
Public safety	6,002	6,412	5,783	6,027	6,646	11,105	12,220	13,177	13,249	11,113
Public works	6,851	8,796	4,669	4,958	5,038	5,054	8,248	8,237	8,725	8,796
Health and welfare	1,751	2,000	1,850	1,429	1,287	1,381	1,345	1,113	1,477	6,635
Parks, recreational and cultural	553	517	526	520	562	1,807	548	641	580	1,711
Community development	11,121	11,624	10,457	9,564	10,461	15,234	18,973	20,708	20,194	15,527
Operating grants and contributions	74,152	76,200	86,411	90,529	88,851	101,066	77,104	80,159	79,740	85,699
Capital grants and contributions	37,673	31,514	40,183	28,271	46,890	37,115	29,758	42,952	49,288	74,430
Total governmental activities program revenues	144,219	142,429	155,252	146,086	164,449	177,907	153,715	171,637	178,059	208,113
Business-type activities:										
Charges for services:										
Landfill	14,567	14,948	15,840	16,244	17,696	17,213	17,556	18,008	18,805	19,660
Parks and Recreation	--	--	--	--	--	13,228	10,904	11,783	11,927	12,456
Innovation Technology Park	7,812	2,168	1,373	7	--	990	--	--	64	1,132
Capital grants and contributions	--	--	27	177	66	57	27	20	--	--
Total business-type activities program revenues	22,379	17,116	17,240	16,428	17,762	31,488	28,487	29,811	30,796	33,248
Total primary government program revenues	\$ 166,598	\$ 159,545	\$ 172,492	\$ 162,514	\$ 182,211	\$ 209,395	\$ 182,202	\$ 201,448	\$ 208,855	\$ 241,361
Net (Expense)/Revenue										
Governmental activities	\$ (855,020)	\$ (808,429)	\$ (876,691)	\$ (808,417)	\$ (726,253)	\$ (783,103)	\$ (881,497)	\$ (895,174)	\$ (938,871)	\$ (1,135,880)
Business-type activities	6,969	1,952	4,817	5,655	1,910	(1,221)	(7,134)	(2,384)	(1,811)	392
Total primary government net (expense)/revenue	\$ (848,051)	\$ (806,477)	\$ (871,874)	\$ (802,762)	\$ (724,343)	\$ (784,324)	\$ (888,631)	\$ (897,558)	\$ (940,682)	\$ (1,135,488)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Real property	\$ 461,230	\$ 484,368	\$ 545,021	\$ 509,007	\$ 508,761	\$ 526,885	\$ 551,951	\$ 571,847	\$ 599,802	\$ 628,960
Personal property	75,030	77,509	80,642	67,816	72,641	78,338	85,515	96,013	104,060	114,750
Local sales	47,921	46,155	45,055	46,155	49,554	52,003	55,169	56,511	59,709	60,551
Consumers utility	18,522	12,354	12,596	12,840	13,190	13,075	13,490	13,766	13,974	13,977
Telecommunications sales and use tax	9,533	22,230	20,198	--	--	--	--	--	--	--
Cable franchise tax	2,021	--	--	--	--	--	--	--	--	--
Business, professional and occupational license	22,809	21,173	19,931	20,269	20,965	21,725	22,913	23,772	24,744	25,065
Recordation	15,143	11,528	10,669	7,813	7,562	8,014	10,277	7,879	8,868	10,613
Motor vehicle licenses	6,534	6,651	6,874	7,221	7,504	7,591	7,877	7,907	8,053	8,260
Public safety E-911	1,536	--	--	--	--	--	--	--	--	--
Transient occupancy	3,294	3,389	3,189	3,014	3,169	3,274	3,369	3,096	3,425	3,721
Short term rental, bank stock, public utility gross receipts	2,044	1,990	2,220	2,661	3,208	3,080	2,973	3,226	3,292	3,350
Grants and contributions not restricted to specific programs	62,227	62,580	62,765	82,882	82,422	81,503	81,785	81,878	82,278	85,327
Investment earnings	31,484	35,361	26,777	31,700	11,754	20,222	(1,558)	26,049	20,548	26,872
Insurance claims and recoveries	--	--	--	--	--	66	100	9	10	2,197
Gain/(loss) on disposition of capital assets	--	(170)	--	--	--	--	--	--	--	17
Miscellaneous	24,720	24,633	24,357	21,954	14,876	10,348	37,530	12,522	19,304	12,488
Special item - transfer of volunteer fire and rescue operations	--	--	--	--	--	--	--	--	--	2,929
Transfers	11,961	(789)	4,877	810	1,556	1,527	(376)	(6,337)	465	792
Total governmental activities	796,009	808,962	865,171	814,142	797,162	827,651	871,015	898,138	948,532	999,869

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 2 - Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Taxes										
Grants and contributions not restricted to specific programs	--	--	1	--	--	--	--	--	--	--
Investment earnings	1,272	1,228	1,003	928	343	513	(99)	307	389	397
Gain/(loss) on disposition of capital assets	--	--	(141)	--	--	--	--	--	--	--
Miscellaneous	1,040	1,514	1,045	839	1,099	794	816	837	979	925
Transfers	(11,961)	789	(4,877)	(810)	(1,556)	(1,527)	376	6,337	(465)	(792)
Total business-type activities	(9,649)	3,531	(2,969)	957	(114)	(220)	1,093	7,481	903	530
Total primary government	\$ 786,360	\$ 812,493	\$ 862,202	\$ 815,099	\$ 797,048	\$ 827,431	\$ 872,108	\$ 905,619	\$ 949,435	\$ 1,000,399
Change in Net Position										
Governmental activities										
Effect in change in accounting principle (GASB 68)- Gov't Activities	(59,011)	533	(11,520)	5,725	70,909	44,548	(10,482)	2,964	9,661	(136,011)
Business-type activities	(2,680)	5,483	1,848	6,612	1,796	(1,441)	(6,041)	5,097	(908)	922
Effect in change in accounting principle (GASB 68)- Business-type Activities	--	--	--	--	--	--	--	--	(2,640)	--
Total primary government	(61,691)	6,016	(9,672)	12,337	72,705	43,107	(16,523)	8,061	(90,857)	(135,089)
Component Units: ^a										
Expenses										
School Board	\$ 797,465	\$ 854,175	\$ 879,594	\$ 879,024	\$ 885,979	\$ 945,026	\$ 982,546	\$ 998,911	\$ 1,046,510	\$ 1,059,657
Adult Detention Center	30,075	36,428	37,479	44,635	30,816	39,719	46,030	44,629	42,366	48,241
Park Authority	29,401	31,416	30,749	29,754	29,517	--	--	--	--	--
Convention & Visitors Bureau	--	--	--	--	--	1,183	1,253	1,188	1,288	1,275
Total component unit expenses	\$ 856,941	\$ 922,019	\$ 947,822	\$ 953,413	\$ 946,312	\$ 985,928	\$ 1,029,829	\$ 1,044,728	\$ 1,090,164	\$ 1,109,173
Program Revenues										
Charges for services	\$ 33,552	\$ 35,946	\$ 36,270	\$ 34,948	\$ 35,144	\$ 23,551	\$ 24,230	\$ 24,087	\$ 23,795	\$ 24,429
Operating grants and contributions	103,107	109,227	117,803	120,782	144,496	144,394	146,617	149,565	158,349	168,110
Capital grants and contributions	990	4,540	4,395	4,863	209	98	113	108	116	124
Total component unit program revenues	\$ 137,649	\$ 149,713	\$ 158,468	\$ 160,593	\$ 179,849	\$ 168,043	\$ 170,960	\$ 173,760	\$ 182,260	\$ 192,663
General Revenues and Other										
Changes in Net Position										
Payment from primary government	\$ 575,240	\$ 505,409	\$ 538,853	\$ 544,019	\$ 469,759	\$ 497,540	\$ 556,524	\$ 560,412	\$ 615,939	\$ 783,479
Grants and contributions not restricted to specific programs	293,972	307,491	323,233	324,506	306,261	324,278	354,051	359,939	373,325	381,856
Investment earnings	10,772	9,389	6,856	5,367	4,358	3,287	1,892	3,261	3,125	3,489
Loss on disposal of capital assets	--	(17)	--	--	--	--	--	--	4	(1)
Miscellaneous	4,484	1,862	2,130	1,812	1,696	2,758	3,604	6,829	3,216	3,734
Total general revenues and other changes in net position	\$ 884,468	\$ 824,134	\$ 871,072	\$ 875,704	\$ 782,074	\$ 827,863	\$ 916,071	\$ 930,441	\$ 995,609	\$ 1,172,557
Cummulative effect in change in accounting principle (GASB 68)	--	--	--	--	--	--	--	--	(844,568)	--
Total component unit change in net position	\$ 165,176	\$ 51,828	\$ 81,718	\$ 82,884	\$ 15,611	\$ 9,978	\$ 57,202	\$ 59,473	\$ (756,863)	\$ 256,047

^a The Park Authority Component Unit was dissolved and became the County Department of Parks and Recreation effective FY 2013. The Convention and Visitors Bureau became a component unit of the County effective FY 2013.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 3 - Fund Balances, Governmental Funds

Last Ten Fiscal Years

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

	2007	2008	2009	2010	2011
General Fund:					
Non-spendable	\$ 381	\$ 324	\$ 293	\$ 201	\$ 224
Restricted	1,597	1,861	1,559	1,321	1,369
Committed	68,070	59,181	95,532	99,627	113,811
Assigned	8,378	7,331	4,311	3,780	7,570
Unassigned	61,666	63,228	67,187	63,948	62,422
Total general fund	<u>140,092</u>	<u>131,925</u>	<u>168,882</u>	<u>168,877</u>	<u>185,396</u>
Capital Projects:					
Non-spendable	--	23	34	34	34
Restricted	77,160	32,911	55,992	8,550	26,798
Committed	87,835	104,452	87,102	111,574	109,413
Total capital projects	<u>164,995</u>	<u>137,386</u>	<u>143,128</u>	<u>120,158</u>	<u>136,245</u>
Fire & Rescue Levy:					
Restricted					
Total non-major special revenue funds					
Non-major Special Revenue Funds:					
Non-spendable	--	--	--	--	--
Restricted	47,502	61,807	67,497	67,339	73,173
Total non-major special revenue funds	<u>\$ 47,502</u>	<u>\$ 61,807</u>	<u>\$ 67,497</u>	<u>\$ 67,339</u>	<u>\$ 73,173</u>

a. Beginning in FY2013, the Fire & Rescue Levy fund became a major fund.

2012	2013 ^a	2014	2015	2016	
					General Fund:
\$ 229	\$ 299	\$ 222	\$ 178	\$ 142	Non-spendable
1,274	2,101	3,693	13,224	12,833	Restricted
90,209	81,114	67,735	58,692	105,707	Committed
7,073	8,137	6,442	29,847	7,733	Assigned
64,457	67,075	69,669	73,055	76,747	Unassigned
<u>163,242</u>	<u>158,726</u>	<u>147,761</u>	<u>174,996</u>	<u>203,162</u>	Total general fund
					Capital Projects:
199	34	240	232	331	Non-spendable
21,633	--	--	--	--	Restricted
87,301	102,692	102,106	56,783	131,266	Committed
<u>109,133</u>	<u>102,726</u>	<u>102,346</u>	<u>57,015</u>	<u>131,597</u>	Total capital projects
					Fire & Rescue Levy:
	66,893	77,831	86,617	86,098	Restricted
	<u>66,893</u>	<u>77,831</u>	<u>86,617</u>	<u>86,098</u>	Total non-major special revenue funds
					Non-major Special Revenue Funds:
--	30	--	--	2,167	Non-spendable
77,568	16,895	18,472	16,766	15,753	Restricted
<u>\$ 77,568</u>	<u>\$ 16,925</u>	<u>\$ 18,472</u>	<u>\$ 16,766</u>	<u>\$ 17,920</u>	Total non-major special revenue funds

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 4 - Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

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

	2007	2008	2009	2010	2011
REVENUES:					
General property taxes	\$ 535,367	\$ 560,637	\$ 623,758	\$ 577,981	\$ 583,220
Other local taxes	129,357	125,470	120,732	99,973	105,152
Permits, privilege fees and regulatory licenses	14,596	13,607	11,374	10,617	11,495
Fines and forfeitures	2,767	2,664	2,759	2,866	3,241
From use of money and property	27,476	30,579	22,431	27,489	7,547
Charges for services	15,035	18,446	14,528	13,803	13,972
Intergovernmental revenues:					
Federal	44,802	46,133	40,735	47,201	62,154
State	99,511	96,842	117,091	133,976	126,233
Local	10,095	10,307	9,378	8,912	8,473
Donations and contributions	119	107	95	61	70
Miscellaneous	24,735	25,656	26,255	21,893	15,706
Total revenues	<u>903,860</u>	<u>930,448</u>	<u>989,136</u>	<u>944,772</u>	<u>937,263</u>
EXPENDITURES:					
General government administration	34,649	35,838	35,712	33,982	35,296
Judicial administration	17,599	18,182	18,271	16,971	17,505
Public safety	244,659	191,061	207,920	202,196	198,402
Public works	27,738	30,188	29,218	25,545	27,736
Health and welfare	70,596	75,562	74,765	74,593	76,896
Education	416,114	403,396	434,596	437,057	361,447
Parks, recreational and cultural	32,828	36,097	34,549	36,485	29,849
Community development	44,123	42,353	43,107	44,389	45,183
Debt service:					
Principal retirement	52,455	60,162	61,753		66,811
Interest and other debt costs	37,675	39,990	41,029		43,817
Intergovernmental - arbitrage rebate	1,060	147	--	--	--
Capital outlays	89,033	74,601	112,121	34,063	26,914
Total expenditures	<u>1,068,529</u>	<u>1,007,577</u>	<u>1,093,041</u>	<u>905,281</u>	<u>929,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(164,669)</u>	<u>(77,129)</u>	<u>(103,905)</u>	<u>39,491</u>	<u>7,407</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	73,392	54,079	47,880	39,033	32,677
Transfers out	(60,932)	(58,921)	(40,621)	(48,942)	(32,486)
Sale of lease participation certificates	93,075	10,710	37,945	--	--
Bonds, notes and capital leases	98,730	45,890	97,950	80,380	29,085
Refunding bonds	--	--	--	--	82,410
Premium on sale of bonds	3,905	3,343	8,976	2,205	1,069
Premium from refunding bonds	--	--	--	--	9,757
Payments to escrow agent	--	--	--	--	(91,667)
Premium on sale of lease participation certificates	1,368	457	--	--	--
Premiums from refunding lease participation certificates	--	--	--	--	--
Insurance recoveries	--	--	--	--	--
Sale of surplus property	75	135	154	250	188
Total other financing sources (uses)	<u>209,613</u>	<u>55,693</u>	<u>152,284</u>	<u>72,926</u>	<u>31,033</u>
Net change in fund balances	<u>\$ 44,944</u>	<u>\$ (21,436)</u>	<u>\$ 48,379</u>	<u>\$ 112,417</u>	<u>\$ 38,440</u>
Debt service as a percentage of noncapital expenditures	8.74%	10.03%	9.49%	0.00%	12.00%

a Beginning in FY2013, the Park Authority Component Unit merged its functions into the County Government by creating a new Prince William County Department of Parks & Recreation.

