

Prince William County Park Authority



A Component Unit of Prince William County, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2006

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E. Jay Ellington
Executive Director

Board Members:
Stewart Christiano
Brenda Gardziel
Jan Beyer
Richard Berry
Jean Smith
R.B. Thomas Jr.
Brant Wickham
Duane H. York

September 30, 2006

To the Board of Directors
Prince William County Park Authority

Members of the Board:

The Comprehensive Annual Financial Report of the Prince William County Park Authority ("the Park Authority") for the fiscal year ended June 30, 2006 is herewith submitted. Responsibility for the completeness and reliability of the data presented in this report is that of the Park Authority management. As such, this report has been prepared in conformance with accounting principles generally accepted in the United States of America (GAAP) and is designed to meet the requirements of the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program to which this report will be submitted. Accordingly, we believe the information presented is accurate in all material respects and is presented in a manner which fairly reflects the financial position and changes in financial position of the Park Authority; and that all required disclosures that are necessary to enable the reader to gain an understanding of the Park Authority's financial activities have been included.

To provide a reasonable basis for making these representations, management of the Park Authority established an internal control structure designed to ensure that the assets of the Park Authority are protected from loss, theft, misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. Certain of the Park Authority's internal controls are reviewed annually as part of the independent audit. The Park Authority's management believes that its internal controls adequately meet internal control objectives.

The Comprehensive Annual Financial Report (CAFR) is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the Certificate of Achievement, and the Park Authority's organization. The Financial Section includes the basic financial statements including appropriate notes thereto, required supplementary information and the report of independent auditors on the financial statements. As part of the Financial Section GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Park Authority's MD&A can be found immediately following the report of independent auditors. The Statistical Section includes selected historical and comparative financial and general information.

The Park Authority's financial statements have been audited by PBGH LLP, a firm of licensed certified public

accountants. The goal of the independent audit was to provide reasonable, not absolute, assurance that the financial statements of the Park Authority for the fiscal year ended June 30, 2006, are free of material misstatements. 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, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Park Authority's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this CAFR.

PROFILE OF THE PARK AUTHORITY

The Park Authority was established in October 1977 by the Prince William County (County) Board of Supervisors as a separate legal entity, under the Code of Virginia, Section 15.2 et. seq. Park Authorities Act. The Board of County Supervisors appoints an eight-member Park Authority Board who serves a four-year term. The Park Authority Board, in turn, appoints an Executive Director to manage the operations of the Park Authority.

The Park Authority operates through an agreement with Prince William County. The operating agreement delineates the authority and responsibilities of the Park Authority and County with regard to the provision of park and recreation services to the citizens of Prince William County.

Prince William County is located approximately thirty-five miles southwest of Washington, D.C. in northeastern Virginia, and is included as part of the Washington-Baltimore Consolidated Metropolitan Statistical Area. Prince William County is one of the more rapidly growing jurisdictions in the Washington Metropolitan area. The population of Prince William County in June 2006 was estimated at 369,934, an increase of 4.4 percent from 354,383 in June 2005.

The Park Authority owns and leases 63 park sites totaling 3,238 acres. Approximately one-third of the total acreage owned is developed and maintained for active recreational and leisure use. Major recreational facilities owned and managed by the Park Authority include the Pfitzner Stadium, the Ben Lomond and Veterans' Park Community Centers, three outdoor community pools, Veterans' Park, the Chinn Aquatics and Fitness Center, Dale City Recreation Center, Waterworks Waterpark, Lake Ridge Park Golf Course, Forest Greens Golf Course, General's Ridge Golf Course, Prince William Golf Course, and Splash Down Waterpark. In addition, the Park Authority offers racquet sport, miniature golf, driving range, batting cage, marina, picnic, and other sports field facilities at various parks throughout the County.

Recreational and leisure programming includes instructional, fitness, aquatics, day camps and nature programs, concessions, facility rentals, sports events, and special events. These programs are designed to provide quality recreational and leisure experiences for all citizens ranging from toddlers through seniors, and special interest groups. Through an agreement with the Prince William County Schools, the Park Authority schedules and maintains various school recreational facilities throughout the County for programs and events sponsored by the Park Authority and community organizations.