	2012	2013 ^a	2014	2015	2016	
\$	605,896	\$ 636,789	\$ 667,497	\$ 703,097	\$ 744,303	REVENUES:
	108,762	116,068	116,157	122,065	125,537	General property taxes
	13,836	16,354	17,389	17,057	18,039	Other local taxes
	3,435	3,260	3,252	3,168	2,953	Permits, privilege fees and regulatory licenses
	13,870	(6,422)	14,434	12,456	16,536	Fines and forfeitures
	21,226	27,240	27,886	28,806	26,992	From use of money and property
						Charges for services
	50,986	49,644	51,378	48,313	69,554	Intergovernmental revenues:
	122,949	118,507	137,111	141,743	146,504	Federal
	6,661	6,884	7,435	9,679	11,083	State
	142	20	1,897	1,723	213	Local
	10,206	27,284	11,592	18,083	14,996	Donations and contributions
						Miscellaneous
	<u>957,969</u>	<u>995,628</u>	<u>1,056,028</u>	<u>1,106,190</u>	<u>1,176,710</u>	Total revenues
	38,897	36,788	34,966	37,651	39,122	EXPENDITURES:
	17,593	18,388	19,190	19,681	20,175	General government administration
	210,461	228,769	232,492	241,360	261,342	Judicial administration
	30,408	30,522	31,441	30,857	31,633	Public safety
	75,014	75,066	76,549	80,840	85,237	Public works
	416,071	463,652	466,249	508,016	667,868	Health and welfare
	35,801	26,550	28,507	31,085	34,797	Education
	47,280	48,555	53,185	53,879	53,363	Parks, recreational and cultural
						Community development
	74,760	69,858	72,969	76,750	78,093	Debt service:
	42,803	41,991	42,546	42,476	46,072	Principal retirement
	--	--	--	--	--	Interest and other debt costs
	33,283	53,426	76,086	85,565	93,119	Intergovernmental - arbitrage rebate
	<u>1,022,371</u>	<u>1,093,565</u>	<u>1,134,180</u>	<u>1,208,160</u>	<u>1,410,821</u>	Capital outlays
						Total expenditures
	<u>(64,402)</u>	<u>(97,937)</u>	<u>(78,152)</u>	<u>(101,970)</u>	<u>(234,111)</u>	Excess (deficiency) of revenues over (under) expenditures
	59,039	58,513	73,278	54,852	84,222	OTHER FINANCING SOURCES (USES):
	(88,907)	(62,825)	(93,780)	(54,508)	(86,600)	Transfers in
	--	--	--	--	--	Transfers out
	46,445	65,675	88,625	82,545	303,865	Sale of lease participation certificates
	51,585	46,180	--	35,675	53,875	Bonds, notes and capital leases
	2,236	12,301	10,309	7,247	33,292	Refunding bonds
	9,690	9,048	--	6,219	13,673	Premium on sale of bonds
	(60,921)	(54,689)	--	(41,508)	(67,116)	Premium from refunding bonds
	--	--	--	--	--	Payments to escrow agent
	66	--	--	--	--	Premium on sale of lease participation certificates
	--	100	9	10	17	Premiums from refunding lease participation certificates
	298	252	851	422	2,266	Insurance recoveries
	<u>19,531</u>	<u>74,555</u>	<u>79,292</u>	<u>90,954</u>	<u>337,494</u>	Sale of surplus property
						Total other financing sources (uses)
\$	<u>(44,871)</u>	<u>(23,382)</u>	<u>1,140</u>	<u>(11,016)</u>	<u>103,383</u>	Net change in fund balances
	11.62%	10.37%	10.35%	10.12%	9.04%	Debt service as a percentage of noncapital expenditures

COUNTY OF PRINCE WILLIAM, VIRGINIA**TABLE 5 - Changes in Net Position, Supplemental Retirement Plan**

Last Ten Fiscal Years

(amounts expressed in thousands)

	2007	2008	2009	2010	2011
Additions					
Member contributions	\$ 722	\$ 757	\$ 802	\$ 826	\$ 839
Employer contributions	722	757	802	827	839
Investment income (net of expenses)	3,479	(603)	(4,577)	2,003	4,983
Total additions to plan net position	<u>4,923</u>	<u>911</u>	<u>(2,973)</u>	<u>3,656</u>	<u>6,661</u>
Deductions					
Benefit payments	1,089	1,121	1,291	1,475	1,763
Refunds	34	149	37	200	86
Administrative expenses	69	73	127	137	105
Change in net position	<u>\$ 3,731</u>	<u>\$ (432)</u>	<u>\$ (4,428)</u>	<u>\$ 1,844</u>	<u>\$ 4,707</u>

	2012	2013	2014	2015	2016	
						Additions
\$	909	\$ 946	\$ 1,007	\$ 1,083	\$ 1,137	Member contributions
	909	946	1,007	1,083	1,137	Employer contributions
	(559)	2,449	4,438	(339)	119	Investment income (net of expenses)
	<u>1,259</u>	<u>4,341</u>	<u>6,452</u>	<u>1,827</u>	<u>2,393</u>	Total additions to plan net position
						Deductions
	1,742	1,981	1,810	1,883	2,004	Benefit payments
	78	84	95	97	144	Refunds
	<u>92</u>	<u>57</u>	<u>109</u>	<u>83</u>	<u>116</u>	Administrative expenses
\$	<u>(653)</u>	<u>2,219</u>	<u>4,438</u>	<u>(236)</u>	<u>129</u>	Change in net position

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 6 - General Governmental Revenues by Source^a

Last Ten Fiscal Years

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

Fiscal Year	Taxes ^b	Licenses, Fees & Permits	Fines & Forfeitures	Use of Money & Property ^d	Charges for Services
2007	\$ 664,725	\$ 14,596	\$ 2,767	\$ 42,906	\$ 37,528
2008	\$ 686,107	\$ 13,607	\$ 2,664	\$ 43,952	\$ 39,947
2009	\$ 744,490	\$ 11,374	\$ 2,759	\$ 31,019	\$ 36,836
2010	\$ 677,954	\$ 10,617	\$ 2,866	\$ 33,903	\$ 34,877
2011	\$ 688,372	\$ 11,495	\$ 3,241	\$ 12,406	\$ 34,953
2012	\$ 714,658	\$ 13,836	\$ 3,435	\$ 17,909	\$ 43,295
2013	\$ 752,856	\$ 16,354	\$ 3,260	\$ (3,386)	\$ 50,179
2014	\$ 783,654	\$ 17,389	\$ 3,252	\$ 18,762	\$ 50,964
2015	\$ 825,162	\$ 17,057	\$ 3,168	\$ 16,747	\$ 51,847
2016	\$ 869,840	\$ 18,039	\$ 2,953	\$ 21,495	\$ 49,818
Change 2007 - 2016	30.86%	23.59%	6.72%	-49.90%	32.75%

^a Includes revenues of the General Fund, Special Revenue Funds, Capital Projects Funds and the School Board and Adult Detention Center Component Units.

^b Tax revenues exclude reimbursements from the Commonwealth under the Personal Property Tax Relief Act.

^c 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 fiscal year 2007 through 2008. The reimbursement for fiscal year 2016 was set at the fiscal year 2008 amount, irrespective of any reimbursement rate.

^d Use of Money changes can be substantially attributed to favorable or unfavorable mark to market conditions.

TABLE 6A - 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 ^a	Public Service	Total General ^b Property Taxes	Sales Tax
2007	\$ 451,319	\$ 71,290	\$ 10,861	\$ 533,470	\$ 47,921
2008	\$ 472,960	\$ 73,311	\$ 12,120	\$ 558,391	\$ 46,155
2009	\$ 530,120	\$ 75,986	\$ 15,156	\$ 621,262	\$ 45,055
2010	\$ 494,299	\$ 63,666	\$ 17,518	\$ 575,483	\$ 46,155
2011	\$ 492,738	\$ 68,792	\$ 19,207	\$ 580,737	\$ 49,554
2012	\$ 510,053	\$ 74,567	\$ 18,776	\$ 603,396	\$ 52,003
2013	\$ 533,024	\$ 81,783	\$ 19,511	\$ 634,318	\$ 55,169
2014	\$ 553,875	\$ 92,370	\$ 18,809	\$ 665,054	\$ 56,511
2015	\$ 581,640	\$ 100,093	\$ 18,650	\$ 700,383	\$ 59,709
2016	\$ 610,844	\$ 110,676	\$ 19,954	\$ 741,474	\$ 60,551
Change 2007 - 2016	35.35%	55.25%	83.72%	38.99%	26.36%

^a Personal property tax revenues exclude reimbursements from the Commonwealth under the Personal Property Tax relief Act.

^b Excludes administration fees and interest related to property taxes. These revenues are included in "All Other" column.

Inter-Governmental ^c						
PPTRA	All Others	Miscellaneous	Total	Fiscal Year		
\$ 54,274	\$ 618,695	\$ 26,692	\$ 1,462,183	2007		
\$ 54,288	\$ 574,967	\$ 28,100	\$ 1,443,632	2008		
\$ 54,288	\$ 614,146	\$ 29,052	\$ 1,523,964	2009		
\$ 54,288	\$ 641,187	\$ 24,416	\$ 1,480,108	2010		
\$ 54,288	\$ 656,758	\$ 18,130	\$ 1,479,643	2011		
\$ 54,288	\$ 627,418	\$ 13,816	\$ 1,488,655	2012		
\$ 54,288	\$ 690,633	\$ 30,632	\$ 1,594,816	2013		
\$ 54,288	\$ 722,269	\$ 17,826	\$ 1,668,403	2014		
\$ 54,288	\$ 757,092	\$ 23,207	\$ 1,748,568	2015		
\$ 54,288	\$ 801,685	\$ 18,945	\$ 1,837,063	2016		
				Change		
0.03%	29.58%	-29.02%	25.64%	2007 - 2016		

BPOL						
Utility Taxes	Tax	All Other ^b	Total	Fiscal Year		
\$ 18,522	\$ 22,810	\$ 42,002	\$ 664,725	2007		
\$ 12,354	\$ 21,173	\$ 48,034	\$ 686,107	2008		
\$ 12,596	\$ 19,931	\$ 45,646	\$ 744,490	2009		
\$ 12,840	\$ 20,269	\$ 23,207	\$ 677,954	2010		
\$ 13,190	\$ 20,965	\$ 23,926	\$ 688,372	2011		
\$ 13,075	\$ 21,725	\$ 24,459	\$ 714,658	2012		
\$ 13,490	\$ 22,913	\$ 26,966	\$ 752,856	2013		
\$ 13,766	\$ 23,772	\$ 18,458	\$ 777,561	2014		
\$ 13,974	\$ 24,744	\$ 26,352	\$ 825,162	2015		
\$ 13,977	\$ 25,065	\$ 28,773	\$ 869,840	2016		
				Change		
-24.54%	9.89%	-31.50%	30.86%	2007 - 2016		

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 7 - 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 ^a	Apartments ^a	Commercial & Industrial ^a	Public Service ^a	Vacant Land & Other ^a	Total Taxable Assessed Value	Total Direct Tax Rate ^b	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	\$48,617,154	\$1,588,255	\$5,667,015	\$1,355,894	\$428,530	\$57,656,848	\$0.80710	\$64,002,474	90.09%
2008	\$48,185,629	\$1,759,043	\$6,592,385	\$1,448,737	\$305,617	\$58,291,411	\$0.83790	\$61,439,875	94.88%
2009	\$41,980,642	\$1,904,868	\$7,595,528	\$1,471,669	\$273,037	\$53,225,744	\$1.03220	\$51,665,113	103.02%
2010	\$29,888,134	\$1,801,532	\$6,726,623	\$1,360,944	\$214,673	\$39,991,906	\$1.28910	\$47,228,010	84.68%
2011	\$30,434,819	\$1,451,944	\$5,722,158	\$1,466,645	\$180,505	\$39,256,071	\$1.31460	\$48,535,035	80.88%
2012	\$32,477,281	\$1,642,125	\$5,899,244	\$1,472,610	\$163,184	\$41,654,444	\$1.28060	\$49,533,872	84.09%
2013	\$33,769,506	\$1,911,766	\$6,210,947	\$1,521,977	\$170,032	\$43,584,228	\$1.28590	\$50,810,494	85.78%
2014	\$35,821,828	\$2,185,291	\$6,597,590	\$1,501,931	\$171,126	\$46,277,765	\$1.25620	\$57,109,671	81.03%
2015	\$39,073,111	\$2,525,672	\$6,802,104	\$1,531,397	\$161,172	\$50,093,457	\$1.22120	\$57,663,419	86.87%
2016	\$41,983,238	\$2,856,819	\$7,179,333	\$1,678,330	\$166,961	\$53,864,681	\$1.19360	\$57,790,028	93.21%

^a Net of tax-exempt property:

2007 - \$3,049,599	2012 \$3,183,169
2008 - \$3,867,736	2013 \$3,316,592
2009 - \$3,722,543	2014 \$3,705,018
2010 - \$3,451,863	2015 \$3,761,235
2011 - \$3,119,173	2016 \$3,901,930

^b See Table 8, Direct and Overlapping Property Tax Rates.

TABLE 7A - Commercial to Total Assessment Ratio, Construction and Bank Deposits

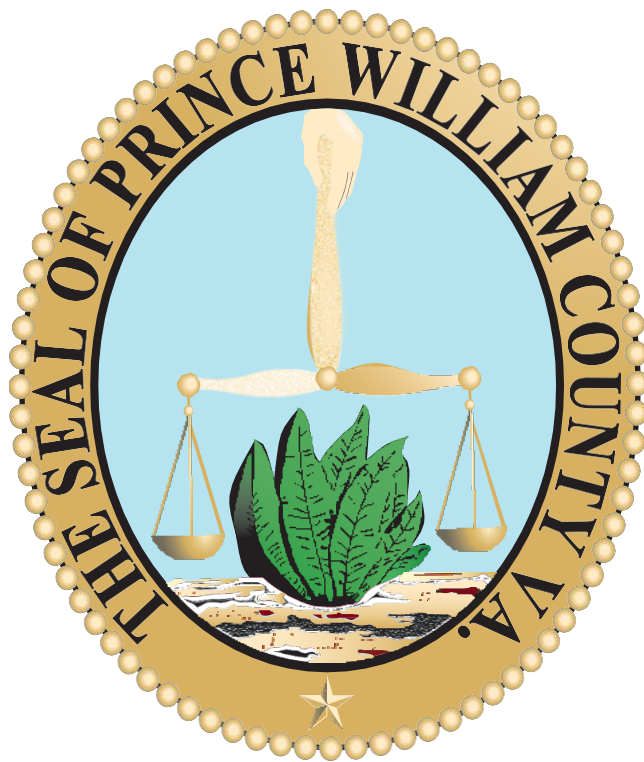
Last Ten Fiscal Years

(dollars expressed in millions)

Fiscal	Commercial as a Percent of Total Taxable		New Construction ^a				Bank Deposits ^b
	Commercial to Total	Commercial & Public Service to Total	Residential		Non-Residential		
			Permits	Value	Permits	Value	
2007	9.8%	12.2%	2,744	\$ 397	301	\$ 379	\$ 2,864
2008	11.3%	13.8%	1,568	\$ 228	259	\$ 183	\$ 2,863
2009	14.3%	17.0%	1,782	\$ 270	203	\$ 195	\$ 3,135
2010	16.8%	20.2%	1,996	\$ 297	152	\$ 92	\$ 3,322
2011	14.6%	18.3%	1,377	\$ 242	99	\$ 53	\$ 3,531
2012	14.2%	17.7%	1,398	\$ 278	161	\$ 94	\$ 3,866
2013	14.3%	17.7%	1,542	\$ 282	233	\$ 233	\$ 4,082
2014	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	\$ 4,445

^a Building Development Division, Department of Public Works.

^b Includes deposits in commercial banks, savings banks and credit unions at June 30 for year shown. 2007-2016, Federal Deposit Insurance Corporation, (commercial and savings bank deposits) and National Credit Union Administration (credit union deposits). Note: NCUA information for 2016 not available



COUNTY OF PRINCE WILLIAM, VIRGINIA**TABLE 8 - Direct and Overlapping Real Estate Tax Rates**

Last Ten Fiscal Years

(tax rates per \$100 of assessed value)

Type of Tax	2007	2008	2009	2010	2011
PRINCE WILLIAM COUNTY					
<i>Countywide Tax Levies:</i>					
Real Estate - General Fund	\$0.75800	\$0.78700	\$0.97000	\$1.21200	\$1.23600
Fire and Rescue Levy (Countywide)	\$0.04660	\$0.04840	\$0.05970	\$0.07460	\$0.07610
Mosquito & Forest Pest Management (Countywide)	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250
Total Direct Tax Rate	<u>\$0.80710</u>	<u>\$0.83790</u>	<u>\$1.03220</u>	<u>\$1.28910</u>	<u>\$1.31460</u>
<i>Service District Levies -</i>					
Bull Run	\$0.12000	\$0.12000	\$0.13800	\$0.19900	\$0.20100
Lake Jackson	\$0.11000	\$0.11000	\$0.12300	\$0.17200	\$0.17500
Circuit Court	\$0.19000	\$0.19000	\$0.15000	--	--
<i>Transportation District Levies -</i>					
Prince William Parkway	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000
234-Bypass	\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000
OVERLAPPING GOVERNMENTS					
<i>Real Estate Tax Levy:</i>					
Town of Dumfries	\$0.18000	\$0.18000	\$0.18000	\$0.35330	\$0.33350
Town of Haymarket	\$0.12000	\$0.12800	\$0.16400	\$0.16400	\$0.16400
Town of Occoquan	\$0.08500	\$0.08500	\$0.10000	\$0.10000	\$0.10000
Town of Quantico	\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000

2012	2013	2014	2015	2016	Type of Tax
PRINCE WILLIAM COUNTY					
<i>Countywide Tax Levies:</i>					
\$1.20400	\$1.20900	\$1.18100	\$1.14800	\$1.12200	Real Estate - General Fund
\$0.07410	\$0.07440	\$0.07270	\$0.07070	\$0.06910	Fire and Rescue Levy (Countywide)
\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250	Mosquito & Forest Pest Management (Countywide)
<u>\$1.28060</u>	<u>\$1.28590</u>	<u>\$1.25620</u>	<u>\$1.22120</u>	<u>\$1.19360</u>	Total Direct Tax Rate
<i>Service District Levies -</i>					
\$0.20100	\$0.20100	\$0.18300	\$0.14710	\$0.13770	Bull Run
\$0.17500	\$0.17500	\$0.16500	\$0.16500	\$0.16500	Lake Jackson
--	--	--	--	--	Circuit Court
<i>Transportation District Levies -</i>					
\$0.20000	\$0.20000	\$0.20000	\$0.20000	--	Prince William Parkway
\$0.02000	\$0.02000	\$0.02000	\$0.02000	\$0.02000	234-Bypass
OVERLAPPING GOVERNMENTS					
<i>Real Estate Tax Levy:</i>					
\$0.33330	\$0.27733	\$0.27330	\$0.23330	\$0.18990	Town of Dumfries
\$0.16400	\$0.16400	\$0.13900	\$0.13900	\$0.12900	Town of Haymarket
\$0.10000	\$0.10000	\$0.11000	\$0.11000	\$0.11000	Town of Occoquan
\$0.20000	\$0.20000	\$0.20000	\$0.20000	\$0.20000	Town of Quantico

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 9 - Principal Real Property Tax Payers

Current Year and Nine Years Ago

(amounts expressed in thousands)

Taxpayer	2016				2007			
	Taxable Assessed		Percentage of Total County Taxable Assessed		Taxable Assessed		Percentage of Total County Taxable Assessed	
	Value	Rank	Value ^a		Value	Rank	Value ^a	
VA Electric & Power Company	\$ 767,489	1	1.42%		\$ 683,763	1	1.19%	
Mall at Potomac Mills, LLC	533,978	2	0.99%		433,712	2	0.75%	
Northern Virginia Electric Co-op	276,856	3	0.51%		227,463	3	0.39%	
Verizon South, Inc.	154,434	4	0.29%		167,662	6	0.29%	
Diamond Potomac Town Center, LLC	117,666	5	0.22%					
Washington Gas Light Company	102,796	6	0.19%					
Stellar Chatsworth LLC	102,737	7	0.19%					
Woodbridge Station Apartments LLC	91,827	8	0.17%					
Harbor Station Communities, LLC	91,825	9	0.17%					
Porpoise Ventures, LLC	90,279	10	0.17%					
Dominion Country Club, LP	-		-		204,818	4	0.36%	
Brookfield Morris LLC	-		-		200,820	5	0.35%	
Lee Carolina, LLC	-		-		138,885	7	0.24%	
Centex Homes	-		-		123,652	8	0.21%	
Manassas Mall LLC	-		-		94,721	9	0.16%	
WNH Limited Partnership	-		-		94,470	10	0.16%	
	<u>\$ 2,329,887</u>		<u>4.32%</u>		<u>\$ 2,369,966</u>		<u>4.10%</u>	

^a See Table 7 for a ten-year listing of Taxable Assessed Values.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 10 - Real Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
	Total Adjusted Tax Levy ^a	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy Collected
2007	\$ 461,108	\$ 458,438	99.4%	\$ 2,505	\$ 460,943	100.0%
2008	\$ 484,124	\$ 481,069	99.4%	\$ 2,717	\$ 483,786	99.9%
2009	\$ 544,909	\$ 541,235	99.3%	\$ 3,263	\$ 544,498	99.9%
2010	\$ 510,988	\$ 508,264	99.5%	\$ 2,513	\$ 510,777	100.0%
2011	\$ 511,316	\$ 509,154	99.6%	\$ 1,871	\$ 511,025	99.9%
2012	\$ 527,838	\$ 525,737	99.6%	\$ 1,516	\$ 527,253	99.9%
2013	\$ 553,424	\$ 551,222	99.6%	\$ 1,651	\$ 552,873	99.9%
2014	\$ 573,203	\$ 571,425	99.7%	\$ 1,280	\$ 572,705	99.9%
2015	\$ 603,171	\$ 601,267	99.7%	\$ 1,180	\$ 602,447	99.9%
2016	\$ 630,485	\$ 629,017	99.8%	\$ --	\$ 629,017	99.8%

^a Total tax levy includes gross real estate and public service taxes less adjustments to tax due made prior to payment.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 11 - Ratios of Outstanding Debt by Type, Primary Government and Component Units

Last Ten Fiscal Years

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

	2007	2008	2009	2010	2011	2012
Primary Government						
<i>Governmental Activities:</i>						
General Obligation Bonds ^a						
General Government	\$ 149,362	\$ 136,200	\$ 165,649	\$ 151,352	\$ 156,520	\$ 139,782
School Board-Related	502,453	515,486	531,815	576,826	549,775	556,747
Park Related	5,537	4,810	8,477	7,842	7,210	7,126
IDA Lease Revenue Bonds	10,430	9,680	8,870	8,030	7,160	6,260
Literary Fund Loans	4,520	4,124	3,749	3,374	3,000	2,750
Real Property Capital Leases						
General Government	150,189	151,039	179,298	169,012	156,854	145,695
Adult Detention Center	68,005	66,275	64,550	34,825	33,100	25,875
Park Related	594	561	528	495	462	429
Commuter Rail Capital Leases**	1,863	1,442	992	511	--	--
Equipment Capital Leases	68	--	--	--	485	398
Installment Notes Payable	509	351	182	--	--	--
<i>Business-Type Activities:</i>						
Solid Waste System Revenue Bonds**	11,065	9,535	7,945	6,295	4,595	3,004
Parks & Recreation Revenue Bonds	--	--	--	--	--	--
Parks & Recreation Equipment Capital Leases	--	--	--	--	--	--
Taxable Revenue Notes	3,250	--	--	--	--	--
Total Primary Government	\$ 907,845	\$ 899,503	\$ 972,055	\$ 958,562	\$ 919,161	\$ 888,066
Percentage of Personal Income ^b	4.73%	4.53%	4.83%	4.52%	4.07%	3.84%
Per Capita ^b	2,528	2,444	2,594	2,384	2,262	2,118
Component Units						
<i>Park Authority Component Unit^c:</i>						
Series 1999 Revenue Bonds **	\$ 18,101	\$ 17,725	\$ 17,323	12,481	\$ 12,008	\$ 11,528
Equipment Capital Leases**	1,710	3,116	2,800	2,254	1,689	2,793
Installment Notes Payable**	651	517	376	230	78	--
Total Component Units	20,462	21,358	20,499	14,965	13,775	14,321
Total Reporting Entity Outstanding Debt	928,307	920,861	992,554	973,527	932,936	902,387
Less: Self-Supporting Revenue and Other Bonds	33,390	32,335	29,436	21,771	18,370	17,325
Net Tax-Supported Debt	\$ 894,917	\$ 888,526	\$ 963,118	\$ 951,756	\$ 914,566	\$ 885,062

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

^a Includes general obligation bonds associated with School Board-related Debt and Park related debt;

See Exhibit 1.

^b See Table 16 for personal income and population data.

^c Parks & Recreation revenue bonds are presented net of unamortized premium and unamortized deferred loss on refunding. See Illustration 11-7 in the Notes to the Financial Statements for details.

2013	2014	2015	2016	
				<i>Governmental Activities:</i>
				General Obligation Bonds ^a
\$ 127,400	\$ 140,032	\$ 126,438	\$ 197,564	General Government
579,969	594,188	628,638	793,235	School Board-Related
6,651	9,746	9,069	14,421	Park Related
5,325	4,355	3,345	2,290	IDA Lease Revenue Bonds
2,500	2,250	2,000	--	Literary Fund Loans
				Real Property Capital Leases
133,415	122,609	110,324	96,720	General Government
23,405	21,680	19,955	18,230	Adult Detention Center
385	352	644	395	Park Related
--	--	--	--	Commuter Rail Capital Leases**
1,456	951	539	110	Equipment Capital Leases
--	--	--	--	Installment Notes Payable
				<i>Business-Type Activities:</i>
1,590	--	--	--	Solid Waste System Revenue Bonds**
11,031	10,525	10,555	9,965	Parks & Recreation Revenue Bonds ^b
889	596	295	99	Parks & Recreation Equipment Capital Leases
--	--	--	--	Taxable Revenue Notes
<u>\$ 894,016</u>	<u>\$ 907,284</u>	<u>\$ 911,802</u>	<u>\$ 1,133,029</u>	Total Primary Government
3.84%	3.75%	3.63%	4.39%	Percentage of Personal Income ^b
2,077	2,069	2,044	2,495	Per Capita ^b
				<i>Park Authority Component Unit:</i>
\$ --	\$ --	\$ --	\$ --	Series 1999 Revenue Bonds**
--	--	--	--	Equipment Capital Leases**
--	--	--	--	Installment Notes Payable**
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Component Units
894,016	907,284	911,802	1,133,029	Total Reporting Entity Outstanding Debt
13,510	11,121	10,850	10,064	Less: Self-Supporting Revenue and Other Bonds
<u>\$ 880,506</u>	<u>\$ 896,163</u>	<u>\$ 900,952</u>	<u>\$ 1,122,965</u>	Net Tax-Supported Debt

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 12 - Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

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

Fiscal Year	General Obligation Bonds ^a	Solid Waste System Revenue Bonds	Total	Percentage of Estimated Actual Taxable Value of Property ^b	Per Capita ^c
2007	\$ 657,352	11,065	668,417	1.04%	1,861
2008	\$ 656,496	9,535	666,031	1.08%	1,810
2009	\$ 705,941	7,945	713,886	1.38%	1,905
2010	\$ 736,020	6,295	742,315	1.57%	1,847
2011	\$ 713,505	4,595	718,100	1.48%	1,767
2012	\$ 703,655	3,004	706,659	1.43%	1,685
2013	\$ 714,020	1,590	715,610	1.41%	1,663
2014	\$ 743,966	--	743,966	1.30%	1,696
2015	\$ 764,145	--	764,145	1.33%	1,713
2016	\$ 1,005,220	--	1,005,220	1.74%	2,214

^a Includes general obligation bonds associated with School Board-related and Parks-related debt; excludes Literary Fund loan of \$2,000. See also Table 11.

^b See Table 7 for property value data.

^c See Table 16 for population data.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 13 - Direct and Overlapping Governmental Activities Debt (based on assessed values)

As of June 30, 2016

(amounts expressed in thousands)

	Outstanding on June 30, 2016	Percent Applicable to County	Amount Applicable to County	Percent of Assessed Value ^b
Direct:				
Net Tax Supported Debt ^a	\$ 1,122,965	100.00%	\$ 1,122,965	2.0848%
Overlapping:				
Town of Dumfries	5,920	100.00%	5,920	0.0110%
Town of Quantico	158	100.00%	158	0.0003%
Town of Haymarket	1,701	100.00%	1,701	0.0032%
Heritage Hunt Commercial Community Development Authority Special Assessment Bonds Series 1999 B	1,153	100.00%	1,153	0.0021%
Virginia Gateway Community Development Authority Refunding Bond Series 1999 and 2003 B	9,925	100.00%	9,925	0.0184%
Cherry Hill Community Development Authority Special Assessment Bonds Series 2015	30,000	100.00%	30,000	0.0557%
Northern Virginia Transportation Commission - Virginia Railway Express ^c	69,788	32.32%	22,555	0.0419%
Northern Virginia Criminal Justice Training Academy (NVCJTA) ^c	8,717	34.63%	3,019	0.0056%
Total Overlapping Governmental Activities Debt	\$ 127,362	58.44%	\$ 74,431	0.1382%
Total Direct and Overlapping Governmental Activities Debt	\$ 1,250,327	95.77%	\$ 1,197,396	2.2230%

^a From Table 11.

^b Assessed value of taxable property is from Table 7.

^c Amount applicable determined on basis other than assessed value of taxable property.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 14 - Debt Ratio Information

Last Ten Fiscal Years

(amounts expressed in thousands)

The issuance of bonds by Virginia counties is not subject to statutory limitation. However, counties generally are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum. This referendum requirement does not apply to bonds for capital projects for school purposes sold to the Literary Fund or the Virginia Public School Authority.

The 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 below.

	2007	2008	2009	2010	2011
General Government ^a					
Principal	\$ 52,060	\$ 59,741	\$ 61,303	\$ 91,742	\$ 66,299
Interest ^b	37,524	39,865	41,032	43,272	43,783
Internal Service Fund Debt Service ^c	--	--	--	--	--
Debt Service on Net Tax-Supported Debt	\$ 89,584	\$ 99,606	\$ 102,335	\$ 135,014	\$ 110,082
Total Government Expenditures ^d	\$ 1,310,566	\$ 1,325,488	\$ 1,331,692	\$ 1,386,901	\$ 1,337,189
Ratio of Debt Service to Expenditures	6.8%	7.5%	7.7%	9.7%	8.2%
Total Revenues ^e	\$ 1,360,579	\$ 1,364,972	\$ 1,441,690	\$ 1,392,237	\$ 1,439,786
Ratio of Debt Service to Revenues	6.6%	7.3%	7.1%	9.7%	7.6%
Net Tax-Supported Debt ^f	\$ 894,917	\$ 888,526	\$ 963,118	\$ 951,756	\$ 914,566
Assessed Value of Taxable Property ^g	61,267,297	62,011,351	56,999,051	43,359,775	42,750,432
Ratio of Net Tax-Supported Debt to Assessed Value	1.5%	1.4%	1.7%	2.2%	2.1%

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%.