The Park Authority is continually evaluating existing recreational and leisure programs and facilities through an annual comprehensive facility and strategic planning process to assure the provision of quality services to County residents. Based on demographic trends that suggest continued County growth and development, the Park Authority will remain challenged to provide quality park and recreation services. Based on the comprehensive plan for parks and recreation, the Park Authority will continue to develop basic level of service facilities such as neighborhood and community parks, ball fields, and playgrounds, in addition to revenue facilities such as indoor recreation centers, aquatics, golf and other special use facilities.

The Park Authority participates in the County's annual budget process, which determines the County's support to the Park Authority. The Park Authority Board of Directors adopts a fiscal year budget each May for the subsequent fiscal year after determination of the County support. The budget is prepared by operating cost center within division of the Park Authority organization. Budget to actual results are reviewed on a monthly basis by Park Authority management to ensure budgetary control throughout the year.

LOCAL ECONOMY

The local economic performance of Prince William County is directly linked to that of the regional Washington, D.C. metropolitan area, and the area's economy has performed extraordinarily well over the last year. The impact of the regional economic performance, including Prince William County centers on the housing market, population growth, and employment growth. All of these factors have shown steady growth during 2006. The County's steady fiscal management through its Principles of Sound Financial Management, along with the strength of the local housing sector, employment, and growing population, continue to allow the County to provide the services its citizens require and to generate substantial budget surpluses.

The Park Authority has benefited from a desire of an increased number of County residents to utilize local recreation and leisure programs and facilities, and they are taking advantage of the recreation and leisure opportunities provided by the Park Authority. This is evident by the favorable acceptance of the Park Authority's facilities and continued demand for program activities and special events. As such, the Park Authority continues to be a major recreation and leisure provider for County citizens.

LONG-TERM FINANCIAL PLANNING

The Park Authority's financial condition remains positive as a result of its relatively stable revenue sources, which include facility and program fees and charges (operating revenue), and operating and capital support from the County. The Park Authority utilizes its Strategic Plan and Comprehensive Facility Plan to drive the development of a Business Operations Plan, which drives the annual financial plan and budget. In addition, the Park Authority participates in the County's long-term financial and capital planning efforts.

The Park Authority, under the Operating Agreement with the County and its Principles of Sound Financial Management, continues to explore, with the County, the establishment of operating reserves to support potential variability of the Park Authority's operating revenues due to unfavorable weather patterns and/or customer participation trends.

More information regarding the Park Authority's financial outlook is provided in the MD&A section of the CAFR.

MAJOR INITIATIVES

During FY2006 the Park Authority began planning the next round of major capital improvements to be funded through a \$27,000,000 General Obligation Bond of Prince William County. This bond is scheduled to be on the November 2006 election ballot, and if approved by the voters will enable the Park Authority to begin construction of several new ball field complexes, acquire land for future use, and perform major renovation and additions to existing recreation center facilities. The projects to be funded through this effort were derived from a citizen needs assessment survey conducted in recent prior years.

CERTIFICATE OF ACHIEVEMENT

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Park Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Park Authority has received a Certificate of Achievement for the last fifteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

ACKNOWLEDGEMENTS

The financial position of the Park Authority as a whole, evidenced by this comprehensive annual financial report, could not have been accomplished without the dedicated interest and support of the Park Authority staff. We express our appreciation to the Park Authority staff for their contributions to the successful fulfillment of the Park Authority mission in a financially responsible manner and to the Park Authority Board, County Executive and Board of County Supervisors for their recognition of the benefits of recreation and leisure on behalf of the citizens of Prince William County.

Respectfully submitted,



E. Jay Ellington
Executive Director



Michael A. Liedel
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Prince William County
Park Authority,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

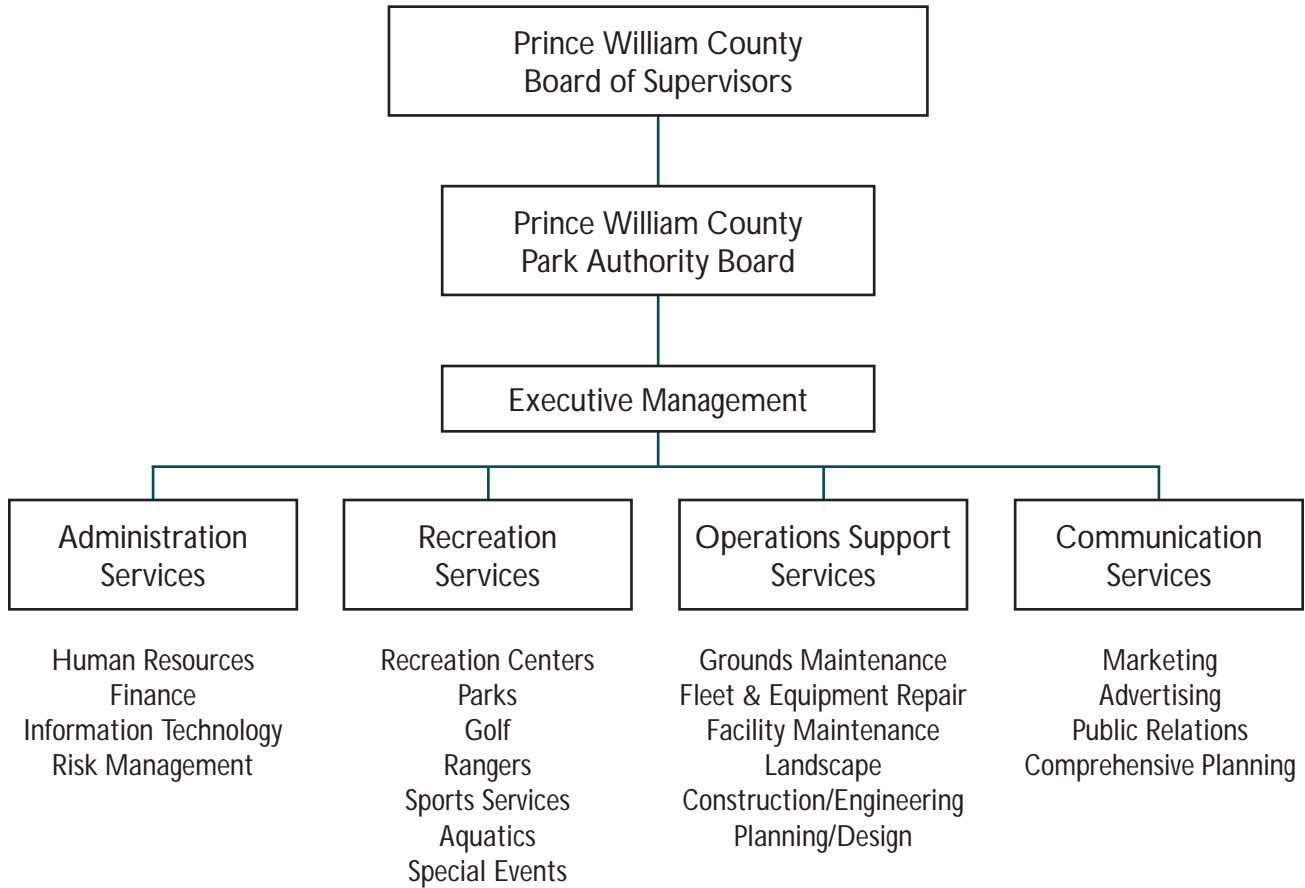
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**Prince William County Park Authority
Organizational Chart
June 30, 2006**



Schedule of Appointed and Elected Officials

PARK AUTHORITY BOARD*

Brenda Gardziel, Chairman

Brant Wickham, Vice Chairman

Richard Berry

Jane Byer

Stewart Christiano

Jean Smith

R.B. Thomas, Jr.