These authorized bonds are

^a 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.

^b Excludes bond issuance and other costs.

^c 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.

^d Total expenditures excluding capital projects from Table 22.

^e Includes revenues of the General Fund, Special Revenue Funds and the School Board and Adult Detention Center Component Units.

^f From Table 11.

^g From Table 7 and Table 21.

	2012	2013	2014	2015	2016	
						General Government ^a
\$	74,760	\$ 69,858	\$ 72,969	\$ 76,750	\$ 78,093	Principal
	42,803	41,991	42,546	42,476	46,072	Interest ^b
	--	--	--	--	--	Internal Service Fund Debt Service ^c
\$	117,563	\$ 111,849	\$ 115,515	\$ 119,226	\$ 124,165	Debt Service on Net Tax-Supported Debt
\$	1,427,543	\$ 1,461,112	\$ 1,491,793	\$ 1,557,703	\$ 1,610,616	Total Government Expenditures ^d
	8.2%	7.7%	7.7%	7.7%	7.7%	Ratio of Debt Service to Expenditures
\$	1,460,245	\$ 1,493,495	\$ 1,636,801	\$ 1,611,230	\$ 1,496,700	Total Revenues ^e
	8.1%	7.5%	7.1%	7.4%	8.3%	Ratio of Debt Service to Revenues
\$	885,062	\$ 880,506	\$ 896,163	\$ 900,952	\$ 1,122,965	Net Tax-Supported Debt ^f
	45,413,737	47,672,172	50,601,567	54,623,176	58,854,961	Assessed Value of Taxable Property ^g
	1.9%	1.8%	1.8%	1.6%	1.9%	Ratio of Net Tax-Supported Debt to Assessed Value

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 15 - Revenue Bond Coverage for Solid Waste System Revenue Bonds

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	System Revenues ^a	Operating Expenses and Transfers ^b	Closure Payment ^c	Net Revenue Available for Debt Service	Debt Service Payments ^d			Coverage ^e
					Principal	Interest	Total	
2007	\$ 16,535	\$ 9,970	\$ 2,199	\$ 4,366	\$ 1,485	\$ 562	\$ 2,047	2.13
2008	\$ 17,342	\$ 10,651	\$ 3,015	\$ 3,676	\$ 1,530	\$ 504	\$ 2,034	1.81
2009	\$ 17,795	\$ 15,027	\$ --	\$ 2,768	\$ 1,590	\$ 435	\$ 2,025	1.37
2010	\$ 17,925	\$ 10,423	\$ --	\$ 7,502	\$ 1,650	\$ 362	\$ 2,012	3.73
2011	\$ 18,861	\$ 11,694	\$ 749	\$ 6,418	\$ 1,700	\$ 295	\$ 1,995	3.22
2012	\$ 18,064	\$ 12,031	\$ 1,503	\$ 4,530	\$ 1,470	\$ 226	\$ 1,696	2.67
2013	\$ 18,339	\$ 10,735	\$ 1,749	\$ 5,855	\$ 1,535	\$ 156	\$ 1,691	3.46
2014	\$ 18,820	\$ 5,623	\$ 3,775	\$ 9,422	\$ 1,590	\$ --	\$ 1,590	5.93
2015	\$ 19,735	\$ 12,673	\$ 2,386	\$ 4,676	\$ --	\$ --	\$ --	n/a ^f
2016	\$ 20,455	\$ 11,200	\$ 1,484	\$ 7,771	\$ --	\$ --	\$ --	n/a ^f

^a 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.

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

^c 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.

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

^e Required coverage is 1.15.

^f Principal on Solid Waste Revenue Bonds was retired during FY 2014.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 16 - Demographic and Economic Statistics

Last Ten Years

Year	Population ^a	Personal Income ^b (in thousands)	Per Capita Income ^b	Fall School Enrollment ^c	Average Civilian Labor Force ^d	Average Unemployment Rate ^d
2007	359,174	\$19,180,807	\$46,145	70,948	200,311	2.5%
2008	368,016	\$19,842,894	\$46,979	72,988	206,086	3.3%
2009	374,776	\$20,132,706	\$45,830	73,917	208,416	5.5%
2010	402,002	\$21,220,272	\$46,226	76,861	218,394	6.1%
2011	406,392	\$22,567,617	\$47,586	79,358	225,329	5.7%
2012	419,268	\$23,148,243	\$47,528	81,937	229,184	5.3%
2013	430,289	\$23,274,620	\$46,802	83,551	231,521	5.2%
2014	438,580	\$24,170,965	\$47,245	85,055	232,150	4.8%
2015	446,094	\$25,141,115	\$48,132	86,641	232,649	4.4%
2016	454,096	\$25,795,450	\$48,146	87,823	231,490	3.7%

^a US Census Bureau, Population Estimates Program (data as of July 1, 2015).

^b Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Includes cities of Manassas and Manassas Park (data as of November, 2015).

2015 and 2016 data estimated based upon ten-year growth rates on BEA data from 2007 through 2014.

^c Fall Membership by Division, by Grade for Prince William County Schools, Virginia Department of Education

^d Bureau of Labor Statistics, LAUS data (data are annual averages as of July 1, 2016, with the exception of the most recent monthly data)

TABLE 16A - Comparative Demographic Statistics

2000 & 2010 U.S. Census Bureau Data

	2000		2010		
	Prince William County	Prince William County	Washington MSA	Virginia	United States
Population^a:					
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^b:					
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^b:					
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 ^a	2.9	3.1	2.1	2.5	2.6
Percent owner occupied ^b	71.0%	73.2%	42.0%	67.2%	65.1%
Owner occupied median value ^b	\$149,600	\$316,600	\$376,200	\$249,100	\$179,900

^a U.S. Bureau of the Census Bureau, 2000 and 2010 Census Data.

^b U.S. Bureau of the Census Bureau, 2000 and 2010 American Community Survey-1 Year Estimates.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 17 - Principal Employers

Current Year and Nine Years Ago

Employer ^a	2016			2007		
	Ownership	Rank	Number of Employees ^b	Ownership	Rank	Number of Employees ^b
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 Corporation	Private	6	1000 and over	Private	4	1000 and over
Wegmans Store #07	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	7	500 to 999
New Horizon Security Services	Private	10	500 to 999			
Giant Food				Private	8	500 to 999
Minnieland Private Day School				Private	10	500 to 999

^a All data provided by the Virginia Employment Commission (1st Quarter, 2016 & 2007).

^b 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.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 18 - Full-Time Equivalent County Government Employees by Function

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Board of Supervisors	17.00	17.00	17.00	19.00	18.00	22.00	25.00	25.00	25.00	25.00
County Attorney	29.00	27.00	27.00	25.00	24.00	25.00	27.00	27.00	27.00	27.00
Audit Services	--	--	--	--	7.00	7.00	7.00	1.00	1.00	1.00
Office of Executive Management ^b	62.38	59.98	61.98	54.95	49.95	24.00	24.00	25.00	25.00	26.00
Office of Management & Budget ^b	--	--	--	--	--	11.00	11.00	11.00	11.00	12.00
Human Resources ^b	--	--	--	--	--	18.50	18.50	23.50	23.50	23.50
Technology and Support Services	97.53	85.53	85.53	77.53	77.53	77.00	79.00	79.00	87.88	88.88
Finance	142.80	139.80	144.80	145.00	147.00	149.00	155.00	156.00	156.00	158.00
Human Rights	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Board of Registration/Elections	11.00	11.00	11.00	11.00	11.00	11.00	11.00	13.00	13.00	14.00
Judicial Administration										
Commonwealth Attorney	41.00	41.00	41.00	41.00	41.00	42.00	43.00	44.00	44.00	44.00
Sheriff	87.00	87.00	89.00	87.00	89.00	91.50	94.50	94.50	94.50	96.50
Juvenile and Domestic Relations Court	8.00	8.00	9.00	9.00	8.00	8.00	8.00	8.00	8.00	6.00
Clerk of Court/Judges Chambers	62.00	62.00	60.00	57.00	55.00	55.00	55.00	55.00	55.00	56.00
General District Court	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Law Library	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Safety										
Police	701.40	725.40	758.40	750.20	747.20	751.00	763.00	792.00	820.00	847.00
Criminal Justice Services	32.50	35.50	37.90	37.60	37.60	37.60	39.60	39.60	39.60	39.60
Public Safety Communications	95.00	98.00	98.00	98.00	98.00	103.00	103.00	103.00	103.00	109.00
Fire Service	415.50	445.50	493.50	484.50	514.50	529.50	549.70	574.70	589.70	614.70
Public Works										
Public Works	364.54	332.69	320.68	219.29	225.61	227.79	232.31	234.45	238.54	237.17
Transportation	62.00	53.00	56.80	53.80	53.80	52.80	50.80	50.80	50.80	42.80
Solid Waste	57.38	57.38	57.39	57.39	57.71	58.72	59.72	59.72	59.72	60.72
Fleet Management	33.12	33.12	34.12	34.15	34.15	35.15	35.15	35.15	35.15	35.15
Small Project Construction	24.20	23.75	23.75	25.11	19.80	18.86	17.34	17.20	15.11	14.98
Health & Welfare										
Social Services	319.31	309.81	313.31	298.36	307.99	309.39	309.39	307.46	306.46	322.26
Public Health	9.96	9.96	9.96	6.60	3.60	3.60	3.60	3.60	3.60	3.60
Community Services Board	248.11	260.11	265.11	265.38	264.88	266.88	279.88	286.71	294.21	293.96
At-Risk Youth and Family Services	1.00	1.00	2.00	2.00	2.00	4.60	4.60	5.00	6.00	--
Office on Aging	44.56	43.53	35.13	28.21	30.07	31.40	32.14	32.14	32.14	32.14
Office on Youth	7.00	7.00	8.00	--	--	--	--	--	--	--
Parks, Recreational and Cultural										
Library	187.74	185.94	184.94	168.39	164.33	163.33	163.33	163.86	179.51	208.48
Parks & Recreation	--	--	--	--	--	--	377.00	382.07	391.68	396.58
Planning/Community Development										
Development Services	--	--	--	87.50	86.50	85.50	88.50	95.50	107.00	112.00
Office of Planning	63.50	58.50	58.50	33.05	32.05	32.50	32.50	33.50	29.00	29.00
Economic and Community Development	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Housing & Community Development	35.00	29.00	29.00	29.00	29.00	28.00	27.00	27.00	24.00	24.00
Extension and Continuing Education	9.94	9.92	9.92	7.02	7.69	7.81	7.81	7.14	7.14	7.14
Total Primary Government	3,290.47	3,278.42	3,363.72	3,232.03	3,263.96	3,308.43	3,754.37	3,832.60	3,923.24	4,028.16
Component Units										
School Board	9,443.00	9,720.00	9,801.25	9,656.00	9,641.00	10,070.80	10,237.30	10,337.00	10,562.00	10,713.65
Adult Detention Center	261.80	308.00	337.00	337.00	337.00	337.00	337.00	339.00	348.40	349.40
Park Authority ^a	384.00	389.00	390.00	369.00	372.00	344.00	--	--	--	--
Convention & Visitors Bureau ^a	--	--	--	--	--	--	8.00	9.00	8.00	8.00
Total Reporting Entity	13,379.27	13,695.42	13,891.97	13,594.03	13,613.96	14,060.23	14,336.67	14,517.60	14,841.64	15,099.21

Sources: Primary Government and ADC data taken from the PWC Adopted Fiscal Plan; School Board and Park Authority data is obtained directly from each organization. (Note: ^aThe Park Authority was dissolved and became County Department of Parks & Recreation effective FY 2013. The Convention and Visitors Bureau became a component unit of the County effective FY 2013.)

^bBeginning fiscal year 2012, the Human Resources and the Office of Management & Budget are shown as separate functions.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 19 - Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Judicial Administration										
Land Records Instruments Recorded	131,269	93,435	88,932	79,665	78,794	84,067	102,141	73,107	73,232	76,868
Civil Cases Concluded	3,701	3,721	4,269	3,521	4,335	3,762	3,018	7,198	9,161	2,760
Criminal Cases Concluded	4,112	4,509	4,347	4,606	4,159	4,377	5,163	5,505	5,825	5,023
Public Safety										
<u>Fire & Rescue:</u>										
Fire Incidents	6,180	5,761	5,440	5,293	5,639	5,937	5,513	5,826	6,142	*
EMS Incidents	25,568	24,439	24,707	25,479	26,201	31,332	26,188	26,299	27,423	*
<u>Police:</u>										
Criminal Arrests	13,979	14,405	14,307	13,973	14,289	14,369	13,392	12,532	*	*
Calls for Service Handled	228,785	238,651	238,376	236,426	231,557	226,292	224,977	214,050	226,520	*
<u>Jail:</u>										
Inmate Population	734	737	840	905	850	870	977	1,043	1,060	965
Public Works										
Facilities Constructed	3	--	2	--	2	2	--	--	--	2
Health & Welfare										
Total CSB Clients Served	7,767	7,438	7,904	6,829	7,661	8,295	8,041	8,818	8,949	9,506
At-Risk Youth & Family Service										
Residential Placements	147	151	143	131	130	132	110	108	95	104
Parks, Recreational and Cultural										
Participant Visits	3,702	3,657	3,621	3,693	3,798	3,622	3,390	3,490	3,398	3,398
Library Patrons (Library Card Holders)	263,371	277,077	298,829	264,930	288,752	310,343	332,700	324,826	314,723	318,175
Planning/Community Development										
Non-residential Permits	2,364	1,616	1,340	1,074	1,034	1,200	1,470	1,394	1,350	1,350
Residential Permits	7,375	5,142	4,771	5,325	4,547	4,464	4,542	4,649	4,605	4,605

* Not available

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 20 - Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administrative buildings	4	4	4	4	4	4	4	4	4	4
Judicial Administration										
Courthouse complex	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police stations	2	2	2	2	2	2	2	2	2	2
Fire stations	19	19	19	19	20	21	21	21	21	21
Public Works										
Fleet/fuel facilities	3	3	3	3	3	3	3	3	3	3
Health & Welfare										
Senior centers	2	2	2	2	2	2	2	2	2	2
Group homes/clinics	4	4	5	5	5	5	5	5	5	5
Housing/shelters	4	4	4	4	4	6	6	6	5	5
Parks, Recreational and Cultural										
Athletic fields ^a	274	304	282	291	298	277	277	277	301	281
Aquatics & fitness center	2	2	2	2	2	2	2	2	2	2
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	3	3
Hiking and fitness trails (in miles)	17	15	16	29	29	33	33	33	43	43
Indoor gymnasiums ^a	59	59	58	68	69	69	69	69	36	69
Indoor ice rinks	2	2	2	2	2	2	2	2	2	2
Marinas	2	2	2	2	2	2	2	2	2	2
Miniature golf courses	2	2	2	2	2	2	2	2	2	2
Nature areas	3	3	4	5	5	8	8	8	8	8
Outdoor basketball courts	27	27	27	27	27	27	27	27	27	27
Outdoor swimming pools	6	4	4	4	4	4	4	4	4	4
Outdoor volleyball courts	9	9	9	9	9	9	9	9	9	11
Picnic shelters	62	63	63	63	63	63	63	63	63	68
Playgrounds	32	31	33	36	36	36	36	36	36	37
Regulation golf courses	4	4	4	4	4	4	4	4	4	4
Skateboard/BMX courses	2	2	2	2	2	3	3	3	3	3
Tennis & racquetball courts	33	47	33	32	30	28	28	28	28	29
Waterparks	2	2	2	2	2	2	2	2	2	2
Regional and community libraries	4	4	4	4	4	4	4	4	4	6
Neighborhood libraries	6	6	6	6	6	6	6	6	6	5

Sources: Various county departments.