Duane York

Dianne Cabot, Board Secretary

E. Jay Ellington, Executive Director



BOARD OF COUNTY SUPERVISORS**

Sean T. Connaughton, Chairman

Maureen S. Caddigan, Vice Chairman

Hilda M. Barg

Wally Covington

John D. Jenkins

Martin E. Nohe

Corey A. Stewart

John T. Stirrup, Jr.

** Elected

* Appointed by the Board of County Supervisors





Messel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Viscie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell

Kevin D. Humphries
Bradford R. Jones
Virginia B. Miller
John E. Zigler, Jr
Michael T. Kennison
Michael A. Garber
Donald W. Knotts

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
Prince William County Park Authority
Manassas, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Prince William County Park Authority (Authority), as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Prince William County Park Authority as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2006 on our consideration of the Prince William County Park Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 11 to 21) and the required supplementary information (pages 52 to 54) are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying introductory section and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
September 11, 2006

Management's Discussion and Analysis

June 30, 2006

This section of the Prince William County Park Authority's (Park Authority) annual financial report presents our discussion and analysis of the Park Authority's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the Park Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Park Authority exceeded its liabilities at June 30, 2006 by \$57,207,525 (net assets).
- The Park Authority's net assets increased by \$1,049,612 during fiscal year 2006, primarily as a result of investment in capital assets during the year.
- As of June 30, 2006, the Park Authority's governmental funds reported combined fund balances of \$2,251,168 an increase of \$430,187 during the year.
- The assets of the enterprise funds exceeded liabilities by \$691,405, a slight decrease of \$43,509 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are entity-wide financial statements that provide both short-term and long-term information about the Park Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Park Authority, reporting the Park Authority's operations in more detail than the entity-wide statements.

The governmental fund statements tell how general government services, such as parks, recreation and cultural activities, were supported in the short-term as well as what is available for future spending.

The proprietary fund statements provide short-term and long-term financial information about the activities the government operates similar to business activities, such as golf courses and water parks.

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 summarizes the major features of the Park Authority’s financial statements, including the finances of the Park Authority they present 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-1
Major Features of the Park Authority’s Entity-wide and Fund Financial Statements

	Entity – wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Park Authority	The activities of the Park Authority that are not proprietary, such as parks, recreation and cultural activities	Activities the Park Authority operates similar to private businesses: golf courses, waterparks
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows
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
Type of 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
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

ENTITY-WIDE STATEMENTS

The entity-wide statements report information about the Park Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. 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 entity-wide statements report the Park Authority’s net assets and how they have changed. Net assets – the difference between the Park Authority’s assets and liabilities – is one way to measure the Park Authority’s financial health, or position.

- Over time, increases or decreases in the Park Authority’s net assets are an indicator of whether its financial health is improving or declining, respectively. The total financial reporting entity information more accurately reflects the financial operations of the Park Authority.

To assess the overall health of the Park Authority, one need consider other factors, such as changes in the Park Authority’s paid participant base. During the fiscal year, approximately 3.50 million participant visits were recorded, which is an increase from approximately 3.34 million in fiscal year 2005.

The entity-wide financial statements of the Park Authority are divided into two categories:

- Governmental activities—Most of the Park Authority’s basic services are included here, such as the parks, recreation centers, and sports fields. Operational support from Prince William County and service charges are the primary funding sources of these activities.
- Business-type activities—The Park Authority charges fees to customers to cover the costs of certain facilities and services it provides. The Park Authority’s golf courses and waterparks are included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Park Authority’s most significant funds—not the Park Authority as a whole. Funds are accounting devices that the Park Authority establishes to control and manage money for particular purposes (i.e., Capital Projects Fund) or to show that it is properly using certain general revenues (i.e., General Fund).

The Park Authority has two kinds of funds:

- Governmental funds—Most of the Park Authority’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that 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 detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Park Authority’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.
- Proprietary funds—Services for which the Park Authority charges customers a fee are generally reported in proprietary funds. The Park Authority’s enterprise funds are the same as its business-type activities, but provide more detail and additional information.

Financial Analysis of the Park Authority as a Whole

Table A-1 and Table A-2 summarize the Park Authority's net assets and changes in net assets, respectively.

NET ASSETS

TABLE A-1
Park Authority Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Other assets	\$ 4,255,532	3,532,031	1,498,368	3,119,257	5,753,900	6,651,288
Capital assets, net	58,032,878	56,459,358	18,688,645	18,663,985	76,721,523	75,123,343
Total assets	62,288,410	59,991,389	20,187,013	21,783,242	82,475,423	81,774,631
Other liabilities	2,671,643	2,312,555	1,261,755	2,333,663	3,933,398	4,646,218
Long-term liabilities	3,100,647	2,255,835	18,233,853	18,714,665	21,334,500	20,970,500
Total liabilities	5,772,290	4,568,390	19,495,608	21,048,328	25,267,898	25,616,718
Net assets:						
Invested in capital assets, net of related debt	55,159,921	54,484,545	(717,497)	(1,277,471)	54,442,424	53,207,074
Restricted	-	-	2,205,551	2,183,997	2,205,551	2,183,997
Unrestricted	1,356,199	938,454	(796,649)	(171,612)	559,550	766,842
Total net assets	\$ 56,516,120	55,422,999	691,405	734,914	57,207,525	56,157,913

By far the largest portion of the Park Authority's net assets (\$57,207,525) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The Park Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Park Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Park Authority's net assets (\$2,205,551) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year the Park Authority is able to report a positive overall net asset balance in both its governmental activities and business-type activities funds.

CHANGES IN NET ASSETS

The total reporting entity net assets increased by \$1,049,612 in 2006 as total revenues of \$28,855,323 exceeded total expenses of \$27,805,711.

Approximately 53 percent of the Park Authority's total revenue is support from Prince William County. The remaining 47 percent is derived from fees charged for services, contributions, and investment earnings.

The total cost of all programs and services was \$27,805,711. The Park Authority's expenses cover a range of services, with 75 percent related to general park and recreational activities and 25 percent related to golf and waterpark activities.

Table A-2, and the narrative that follows, consider the operations of governmental and business-type activities separately. See Figure A-3 for the revenue and net costs percentages for governmental activities.

TABLE A-2
Park Authority Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 6,796,441	6,697,027	5,849,656	6,238,115	12,646,097	12,935,142
Capital grants and contributions	637,735	-	-	-	637,735	-
General revenues:						
Payment from Prince William County	15,247,495	13,884,039	-	-	15,247,495	13,884,039
Unrestricted Investment Earnings	210,254	85,403	113,742	99,697	323,996	185,100
Miscellaneous	-	-	-	439,268	-	439,268
Transfers	(1,048,130)	-	1,048,130	-	-	-
Total revenues	21,843,795	20,666,469	7,011,528	6,777,080	28,855,323	27,443,549
Expenses:						
Parks, recreation and cultural	20,635,572	19,690,881	5,840,452	5,543,288	26,476,024	25,234,169
Interest on long-term debt	115,102	83,007	1,214,585	1,240,960	1,329,687	1,323,967
Total Expenses	20,750,674	19,773,888	7,055,037	6,784,248	27,805,711	26,558,136
Change in net assets	1,093,121	892,581	(43,509)	(7,168)	1,049,612	885,413
Net assets - beginning, as restated	55,422,999	54,530,418	734,914	742,082	56,157,913	55,272,500
Net assets - ending	\$ 56,516,120	55,422,999	691,405	734,914	57,207,525	56,157,913

GOVERNMENTAL ACTIVITIES

The largest revenue source of the Park Authority is the support received from Prince William County. The County appropriates funds through its annual fiscal year budget process to meet various operating and capital requirements of the Park Authority. The County support of \$15,247,495 during 2006 constituted 67 percent of total governmental activity revenue.

Charges for services related to general recreational activities were \$6,796,441 during 2006, which is 30 percent of total revenue.