Note: No capital asset indicators are available for the planning/community development function.

^a Includes School Board school facilities programmed by the Parks Department.

* Not available

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 21 - Personal Property Tax Rates and Assessments^a

Last Ten Fiscal Years

(tax rates per \$100 of assessed value; amounts expressed in thousands)

	2007	2008	2009	2010	2011
Personal Property Tax Rates					
Personal Property Class:					
General Class	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000
Heavy Equipment and Machinery	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000
Computer Equipment	\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000
Farmers Machinery and Tools	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Aircraft (small scheduled)	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Aircraft (all other aircraft)	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Mining & Manufacturing Tools	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000
Mobile Homes	\$ 0.76700	\$ 0.78700	\$ 0.97000	\$ 1.21200	\$ 1.23600
Research & Development	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000
Van Pool Vans	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Emergency Volunteer Vehicles	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Auxiliary Volunteer Fire Vehicles	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Vehicles Modified for Disabled	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Watercraft-Recreation Use Only	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Watercraft-Weighing 5 tons or more	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Camping Trailers and Motor Homes Owned by Certain Elderly and Handicapped Persons	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001
Personal Property Assessments^c					
Locally Assessed Value	\$ 3,608,756	\$ 3,717,730	\$ 3,769,937	\$ 3,365,319	\$ 3,492,204
Public Service Value ^b	\$ 1,693	\$ 2,210	\$ 3,370	\$ 2,550	\$ 2,157
Total Personal Property Assessments	<u>\$ 3,610,449</u>	<u>\$ 3,719,940</u>	<u>\$ 3,773,307</u>	<u>\$ 3,367,869</u>	<u>\$ 3,494,361</u>

^a Fiscal year values represent the assessed value for the prior January 1 (e.g. fiscal year 2015 values are based on the January 1, 2014 assessment).

^b Public Service property is valued by the State Corporation Commission and the Department of Taxation at prevailing assessment ratios.

^c The estimated market value of personal property is assumed to equal 100% of the assessed value.

2012	2013	2014	2015	2016	
Personal Property Tax Rates					
Personal Property Class:					
\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	General Class
\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	\$ 3.70000	Heavy Equipment and Machinery
\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000	\$ 1.25000	Computer Equipment
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Farmers Machinery and Tools
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Aircraft (small scheduled)
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Aircraft (all other aircraft)
\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	\$ 2.00000	Mining & Manufacturing Tools
\$ 1.20400	\$ 1.20900	\$ 1.18100	\$ 1.14800	\$ 1.12200	Mobile Homes
\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	Research & Development
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Van Pool Vans
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Emergency Volunteer Vehicles
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Auxiliary Volunteer Fire Vehicles
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Vehicles Modified for Disabled
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Watercraft-Recreation Use Only
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Watercraft-Weighing 5 tons or more
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Camping Trailers and Motor Homes
\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	\$ 0.00001	Owned by Certain Elderly and Handicapped Persons
\$ 3,754,050	\$ 4,083,424	\$ 4,320,401	\$ 4,526,613	\$ 4,986,744	Locally Assessed Value
\$ 5,243	\$ 4,520	\$ 3,401	\$ 3,106	\$ 3,536	Public Service Value ^b
<u>\$ 3,759,293</u>	<u>\$ 4,087,944</u>	<u>\$ 4,323,802</u>	<u>\$ 4,529,719</u>	<u>\$ 4,990,280</u>	Total Personal Property Assessments

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 22 - General Governmental Expenditures by Function^a

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	General Government	Judicial Administration	Public Safety	Public Works	Health & Welfare	Education
2007	\$ 34,649	\$ 17,599	\$ 257,753	\$ 27,738	\$ 70,596	\$ 734,090
2008	\$ 35,838	\$ 18,182	\$ 206,623	\$ 30,188	\$ 75,562	\$ 780,346
2009	\$ 35,712	\$ 18,271	\$ 219,728	\$ 29,218	\$ 74,765	\$ 773,560
2010	\$ 34,108	\$ 16,971	\$ 236,685	\$ 25,545	\$ 74,593	\$ 782,563
2011	\$ 35,296	\$ 17,505	\$ 212,478	\$ 27,736	\$ 76,896	\$ 781,618
2012	\$ 38,897	\$ 17,593	\$ 226,137	\$ 30,408	\$ 75,014	\$ 838,850
2013	\$ 36,788	\$ 18,388	\$ 244,577	\$ 30,522	\$ 75,066	\$ 868,818
2014	\$ 34,966	\$ 19,190	\$ 251,009	\$ 31,441	\$ 76,549	\$ 881,432
2015	\$ 37,651	\$ 19,681	\$ 257,076	\$ 30,857	\$ 80,840	\$ 927,408
2016	\$ 39,122	\$ 20,175	\$ 276,656	\$ 31,633	\$ 85,237	\$ 945,468

^a Includes expenditures of the General Fund, Special Revenue Funds, Capital Projects Funds and the School Board and Adult Detention Component Units excluding inter-entirety expenditures between primary government and component units.

^b Includes principal retirement, interest and other debt costs, and intergovernmental rebate.

TABLE 22A - Capital Projects Expenditures by Function^a

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	General Government	Judicial Administration	Public Safety	Public Works	Education	Parks, Recreation & Culture
2007	\$ 4,774	\$ 194	\$ 34,488	\$ 69,951	\$ 68,049	\$ 7,855
2008	\$ 2,145	\$ 1,116	\$ 30,801	\$ 64,771	\$ 95,188	\$ 1,548
2009	\$ 2,349	\$ 384	\$ 15,786	\$ 95,094	\$ 98,117	\$ 716
2010	\$ 1,365	\$ 35	\$ 7,815	\$ 28,960	\$ 88,332	\$ 1,325
2011	\$ 648	\$ 33	\$ 3,845	\$ 21,413	\$ 104,311	\$ 2,935
2012	\$ 848	\$ --	\$ 2,020	\$ 25,420	\$ 75,643	\$ 3,692
2013	\$ 642	\$ --	\$ 2,955	\$ 42,080	\$ 83,232	\$ 6,263
2014	\$ 812	\$ 2	\$ 1,559	\$ 60,125	\$ 90,892	\$ 11,767
2015	\$ 379	\$ 142	\$ 3,502	\$ 57,318	\$ 128,605	\$ 22,370
2016	\$ 147	\$ 11	\$ 10,409	\$ 64,141	\$ 133,195	\$ 18,743

^a Includes expenditures for capital projects in the Capital Projects Funds of the Primary Government and the School Board and Adult Detention Center Component Units.

	Parks, Recreation & Culture	Community Development	Capital Projects	Debt Service ^b	Total	Fiscal Year
\$	32,828	\$ 44,123	\$ 187,592	\$ 91,190	\$ 1,498,158	2007
\$	36,097	\$ 42,353	\$ 196,173	\$ 100,299	\$ 1,521,661	2008
\$	34,549	\$ 43,107	\$ 213,996	\$ 102,782	\$ 1,545,688	2009
\$	36,485	\$ 44,389	\$ 129,078	\$ 135,562	\$ 1,515,979	2010
\$	29,849	\$ 45,183	\$ 134,160	\$ 110,628	\$ 1,471,349	2011
\$	35,801	\$ 47,280	\$ 108,942	\$ 117,563	\$ 1,536,485	2012
\$	26,550	\$ 48,555	\$ 136,658	\$ 111,849	\$ 1,597,771	2013
\$	28,507	\$ 53,185	\$ 166,978	\$ 115,515	\$ 1,658,772	2014
\$	31,085	\$ 53,879	\$ 214,170	\$ 119,226	\$ 1,771,873	2015
\$	34,797	\$ 53,363	\$ 229,154	\$ 124,165	\$ 1,839,770	2016

	Community Development	Total	Fiscal Year
\$	2,281	\$ 187,592	2007
\$	604	\$ 196,173	2008
\$	1,550	\$ 213,996	2009
\$	1,246	\$ 129,078	2010
\$	975	\$ 134,160	2011
\$	1,319	\$ 108,942	2012
\$	1,486	\$ 136,658	2013
\$	1,821	\$ 166,978	2014
\$	1,854	\$ 214,170	2015
\$	2,508	\$ 229,154	2016

COUNTY OF PRINCE WILLIAM, VIRGINIA**TABLE 23 - Miscellaneous Statistical Data**

June 30, 2016

Date of County Organization:	March 25, 1731
Form of Government:	County Executive (as provided for by the Code of Virginia)
Area:	348 Square Miles
Services of Primary Government:	
Fire protection:	
Number of career employees	555
Number of volunteers	474
Police protection:	
Number of police officers	660
Public Safety Communications:	
Number of employees	109
Recreation (Parks & Recreation Department):	
Acres developed or reserved for County parks	4,258
Services not included in the Primary Government:	
Education (School Board Component Unit):	
Number of public elementary, middle, and other schools	82
Number of public high schools	11
Fall Membership, fiscal year 2015	86,641
Number of personnel (full-time equivalent)	10,714
Correctional Operations (ADC Component Unit)	
Capacity of main jail and modular jail	891
Capacity of central jail	0
Capacity of work-release center	71
Number of personnel (full-time equivalent)	349
Tourism (Convention & Visitors Bureau Component Unit)	
Tourist information center visitors	23,349
Other statistical data:	
Elections:	
Registered voters at last general election	249,928
Number of votes cast in last general election	69,752
Percent voting in last general election	28%
Water and Wastewater Treatment	
<i>(provided by Prince William County Service Authority):</i>	
Miles of water mains	1,214
Miles of sanitary sewer mains	1,086

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.

COUNTY OF PRINCE WILLIAM, VIRGINIA

TABLE 24 - Schedule of Surety Bonds

June 30, 2016

Travelers Casualty & Surety Company

Crime/Faithful Performance of Duty Blanket Bond

(Insured: Prince William County, Prince William County - Manassas Regional Adult Detention Center)

Honesty Blanket Bond

(Insured: Same as Above)

Public Official Bond - Michelle L. Attreed, Director of Finance

Public Official Bond - Courtney Tierney, Director of Social Services

Public Official Bond - Christopher E. Martino, County Executive

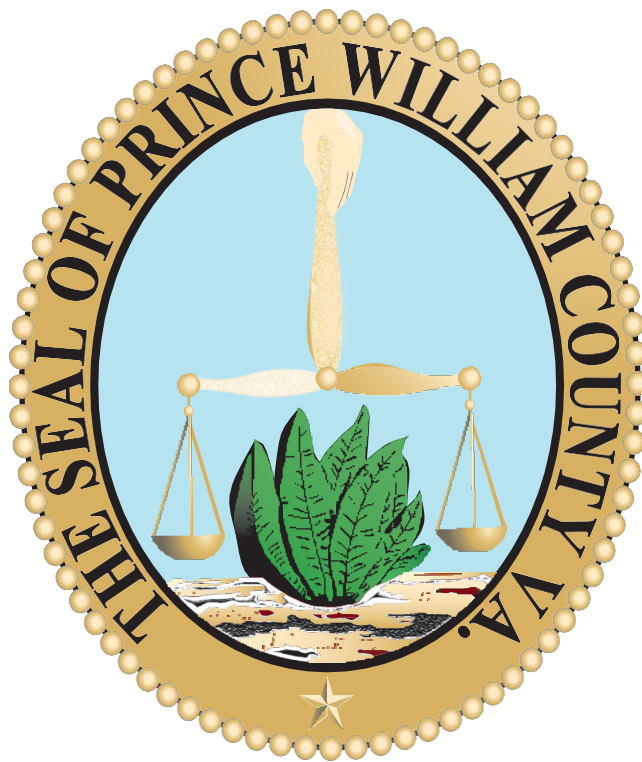
Travelers Casualty & Surety Company *(Provided by the Commonwealth of Virginia for Constitutional Officers)*

Surety Bond - Michelle L. Attreed, Director of Finance

Surety Bond - Michèle McQuigg, Clerk of the Court

Surety Bond - Glendell Hill, Sheriff

Surety Bond - Peter Meletis, Jail Superintendent



Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
OFFICE OF NATIONAL DRUG CONTROL POLICY:			
* Pass-Through Payments from University of Maryland: High Intensity Drug Trafficking Area (HIDTA) Project	07.000	not available	\$ 535
Total Office of National Drug Control Policy			535
DEPARTMENT OF AGRICULTURE:			
* Direct Payments:			
Child & Adult Care Food Program	10.558	not applicable	41
Healthier US School Challenge	10.543	not applicable	15
* Pass-Through Payments from Commonwealth of Virginia:			
* Department of Agriculture:			
Fresh Fruit and Vegetable Program	10.582	17901-40599	531
Distance Learning - Forest Reserve	10.665	not applicable	21
Distance Learning - Forest Service - Conservation Education	10.000	not applicable	135
* Department of Social Services:			
State Administrative Matching Grant for Food Stamp Program	10.561	45213-90303 45213-90304 46003-90212 46010-90212 46010-91103 46010-91104 46010-91403 46010-91404	3,505
* Child Nutrition Cluster ¹			
* Department of Agriculture & Consumer Services:			
National School Lunch Program - Commodities	10.555 ²	not available	2,403
* Department of Education:			
School Breakfast Program	10.553 ³	17901-40591	4,558
National School Lunch Program	10.555 ²	17901-40623	17,811
* Department of Juvenile Justice:			
School Breakfast Program	10.553 ³	36001-00000	30
National School Lunch Program	10.555 ²	36001-00000 36003-00000	66
Total Department of Agriculture			29,116

¹ Child Nutrition Cluster Total \$24,868

² CFDA 10.555 Total \$20,280

³ CFDA 10.553 Total \$4,588

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF DEFENSE:			
* Direct Payments:			
* Junior ROTC Program	12.000	not applicable	672
Student Achievement at Military-Connected Schools	12.556	not applicable	232
Total Department of Defense			<u>904</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
* Direct Payments:			
Community Development Block Grants / Entitlement Grants	14.218	not applicable	2,075
Supportive Housing Program	14.235	not applicable	497
Emergency Solutions Grant Program	14.231	not applicable	200
HOME Investment Partnerships Program	14.239	not applicable	96
Section 8 Housing Choice Vouchers	14.871	not applicable	23,934
* Pass-Through Payments from Northern Virginia Planning District Commission: Housing Opportunities for Persons with AIDS	14.241	not available	305
Total Department of Housing and Urban Development			<u>27,107</u>
DEPARTMENT OF THE INTERIOR:			
* Direct Payments:			
Payments in Lieu of Taxes - Public Law # 97-258	15.226	not applicable	75
American Battlefield Protection	15.926	not applicable	25
Historic Preservation Fund Grants-In-Aid	15.904	not applicable	2
Total Department of the Interior			<u>102</u>

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE:			
* Direct Payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	32
Missing Children's Assistance	16.543	not applicable	50
Equitable Sharing Program	16.922	not applicable	2
* Pass-Through Payments from Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	39001-56500	39
Crime Victim Assistance	16.575	39001-66000	192
* Pass-Through Payments from City of Manassas Park:			
Congressionally Recommended Awards	16.753	not available	16
Total Department of Justice			<u>331</u>
DEPARTMENT OF TRANSPORTATION:			
* Pass-Through Payments from Commonwealth of Virginia:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-55092	183
Highway Planning and Construction	20.205	not available	23,217
State and Community Highway Safety	20.600	60507-54283 60507-55151 60507-55152	99
Total Department of Transportation			<u>23,499</u>
DEPARTMENT OF VETERANS AFFAIRS:			
* Direct Payments:			
Veterans Medical Care Benefits	64.009	not applicable	217
Total Department of Veterans Affairs			<u>217</u>

COUNTY OF PRINCE WILLIAM, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2016
(amounts expressed in thousands)

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION			
* Direct Payments:			
Impact Aid	84.041	not applicable	723
* Pass-Through Payments from Commonwealth of Virginia:			
* Department of Education:			
Adult Education - State Grant Program	84.002 ⁷	17901-61380	75
Title I Grants to Local Educational Agencies	84.010 ⁴	17901-42901 17901-42935	9,277
Title I Program for Neglected & Delinquent Children	84.013	17901-42948	3
Vocational Education - Basic Grants to States	84.048	17901-61095	750
Twenty-First Century Community Learning Centers	84.287	17901-60565	957
English Language Acquisition Grants	84.365	17901-60512	2,053
Title II Part A Improving Teacher Quality State Grants	84.367	17901-61480	1,100
Preschool Development Grants	84.419	17901-40002	1,969
School Improvement Grants	84.377	17901-43040	155
* Department of Mental Health, Mental Retardation & Substance Abuse:			
Special Education - Grants for Infants & Families with Disabilities	84.181	44507-43078 44507-43079	475
* Special Education Cluster ⁵			
* Department of Education:			
Special Education - Grants to States	84.027 ⁶	17901-43071	13,526
Special Education - Grants to States (Administration)	84.027 ⁶	17901-61110	8
Special Education - Preschool Grants	84.173	17901-62521	262
* Pass-Through Payments from Community Training and Assistance Center			
Teacher Incentive Fund	84.374	not available	375
* Pass-Through Payments from Ohio State University to Leslie University			
USED Investing in Innovation Grant Project	84.396	not available	1
* Pass-Through Payments from College of William and Mary			
Education for Homeless Children and Youth	84.196	not available	24
* Pass-Through Payments from Fairfax County			
Adult Education - State Grant Program	84.002 ⁷	not available	431
Total Department of Education			<u>32,164</u>

⁴Title I Part A Cluster Total \$9,277

⁵Special Education Cluster Total \$13,796

⁶Special Education - Grants to States \$13,534

⁷Adult Education Total \$506

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
* Direct Payments:			
* Head Start			
Head Start	93.600	not applicable	3,013
* Pass-Through Payments from Commonwealth of Virginia:			
* Department of Aging:			
Health Care Financing Research, Demonstrations VICAP-Basic, Medicaid + Choice, Termination, Enhancement	93.324	45504-44116	59
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	45504-42415	2
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	45504-44417	7
National Family Caregiver Support, Title III, Part E	93.052	45504-42015 45504-42516	165
Special Programs for the Aging - Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals (State Grants for Long-term Care Ombudsman Services)	93.042	45506-43615 45506-43616	12
* Department of Mental Health, Mental Retardation & Substance Abuse:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	45001-50994 44506-50995	86
Block Grants for Community Mental Health Services	93.958	44506-50125	174
Block Grants for the Prevention & Treatment of Substance Abuse	93.959	44501-50165 44501-50194 44506-50195	1,059
* Department of Social Services:			
Temporary Assistance for Needy Families	93.558	45201-90603 45212-90366 45212-90377 46010-91109 46010-91110 46010-91111 46010-91112 46010-91127	1,411
Low-Income Home Energy Assistance	93.568	46010-91114	146

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):			
* Pass-Through Payments from Commonwealth of Virginia (cont'd):			
* Department of Social Services (cont'd):			
Promoting Safe & Stable Families	93.556	46010-91129 46902-90359 46902-90360	212
Refugee & Entrant Assistance - State Administered Programs	93.566	46010-91113 49102-90623	55
Chafee Education and Training Vouchers Program (ETV)	93.599	46902-90353	3
Child Welfare Services State Grants	93.645	46010-91131	10
Foster Care - Title IV-E	93.658	46010-90209 46010-91105 46010-91106 46010-91107 46010-91114 46010-91133 46010-91138 46010-91147 46010-91148 46010-91405 46010-91406 46010-91407 46010-91433 46010-91438 46010-91447 46010-91448 46901-90636 46901-90637 46901-90639 46901-90657 46901-90658 46902-90047	1,549
Adoption Assistance	93.659	46010-90214 46010-91108 46010-91408 46903-90606 46903-90607 46903-90627	731

See accompanying notes to the Schedule of Expenditures of Federal Awards

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):			
* Pass-Through Payments from Commonwealth of Virginia (cont'd):			
* Department of Social Services (cont'd):			
Social Services Block Grant	93.667	46010-91120 46010-91122 46010-91123 46010-91124 46010-91125 4601091126 46003-91124 46003-91142 46802-90340 46802-90379 46902-90351 46902-90357 46902-90358 46903-90648	1,027
Chafee Foster Care Independence Program	93.674	46010-91134 46902-90356	19
Children's Health Insurance Program	93.767	46010-91102 46010-90161 46010-901722 46010-91402	127
Medical Assistance Program	93.778	46010-90160 46010-90171 46010-91101 46010-91146 46010-91150 46010-91401 46010-91446 46010-91450 46010-90213	3,837
* Aging Cluster ⁸			
* Department of Aging:			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	45504-42014 45504-42015 45504-42016	82
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	45701-42215 45701-42216 45703-42315	188
Nutrition Services Incentive Program	93.053	45701-42215 45701-42716	46

⁸Aging Cluster Total \$316

Federal Granting Agency/Recipient Pass-Through Agency/Grant Program	CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):			
* Pass-Through Payments from Commonwealth of Virginia (cont'd):			
* Child Care Cluster			
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	45214-90529 45214-90540 45214-90541 45214-90566 45215-90378 45215-90521 46010-91116 46010-91117 46010-91118 54214-90566	236
Assistance Programs for Disease Prevention	93.945	not applicable	10
* Pass-Through Payments from Office of Elections			
Voting Access for Individuals with Disabilities Grants to States	93.617	72302	4
Total Department of Health and Human Services			<u>14,270</u>
DEPARTMENT OF HOMELAND SECURITY:			
* Direct Payments:			
Homeland Security Grant Program	97.067 ⁹	not applicable	328
* Pass-Through Payments from Commonwealth of Virginia:			
* Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	not available	13
State Homeland Security Program (SHSP)	97.073	77501-52743 77501-62744 776020-160	102
* Pass-Through Payments from Metropolitan Washington Council of Governments:			
Homeland Security Grant Program	97.067 ⁹	not applicable	44
* Pass-Through Payments from Montgomery County:			
Homeland Security Grant Program	97.067 ⁹	not applicable	53
Total Department of Homeland Security			<u>540</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 128,785</u>

⁹ Homeland Security Grant Program Total \$425

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016
(amounts expressed in thousands)

NOTE (1) – SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal grant operations of the County of Prince William, Virginia (the County) are included in the scope of the audit (the Single Audit); Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The County’s reporting entity is defined in Note 1, Part A of the County’s Basic Financial Statements. Testing of compliance requirements was performed for major federal programs. The major federal programs, as shown in Illustration 1-1, cover approximately 43.81% of total expenditures of federal awards.

Illustration 1-1			
Major Federal Programs			
10.561	State Administrative Matching Frant for Food Stamp Program	\$	3,505
14.218	Community Development Block Grant (CDBG)		2,075
14.871	Section 8 Housing Choice Vouchers Cluster		23,934
84.010	Title I Grants To Local Educational Agencies Cluster		9,277
84.027 & 84.173	Special Education Cluster (IDEA)		13,796
93.778	Medical Assistance Program Cluster		3,837
			3,837
	Total	\$	56,424

Illustration 1-2 presents the reconciliation of the County’s Comprehensive Annual Financial Report (CAFR) Exhibit 5 and Schedule 29 and the School Board’s separately issued CAFR Exhibit 5 to the Schedule of Expenditures of Federal Awards (SEFA). A copy of the County’s CAFR may be obtained through the County’s website at www.pwcfgov.org. A copy of the School Board’s CAFR may be obtained through the School’s website at www.pwcs.edu.

Illustration 1-2			
Reconciliation of Comprehensive Annual Financial Statements to the Schedule of Expenditures of Federal Awards			
County’s Total Federal Revenue per Exhibit 5 and Schedule 29		\$	69,794
School’s Total Federal Revenue per Exhibit 5			61,547
Less: School CAFR adjustment			(85)
			131,256
Items expended from Restricted Fund Balance:			
Criminal Forfeitures (Treasury)			(103)
Criminal Forfeitures (Justice)			1
Section 8 Housing Choice Vouchers			(147)
Items not subject to Single Audit:			
U. S. Marshals/I.N.S. purchase of service agreement			(273)
Other purchase of services agreements			(1,949)
			(1,949)
Total Federal Expenditures per SEFA		\$	128,785

NOTE (2) – COGNIZANT AGENCY

The U. S. Department of Housing and Urban Development is the County's cognizant audit agency for the Single Audit.

NOTE (3) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant activity of the County during fiscal year 2016. This schedule has been prepared on the modified accrual basis of accounting, as defined in Note 1C, of the County's Basic Financial Statements.

The County did not use the 10% indirect cost rate, but rather used zero percent.

The County operates on a contractual basis with its grant partners and, therefore, does not have any sub-recipients.

NOTE (4) – NONCASH FEDERAL AWARDS EXPENDED

The value of food distribution - commodities received by the County during fiscal year 2016 was \$6 and the value of equipment received by the County during fiscal year 2016 was \$184. These amounts have been included in the Schedule of Expenditures of Federal Awards and in the County's basic financial statements.

During fiscal year 2016, the County received and expended \$2,831 in surplus food commodities from the federal government. At year end, \$388 of food commodities received from the federal government have been included in inventories and recorded as unavailable revenue.

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

To the Board of County Supervisors
County of Prince William, Virginia

We have audited, in accordance with the 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 of Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the 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 the County of Prince William, Virginia (the "County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 3, 2017. Our report includes a reference to other auditors who audited the financial statements of the Prince William County/Manassas Convention and Visitors Bureau (the "CVB"), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the CVB were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, which we consider to be material a weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Cities, Counties, and Towns* and which are described in the accompanying schedule of findings and questioned costs as item 2016-006, 2016-007, 2016-008, 2016-009 and 2016-010.

County's Response to Findings

The County responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
February 3, 2017

Report of Independent Auditor on Compliance for Each Federal Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Supervisors
County of Prince William, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Prince William, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Medicaid

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.778 Medicaid as described in finding 2016-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medicaid

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Medicaid* paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid program for the year ended June 30, 2016.

Basis for Qualified Opinion on Section 8 Housing Choice Voucher Cluster

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 14.871 on Section 8 Housing Choice Voucher Clusters as described in finding 2016-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Voucher Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Section 8 Housing Choice Voucher Cluster* paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Vouchers Cluster program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2016-004 and 2016-005. Our opinion on each major federal program is not modified with respect to this matter.

County's Response to Findings

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-004 and 2016-005 to be significant deficiencies.

County's Response to Findings

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
February 3, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:		Unmodified	
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no	
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	<u> </u> yes	<u> x </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no	

Federal Awards Section

Internal control over major programs:			
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no	
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	<u> x </u> yes	<u> </u> none reported	

Type of auditor's report on compliance for major programs:	Qualified for Medicaid and Section 8 Housing Choice Vouchers Cluster Unmodified for other major programs
------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u> x </u> yes	<u> </u> no
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Identification of major programs:

Name of Program or Cluster	CFDA Number
State Administrative Matching Grant for Food Stamp Program	10.561
Community Development Cluster (CDBG)	14.218
Section 8 Housing Choice Vouchers Cluster	14.871
Title I Grants to Local Educational Agencies Cluster	84.010
Special Education Cluster (IDEA)	84.027/84.173
Medical Assistant Program Cluster	93.778

Dollar threshold used to distinguish between Type A programs: type A and type B programs (in thousands):	<u> \$ 3,000 </u>
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Auditee qualified as low-risk auditee for federal purposes?	<u> </u> yes	<u> x </u> no
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2016-001: Material Weakness in Internal control over Financial Reporting – Unearned Revenue and Deposits & Escrow

Criteria: In order to prepare financial statements in accordance with generally accepted accounting principles (GAAP), accurate and complete records must be maintained to support the existence and valuation of assets to ensure an accurate presentation of the financial position of the County at the end of the year.

Condition: Internal control processes were not properly designed or implemented to ensure accuracy of unearned revenues and the deposits & escrow account balances and activity. As a result, during testing we noted that the unearned revenue and deposits & escrow liabilities were not properly reconciled or supported. This resulted in an understatement of the deposits & escrow liability and an overstatement of the unearned revenue balance.

Cause: Internal controls were not properly designed and no reconciliation procedures were in place to ensure the accuracy of the unearned revenue and deposits & escrow liabilities.

Effect: The aggregate net uncorrected overstatement in the current year ending unearned revenue balance was \$1,544 and an aggregate net uncorrected understatement in the current year ending deposits & escrow balance was \$1,511. (Note: amounts are in 000s)

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: We recommend that the internal controls for managing unearned revenues and deposits & escrow be strengthened to ensure that they properly supports these balances reported in the financial statements and an appropriate reconciliation process be implemented.

Views of responsible officials and planned corrective action: Management concurs with Finding 2016-001. The Finance Department will work with the Office of Planning (Planning) and the Department of Development Services (DDS) to reconcile the proffers (unearned revenue), escrows and performance bonds (deposit & escrow). After reconciling the individual accounts, Finance will adjust the Ascend financial system balances (general ledger), accordingly, to agree with the Energov (subsidiary ledger). On a monthly basis Planning and DDS will continue to maintain and reconcile the balances in Energov with Ascend. Finance Department staff will review the reconciliation on a quarterly basis. In addition, at the request of management, the Board Audit Committee added an internal audit of proffers, deposits and escrows to the FY 2017/FY 2018 Audit Plan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section III – Findings and Questioned Costs Relating to Federal Awards

Finding 2016-002: Social Services – Material Weakness and Compliance Qualification – Eligibility for the Medicaid Program Assistance (CFDA 93.778)

Criteria: Per the 42 CFR sections 435.907, 435.910, 435.913, and 435.920, participants in the Medicaid program must meet specified eligibility criteria to receive program assistance. The agency must require a written or electronic application from the application or an authorized representative that is signed under a penalty of perjury. Additionally, for participants in the program longer than one year, the agency must re-determine the eligibility of these beneficiaries at least every 12 months.

Condition/Context: Of the sixty (60) participants selected for testing, twenty-nine (29) participant case files did not include evidence of an annual eligibility redetermination being completed by the 12 month renewal date. Some of these twenty-nine cases had FY 2016 renewals, but should have been closed as they were missing a prior review and the recipient should have been cut-off from benefits in a timely manner before re-application and re-determination was completed. Additionally, of the sixty participants tested, seven (7) case files were missing a signed initial application or renewal application. Finally, ten (10) of the participant case files selected could not be found in their entirety or were missing significant amounts of information required for testing.

Cause: An increase in applicants during the year, as well as a lack of personnel to assist in processing and reviewing these applications, prevented the County from complying with the programs requirements for determination of participant’s eligibility.

Effect: The County’s non-compliance could result in costs disallowed by the grantor or a reduction in future funding for this program.

Questioned Cost: Undeterminable

Prevalence and Consequence of the Audit Finding: Systemic problem as there were multiple instances of the finding and these are repeat finding from the prior year (see Finding 2015-007 in the FY2015 County CAFR).

Repeat Finding: Yes, this is a repeat finding, with additional instances. See Finding 2015-007 in the FY 2015 County CAFR for further reference.

Recommendation: The County should implement a plan to enhance internal controls related to participant eligibility to ensure renewals are occurring on a timely basis, income is properly verified at each renewal period when required, and files contain adequate supporting documentation in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Views of responsible officials and planned corrective action: Management concurs with Finding 2016-002. The 29 cases were reviewed and of the 29, 25 were updated with current renewal dates and four were closed, two were closed in January and June 2016 respectively before the FY 2016 audit took place. One was closed for a non-financial reason. These actions were completed in early January 2017.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

The staff pattern involved was random so no personnel actions were taken. However, all staff has been reminded of the importance of timely renewals and ongoing training is underway.

While the finding is specifically about Medicaid renewals, it is salient to note the high volume of all applications facing the benefits staff. With an average of 80 workers, there are 500 applications needing processing per month or 3.3 applications per hour per worker. A near impossibility, due to the time allowed for the customer to respond back with necessary information and in addition to the time it takes in contacting the customer.

In FY 2016, the Department had a monthly average of 40,000 new and ongoing SNAP, TANF and Medicaid applications that needed eligibility determinations. The timeliness of these reviews was 99%. The state mandate is 97%. In FY 2015, the percentage was 94 and we question if the push to get more done in FY 2016 may have resulted in more errors.

Virginia, statewide, has been struggling with a large increase in applications, which led the Virginia General Assembly to add state funds to local departments of social services budgets to assist with the work. These additional funds have led to an ability to provide overtime pay, hire temporary workers and in FY 2017, new positions were added to the Benefits Division.

These new positions include a Quality Assurance Manager who will be standing up a new training unit to ensure all staff are adequately trained in all aspects of public benefits whose eligibility is determined by the Department. This dovetails nicely into a broader corrective action plan for all benefits and all benefits staff.

The Commonwealth of Virginia is changing the way in which all applications for all benefits are managed by launching a new integrated system called Virginia Case Management System (VaCMS). This will begin on February 6, 2017. There were days in 2015 and 2016 in which the systems were closed so that the new system could begin pulling data together.

It is likely that the Prince William County Department of Social Services will continue to struggle due to the high volume, however, with the institution of the new system, and once the unanticipated complications have been worked out, the issues in the finding should begin to be rectified.

Finding 2016-003: Office of Housing & Community Development – Material Weakness and Compliance Qualification – Eligibility for the Section 8 Housing Choice Voucher Cluster Income Verification (CFDA 14.871)

Criteria: Per the 24 CFR section 982.201, 982.515, 982.516, local public housing agencies must obtain and document in the family file third-party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent and determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification. Additionally, per the 24 CFR 982.4, 982.54(d) (15), 982.158(f) (7), and 982.507, the PHA must maintain records to document the basis for the determination that the rent to owner is a reasonable rent.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Condition/Context: Of the sixty (60) tenants selected for testing, three (3) instances existed where insufficient or out of date documentation was maintained as third-party verification of the reported family annual income. Additionally, four (4) instances were noted where the calculation of the family's annualized income was completed incorrectly. For rent reasonableness, of the sixty tenants selected, there was an absence of rent reasonableness documentation or the determination was made after the annual recertification date within three (3) difference cases.

Cause: Internal controls are not operating effectively to ensure the HUD 50058 Forms are being accurately completed and support for the amounts within the Form are properly maintained. Additionally, the controls over the timing and review of the rent reasonableness are not properly functioning.

Effect: Not accurately completing the HUD 50058 Form may result in costs disallowed by the grantor or reduced future funding for this program. Not assessing rent reasonableness may cause the PHA to incur larger costs than are needed or place an individual in an eligible housing location.

Questioned Cost: \$100 (Note: amount is in 000s)

Prevalence and Consequence of the Audit Finding: Systemic, as there were multiple instances of the findings noted above.

Repeat Finding: This is a repeat finding regarding income verification and calculation. See Finding 2015-008 in the FY 2015 CAFR. The finding for rent reasonableness is new in the current Single Audit testing.

Recommendation: The County should implement a corrective action plan aimed at enhancing internal controls related to participant eligibility to ensure that accurate and complete documentation supporting all participant eligibility determination is prepared, maintained and reported, in accordance with County and federal record retention requirements. Additionally, controls should be put in place ensuring that rent reasonableness is properly completed prior to a new lease beginning or if any annual recertification is seeking to authorize an increase in the rent to owner amount per the HAP contract.

Views of Responsible Officials and Planned Corrective Action: Management concurs with Finding 2016-003. For Housing Program Specialist that had audit findings 20% of their re-certifications and 100% of their new move-in files will be Quality Controlled (QC) reviewed by their Housing Program Specialist Supervisor. For those that did not have audit findings, 10% of all re-certifications and 100% of all new move-in files will have QC reviews performed by their Housing Program Specialist Supervisor.

In addition to QC reviews supplemental training will be provided to all staff to reinforce the correct procedures. OHCD has an experienced staff with the majority having at least 10 years' experience.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

2016-004 Social Services – Significant Deficiency and Non-Material Noncompliance – Allowable Cost for the Medicaid Program Assistance (CFDA 93.778) and the Supplemental Nutrition Assistance Program (CFDA 10.561)

Criteria: Local social service departments are required to participate in Virginia’s Department of Social Services "Random Moment Sampling" process. A Random Moment Sampling (RMS) Observation Form is used to document the specific program and activity a worker is engaged in at a randomly selected moment in time. The information reported on the RMS Observation Form is used to determine how various programs will be funded with local, state, and federal dollars. The RMS process allows localities to identify and allocate activities carried out by its service and benefit workers without keeping minute-by-minute records of activities during the day.

Condition/Context: For three (3) of forty (40) forms sampled, the RMS Observation Form report was not completed in a timely manner consistent with RMS guidance.

Cause: The County did not follow established policies and procedures for complying with the Commonwealth’s requirements for the RMS Observation Forms. Additionally, personnel changes have not been established to ensure that an observance occurs even when the assigned supervisor is absent.

Effect: The adequacy of the Commonwealth’s system to draw down available federal funds to finance the appropriate programs is dependent on the willingness and ability of local Social Service departments to accurately identify the work that staff is performing at the selected observation moment. The County's noncompliance could result in improper allocation of certain program expenses.

Questioned Cost: Undeterminable.

Prevalence and Consequence of the Audit Finding: Systemic problem as there were multiple instances of the finding.

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: The County should implement internal controls to ensure compliance with the Commonwealth’s RMS Observation Form process.

Views of Responsible Officials and Planned Corrective Action: Management agrees with Finding 2016-004 but does not agree that it is a “significant deficiency”. It is important to note that the system involved in the finding was a state-mandated system that has ended. It was ended because there were problems statewide with timely and consistent compliance. We do not believe that three out of 40 forms reaches the level of “significant.”

A new, automated RMS process was implemented by the Virginia Department of Social Services in FY 2017. The new system eliminates the need for hard copy signature forms. Prince William County Department of Social Services receives routine reports about employees who are not responding within the appropriate timeframe which is allowing us the opportunity to adjust to and continually improve upon the new system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Recently, all staff were requested to note their absence from the office in their electronic “out of office” message and to have their supervisor’s name in the message. This allows for improved internal management of the state-wide RMS process.

Finding 2016-005: Office of Housing & Community Development – Significant Deficiency and Non-Material Noncompliance – Special Test and Provisions for the Section 8 Housing Choice Voucher Cluster Income Verification (CFDA 14.871)

Criteria: Per the 24 CFR sections 982.1589(d) and 982.405(b), units leased to a family must be inspected at least annually to determine if the unit meets Housing Quality Standards (HQS) and the public housing agencies (PHAs) must prepare a unit inspection report. Per the 24 CFR sections 982.158(d) and 982.404, for units under housing assistance payment (HAP) contracts that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours and all other deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract.

Condition/Context: During our testing of 25 samples, we noted one instance in which a unit was not inspected at least annually, three instances in which the unit failed an inspection and was not re-inspected within 30 calendar days’ time period and one instance in which the unit failed to correct deficiencies and the HAP payments were not abated within the required time frame.

Cause: Internal controls are not operating effectively to ensure all units are inspected every 12 months and that re-inspections for failed units are conducted within the required time frame. Additionally, controls over the abatement and termination of HAP payments within the required time frame are not functioning properly.

Effect: Failure to inspect units every 12 months, to re-inspect failed units in a timely manner, and to abate or terminate HAP payments within the required time frame may result in costs disallowed by the grantor or reduced future funding for this program.

Questioned Cost: \$90 (Note: amount is in 000s)

Prevalence and Consequence of the Audit Finding: Systemic, as there were multiple instances of the findings noted above.

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: The County should implement a corrective action plan aimed at enhancing internal controls related to HQS inspections to ensure that all failed units are re-inspected within the required time frame and that HAP payments are abated or terminated if deficiencies are not corrected. Additionally, controls should be put in place to ensure that all units are re-inspected on an annual basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Views of Responsible Officials and Planned Corrective Action: Management concurs with Finding 2016-005. The Office of Housing & Community Development has established a process that requires the Housing Program Inspector Supervisor to review PIC and HAPPY software systems to ensure that there are no discrepancies have been corrected in the HAPPY system thus ensuring that inspections are completed in the time frame required and if not proper notice is sent to owner to abate payment.

Section IV – Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

Finding 2016-006: Social Services – Annual Review of Access

Criteria: Employees with access to VDSS systems (OASIS, VaCMS, ADAPT, and Energy Assistance) should have a current access request form on file and the access in the system should match the form. Each Local Security Officer should be annually reviewing all Department of Social Services employees' access to each application with their appropriate supervisors to ensure that the access is properly aligned with job responsibilities.

Condition: We noted one instance in which an employee had access to Energy Assistance in the system, but did not have an approved current access request form for Energy Assistance on file. We noted ten instances where there was no annual review of employee's access to each system application that took place during the year.

Cause: Lack of controls in place to ensure there is an approved access request form on file before giving employee's access to VDSS systems. Lack of documentation of the supervisor and Local Security Officer annual review and no process in place to ensure all employees' access to system applications are reviewed each year.

Effect: Non-compliance may result in unauthorized individuals having system access.

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: The County should implement a corrective action plan aimed at implementing controls to ensure an approved access request form is completed before giving employee's access to VDSS systems. Also, the County should document the annual review process of employees' access to applications and implement a process to ensure all employees' access to applications are being reviewed each year.

Views of Responsible Officials and Planned Corrective Action: Management concurs with Finding 2016-006 and the recommendations. There has been some staff change and it is not expected that this finding will be repeated. This coupled with related previous findings has highlighted the need for a total process change of keeping up with access forms for new, continuing and separated employees.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

DSS has three Information Technology staff that manages over 30 systems for 340 employees. A new process is underway to inventory system application that includes an annual review of employee access and that the proper forms are filed.

Finding 2016-007: Social Services – Virginia Initiative for Employment not Welfare Program

Criteria: Chapter 1000.11 of the TANF Manual requires the participant to have an Activity and Service Plan that details the supportive services needed by the individual to comply with program requirements. Service transactions for the participants must be appropriate based on the individuals VIEW Participant Activity and Service Plan.

Condition: Of the 40 participants selected for testing, we noted three participants that did not have an Activity and Service Plan detailing the supportive services that were provided.

Cause: In one instance, the service plan was missing from the individual's case file. In two instances, the individuals transferred to other localities and no service plans were kept on file for the period of the related transaction.

Effect: Non-compliance may result in action by the Commonwealth.

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: Local Department of Social Services should ensure that VIEW transactions are supported by the participant's Activity and Service Plan.

Views of Responsible Officials and Planned Corrective Action: Management concurs with Finding 2016-007. DSS acknowledges that the supportive services were not checked on the plan; however, the participants did have Activity and Services Plans and supportive services were provided.

Corrective action was swift. The other localities were contacted and the form was in the paper file. Effective immediately, prior to forwarding cases to another locality, DSS will scan and store records electronically.

It is important to note that a paper form must be completed prior to keying the codes into the state system with the Activity and Service plan dates. All participants' files have been reviewed to ensure compliance.

Much change is underway in the VIEW program. A new VIEW manager was hired in FY 2017, as well as, a new Quality Assurance Manager. They will be conducting periodic case reviews to maintain compliance.

2016-008: Social Services – Social Security Recipients

Criteria: Local treasurers hold special welfare funds for foster children and other individuals. Section 63.2-320 of the Code of Virginia authorizes LDSSs to accept and expend funds for children placed by or entrusted

COUNTY OF PRINCE WILLIAM, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

to the board when there is no appointed guardian. Per the Virginia Department of Social Services Finance Guidelines Manual for Local Departments of Social Services (LDSS) Section 3.50-Special Welfare, LDSS should reconcile monthly all of the special welfare accounts to the local government's records.

Condition: Prince William County does not reconcile all of the special welfare accounts to the County's accounting records on a monthly basis.

Cause: Lack of procedures in place to reconcile the special welfare accounts to the County's accounting records on a monthly basis.

Effect: Non-compliance may result in action by the Commonwealth and/or the United States.

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: Local Department of Social Services should establish policies and procedures to reconcile all of the special welfare accounts to the accounting records on a monthly basis.

Views of Responsible Officials and Planned Corrective Action: Management acknowledges Finding 2016-008. DSS does reconcile the special welfare accounts and has used the same reconciliation process that has been previously found to be in compliance. It is agreed that adding a summary reconciliation sheet will improve the existing reconciliation process. A summary reconciliation sheet will be added to the monthly reconciliation process for Special Welfare accounts effective immediately.

Finding 2016-009: Conflicts of Interest

Criteria: Section 2.2-3115 of the Code of Virginia requires local government officials to file a statement of economic interest with the local body semi-annually by December 15th and June 15th. Section 2.2-3124 of the Code of Virginia assesses a civil penalty on any officer or employee who knowingly violates the Conflict of Interests Act. Specifically, an officer or employee required to file the disclosure form prescribed by Section 2.2-3117 who fails to file such form within the time period prescribed shall be assessed a civil penalty in an amount equal to \$250.00. The Clerk of Circuit Court of the governing body of the County shall notify the attorney for the Commonwealth for the locality in which the officer or employee was elected or is employed of any local officer's or employee's failure to file the required form and the attorney for the Commonwealth shall assess and collect the civil penalty.

Condition: We noted four instances where local government officials did not accurately complete the filed statement of economic interest. We noted one instance where a constitutional officer failed to file the June 15th disclosure and the clerk failed to notify the Commonwealth Attorney of this violation.

Cause: Lack of controls over the statements of economic interest to verify that all statements are filed and that the statements are accurately completed.

Effect: Non-compliance may result in action by the Commonwealth.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Repeat Finding: Yes, this is a repeat finding regarding County Constitutional Officers. See Finding 2015-001 in the FY 2015 County CAFR for further reference.

Recommendation: Local government officials should complete the Statement of Economic Interest form in accordance with prescribed requirements. The Clerk of Circuit Court should notify the Commonwealth Attorney if local government officials fail to complete the statement of economic interest in accordance with prescribed requirements.

Views of Responsible Officials and Planned Corrective Action: Management acknowledges Finding 2016-009. Four Statement of Economic Interest forms filed by Constitutional Officers were incomplete and one Statement of Economic Interest form was not filed by a Constitutional Officer. Constitutional Officers file the Statement of Economic Interest forms directly with the State and do not go through County staff to review for completeness and timeliness of filings.

Finding 2016-010: Property Taxes and Property Taxes Receivable

Criteria: The Code of Virginia requires that when property values are revised downward, or when mistakes come to the commissioner of the revenue's attention, the commissioner corrects the assessment books and completes an exoneration (abatement) form to correct the error. The commissioner forwards the approved exoneration form to the treasurer who writes off the taxes.

Condition: Of the Forty exoneration forms tested to determine whether they have been properly approved, we noted three instances in which there was no formal documentation of approval.

Cause: Lack of documentation of controls and incomplete use of prescribed exoneration forms.

Effect: Non-compliance may result in action by the Commonwealth.

Repeat Finding: The finding is not a repeat finding in the prior year.

Recommendation: Local government officials should complete the prescribed exoneration form in its entirety to document review and approval of exonerations.

Views of Responsible Officials and Planned Corrective Action: Management concurs with Finding 2016-010. On the tax relief forms, there is a section for staff to initial and indicate whether the tax relief application is Approved or Not Approved. Historically, staff have not been required to complete this section. Effective immediately, Finance Department staff will be required to initial this section of the form, documenting their review of the application for tax relief and check the appropriate Approved/Not Approved box, accordingly.

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2016

Financial Statement Findings

Finding 2016-001: Material Weakness in Internal control over Financial Reporting – Unearned Revenue and Deposits & Escrow

Name of Contact Person: Christopher Price, Deputy County Executive
Wade Hugh, Director of Department of Development Services

Corrective Action:

- Management concurs with Finding 2016-001. The Finance Department will work with the Office of Planning (Planning) and the Department of Development Services (DDS) to reconcile the proffers (unearned revenue), escrows and performance bonds (deposit & escrow). After reconciling the individual accounts, Finance will adjust the Ascend financial system balances (general ledger), accordingly, to agree with the Energov (subsidiary ledger). On a monthly basis Planning and DDS will continue to maintain and reconcile the balances in Energov with Ascend. Finance Department staff will review the reconciliation on a quarterly basis. In addition, at the request of management, the Board Audit Committee added an internal audit of proffers, deposits and escrows to the FY 2017/FY 2018 Audit Plan.

Proposed Completion Date: FY 2017 / FY2018

Finding 2016-002: Social Services – Material Weakness and Compliance Qualification – Eligibility for the Medicaid Program Assistance (CFDA 93.778)

Name of Contact Person: Courtney S. Tierney, Director of Department of Social Services

Corrective Action:

- Management concurs with Finding 2016-002. The 29 cases were reviewed and of the 29, 25 were updated with current renewal dates and four were closed, two were closed in January and June 2016 respectively before the FY 2016 audit took place. One was closed for a non-financial reason. These actions were completed in early January 2017.

The staff pattern involved was random so no personnel actions were taken. However, all staff has been reminded of the importance of timely renewals and ongoing training is underway.

While the finding is specifically about Medicaid renewals, it is salient to note the high volume of all applications facing the benefits staff. With an average of 80 workers, there are 500 applications needing processing per month or 3.3 applications per hour per worker. A near impossibility, due to the time allowed for the customer to respond back with necessary information and in addition to the time it takes in contacting the customer

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2016

In FY 2016, the Department had a monthly average of 40,000 new and ongoing SNAP, TANF and Medicaid applications that needed eligibility determinations. The timeliness of these reviews was 99%. The state mandate is 97%. In FY 2015, the percentage was 94 and we question if the push to get more done in FY 2016 may have resulted in more errors.

Virginia, statewide, has been struggling with a large increase in applications, which led the Virginia General Assembly to add state funds to local departments of social services budgets to assist with the work. These additional funds have led to an ability to provide overtime pay, hire temporary workers and in FY 2017, new positions were added to the Benefits Division.

These new positions include a Quality Assurance Manager who will be standing up a new training unit to ensure all staff are adequately trained in all aspects of public benefits whose eligibility is determined by the Department. This dovetails nicely into a broader corrective action plan for all benefits and all benefits staff.

The Commonwealth of Virginia is changing the way in which all applications for all benefits are managed by launching a new integrated system called Virginia Case Management System (VaCMS). This will begin on February 6, 2017. There were days in 2015 and 2016 in which the systems were closed so that the new system could begin pulling data together.

It is likely that the Prince William County Department of Social Services will continue to struggle due to the high volume, however, with the institution of the new system, and once the unanticipated complications have been worked out, the issues in the finding should begin to be rectified.

Proposed Completion Date: Immediately

Finding 2016-003: Office of Housing & Community Development – Material Weakness and Compliance Qualification – Eligibility for the Section 8 Housing Choice Voucher Cluster Income Verification (CFDA 14.871)

Name of Contact Person: Bill J. Lake, Housing Director

Corrective Action:

- Management concurs with Finding 2016-003. For Housing Program Specialist that had audit findings 20% of their re-certifications and 100% of their new move-in files will be Quality Controlled (QC) reviewed by their Housing Program Specialist Supervisor. For those that did not have audit findings, 10% of all re-certifications and 100% of all new move-in files will have QC reviews performed by their Housing Program Specialist Supervisor.

In addition to QC reviews supplemental training will be provided to all staff to reinforce the correct procedures. OHCD has an experienced staff with the majority having at least 10 years' experience.

Proposed Completion Date: Immediately

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2016

2016-004 Social Services – Significant Deficiency and Non-Material Noncompliance – Allowable Cost for the Medicaid Program Assistance (CFDA 93.778) and the Supplemental Nutrition Assistance Program (CFDA 10.551)

Name of Contact Person: Courtney S. Tierney, Director of Department of Social Services

Corrective Action:

- Management agrees with Finding 2016-004 but does not agree that it is a “significant deficiency”. It is important to note that the system involved in the finding was a state-mandated system that has ended. It was ended because there were problems statewide with timely and consistent compliance. We do not believe that three out of 40 forms reaches the level of “significant.”

A new, automated RMS process was implemented by the Virginia Department of Social Services in FY 2017. The new system eliminates the need for hard copy signature forms. Prince William County Department of Social Services receives routine reports about employees who are not responding within the appropriate timeframe which is allowing us the opportunity to adjust to and continually improve upon the new system. Recently, all staff were requested to note their absence from the office in their electronic “out of office” message and to have their supervisor’s name in the message. This allows for improved internal management of the state-wide RMS process.

Proposed Completion Date: Immediately

Finding 2016-005: Office of Housing & Community Development – Significant Deficiency and Non-Material Noncompliance – Special Test and Provisions for the Section 8 Housing Choice Voucher Cluster Income Verification (CFDA 14.871)

Name of Contact Person: Bill J. Lake, Housing Director

Corrective Action:

- Management concurs with Finding 2016-005. The Office of Housing & Community Development has established a process that requires the Housing Program Inspector Supervisor to review PIC and HAPPY software systems to ensure that there are no discrepancies have been corrected in the HAPPY system thus ensuring that inspections are completed in the time frame required and if not proper notice is sent to owner to abate payment.

Proposed Completion Date: Immediately

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2016

Finding 2016-006: Social Services – Annual Review of Access

Name of Contact Person: Courtney S. Tierney, Director of Department of Social Services

Corrective Action:

- Management concurs with Finding 2016-006 and the recommendations. There has been some staff change and it is not expected that this finding will be repeated. This coupled with related previous findings has highlighted the need for a total process change of keeping up with access forms for new, continuing and separated employees.

DSS has three Information Technology staff that manages over 30 systems for 340 employees. A new process is underway to inventory system application that includes an annual review of employee access and that the proper forms are filed.

Proposed Completion Date: Immediately

Finding 2016-007: Social Services – Virginia Initiative for Employment not Welfare Program

Name of Contact Person: Courtney S. Tierney, Director of Department of Social Services

Corrective Action:

- Management concurs with Finding 2016-007. DSS acknowledges that the supportive services were not checked on the plan; however, the participants did have Activity and Services Plans and supportive services were provided.

Corrective action was swift. The other localities were contacted and the form was in the paper file. Effective immediately, prior to forwarding cases to another locality, DSS will scan and store records electronically.

It is important to note that a paper form must be completed prior to keying the codes into the state system with the Activity and Service plan dates. All participants' files have been reviewed to ensure compliance.

Much change is underway in the VIEW program. A new VIEW manager was hired in FY 2017, as well as, a new Quality Assurance Manager. They will be conducting periodic case reviews to maintain compliance.

Proposed Completion Date: Immediately

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2016

2016-008: Social Services – Social Security Recipients

Name of Contact Person: Courtney S. Tierney, Director of Department of Social Services

Corrective Action:

- Management acknowledges Finding 2016-008. DSS does reconcile the special welfare accounts and has used the same reconciliation process that has been previously found to be in compliance. It is agreed that adding a summary reconciliation sheet will improve the existing reconciliation process. A summary reconciliation sheet will be added to the monthly reconciliation process for Special Welfare accounts effective immediately.

Proposed Completion Date: Immediately

Finding 2016-009: CONFLICT OF INTEREST

Name of Contact Person: Phillip Campbell, Assistant to CXO and Clerk to BOCS

Corrective Action:

- Management acknowledges Finding 2016-009. Four Statement of Economic Interest forms filed by Constitutional Officers were incomplete and one Statement of Economic Interest form was not filed by a Constitutional Officer. Constitutional Officers file the Statement of Economic Interest forms directly with the State and do not go through County staff to review for completeness and timeliness of filings.

Proposed Completion Date: Immediately

Finding 2016-010: Property Taxes and Property Taxes Receivable

Name of Contact Person: Michelle L. Attreed – Finance Director

Corrective Action:

- Management concurs with Finding 2016-010. On the tax relief forms, there is a section for staff to initial and indicate whether the tax relief application is Approved or Not Approved. Historically, staff have not been required to complete this section. Effective immediately, Finance Department staff will be required to initial this section of the form, documenting their review of the application for tax relief and check the appropriate Approved/Not Approved box, accordingly.

Proposed Completion Date: Immediately

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

Financial Statement Findings

Finding 2015-001: CONFLICTS OF INTEREST

Summary of Finding: There were two County instances and one School instance where local government officials did not file a Statement of Economic Interest on a timely basis and three instances where local government officials did not complete the annual disclosure completely. Non-compliance may result in action by the Commonwealth.

Corrective Action Taken: One Statement of Economic Interest form was filed late by a government official and three Statement of Economic Interest forms submitted by government officials were incomplete. Constitutional Officers file the Statement of Economic Interest forms directly with the State and do not go through County staff to review for completeness and timeliness of filings.

Repeat Finding: This is a repeat finding with regards to County instances in FY 2016. Please see Finding 2016-009.

2015-002: SOCIAL SERVICES - VIRGINIA INITIATIVE FOR EMPLOYMENT NOT WELFARE PROGRAM

Summary of Finding: A sample of 25 participants revealed six instances where participants receiving transportation services in which transportation services were not approved per the participant's Activity and Service Plan.

Corrective Action Taken: Six participants receiving transportation services did not have the transportation service box checked on their Activity and Service Plan, although the service is allowed by the program and was notated on the Plan. Management and staff has developed procedures requiring all services to be clearly marked by checking the appropriate service type box on the participant's Activity and Service Plan.

Finding 2015-003: SOCIAL SERVICES – TERMINATED USERS

Summary of Finding: A sample of 3 Social Services employees tested revealed employee access privileges were not immediately removed from all systems that they were authorized to use for one employee. The Department of Social Services of the County did not terminate user's access within three working days on three separate occasions.

Corrective Action Taken: Management has developed procedures to ensure that system access privileges of separated employees are removed immediately.

2015-004: SOCIAL SERVICES – SNAP EMPLOYMENT AND TRAINING

Summary of Finding: A sample of 5 participants were selected for verification of a written plan of participation on file. The Local Department of Social Services was unable to provide the Plan of Participation for one of the 5 cases selected.

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Taken: Management is in the process of developing a file system in order to better locate all case Plan of Participation. The Virginia Department of Social Services is moving toward an electronic case management system, VaCMS, and is expected to be implemented by December 2016.

2015-005: SOCIAL SERVICES – ANNUAL REVIEW OF ACCESS

Summary of Finding: Each Local Security Officer should annually review all Department of Social Services employees' access to each system application with their appropriate supervisors to ensure that the access is properly aligned with their job responsibilities. There was no annual review of employees' access to each system application that took place during the year.

Corrective Action Taken: Management is in the process of developing procedures to ensure the Local Security Officer annually reviews all Department of Social Services employees' access to system applications. It is important to note, that the annual review of system access is conducted by the Finance Department and the Human Resources Department as it pertains to access to the County's financial management system and human resource information system.

2015-006: FINANCE DEPARTMENT - PROPERTY TAXES

Summary of Finding: A sample of 13 personal property tax adjustments were selected for testing. There was one instance where there was no approval of the adjustment that was over \$200.

Corrective Action Taken: The Finance Department's Tax Administration Office has a process in place that requires the Supervisor/Manager of each unit within Tax Administration to approve tax adjustments over \$200. This is a manual process that entails reviewing the adjustment reports for transactions over \$200 on a daily basis and verifying the supporting documentation. Because of the manual effort involved in this process, there is inherent risk for human error to occur. Management believes this is an isolated incident. It is important to note that the exception noted in the finding was a valid tax adjustment accompanied by sufficient supporting documentation. The Finance Department has implemented a new Tax Administration System. This new system includes enhanced capabilities for automated documentation of Supervisory Overrides for tax adjustments.

Findings and Questioned Costs for Federal Awards

2015-007: SOCIAL SERVICES – MATERIAL WEAKNESS AND COMPLIANCE QUALIFICATION – ELIGIBILITY FOR THE MEDICAID PROGRAM ASSISTANCE (CFDA 93.778)

Summary of Finding: A sample of 40 participants were selected for eligibility to receive program assistance. Fourteen participant case files did not include evidence of annual eligibility redetermination. Nine of the 40 cases did not have a signed application on hand or a signed application within the last five years, for ex parte reviews to occur. For six of the participants, no record of income verification or note of the methodology to achieve verification was maintained within the case file. Finally, one case file could not be found in its entirety.

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

Corrective Action Taken: Management is enhancing internal controls for participant eligibility to ensure renewals are occurring on a timely basis and income is verified at each renewal. A higher case load due to increased Medicaid eligibility has staff developing additional processes to address the issue as recommended. The Virginia Department of Social Services is transitioning to an electronic case management system, VaCMS, over the next year which will assist with process efficiencies.

Repeat Finding: This is a repeat finding in FY 2016. Please see Finding 2016-002.

2015-008: OFFICE OF HOUSING & COMMUNITY DEVELOPMENT - SIGNIFICANT DEFICIENCY AND NON-MATERIAL NONCOMPLIANCE IN ELIGIBILITY FOR THE SECTION 8 HOUSING CHOICE VOUCHER CLUSTER INCOME VERIFICATION (CFDA 14.871)

Summary of Finding: A sample of 40 tenants were selected for third party income verification. Four of the tenant's third-party verified annual incomes, value of assets, expenses related to deductions from annual income, or other factors that affect the determination of adjusted income or income-based rent were not properly reflected on the HUD 50058 Form.

Corrective Action Taken: Management has reviewed its internal control process to ensure appropriate control procedures are in place. An internal review as well as the SEMAP review should sufficiently ensure that accurate and complete documentation supporting participant eligibility determination is prepared, maintained and reported in accordance with County and Federal record retention requirements.

Repeat Finding: This is a repeat finding regarding income verification and calculation in FY 2016. Please see Finding 2016-003.