Governmental activity expenses during 2006 totaled \$20,750,674, all of which were related to parks, recreation and cultural programs.

The net cost (total cost less fees generated by the activities and the support from Prince William County) of each of the Park Authority's functions reflects the financial burden that was placed on the Park Authority's general revenue sources by each function.

- The cost of all governmental activities this year was \$20,750,674.
- Some of the costs were paid by:
 - Those who directly benefited from the programs through charges for services, or 33 percent of the total governmental activity costs.
 - The remaining costs (67 percent) were paid by other revenues such as support from Prince William County, contributions, and investment earnings.
- Total revenues exceeded total expenses by \$1,093,121 for 2006.

BUSINESS-TYPE ACTIVITIES

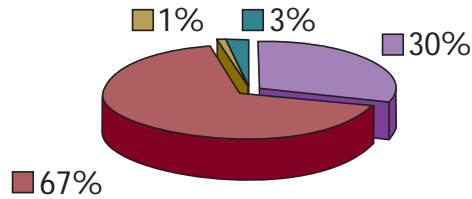
Revenues of the Park Authority's business-type activities were \$7,011,528, while expenses were \$7,055,037. Factors contributing to these results included:

- Charges for services amounted to \$5,849,656 (\$3,555,154 from golf courses and \$2,294,502 from waterparks).
- Investment earnings were \$113,742 (\$84,171 for golf courses and \$29,571 for waterparks).
- Transfers from governmental activities were \$1,048,130 (\$946,656 for golf courses and \$101,474 for waterparks). These transfers represent capital investment through the governmental activities on behalf of the business-type activities.
- Expenses were \$4,585,046 for golf courses and \$2,469,991, for waterparks.
- Business-type activities expenses (including depreciation expense) were more than total revenues by \$43,509.

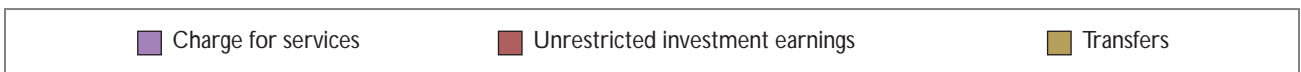
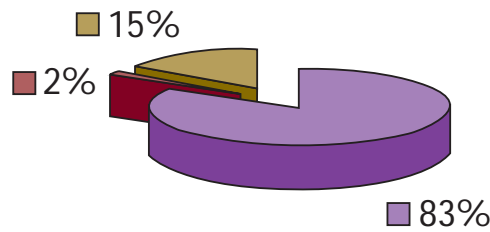
Figure A-3 presents the Revenues by Source for both the governmental and business-type activities exclusively. Support from Prince William County is the largest source of revenue for governmental activities (67 percent), while charges for services are the largest source of revenue for business-type activities (83 percent).

FIGURE A-3
Revenues by Source

GOVERNMENTAL ACTIVITIES



BUSINESS-TYPE ACTIVITIES



Financial Analysis of the Park Authority's Funds

At the end of 2006, the Park Authority's governmental funds reported a combined fund balance of \$2,251,168. As noted earlier, the Park Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

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

- As of the end of the current fiscal year, the Park Authority's governmental funds reported combined ending fund balances of \$2,251,168, an increase of \$430,187 from fiscal year 2005. The General Fund is the primary operating fund of the Park Authority. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$115,160 and unreserved but designated for construction projects fund balance of the Capital Projects Fund was \$2,108,505. The total unreserved and designated fund balance represents 10 percent of the total Governmental Funds expenditures.
- The Park Authority expended \$2,141,937 for the construction of various park facilities, which was part of the reason for the reduction of the fund balance of the Capital Projects Fund by \$703,815 during 2006.

PROPRIETARY FUNDS

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

Unrestricted net assets (deficit) of the golf courses at the end of the year amounted to \$(1,478,283) and for the waterparks amounted to \$681,634. Other factors concerning the finances of these two funds mirror those highlighted in the analysis of the Park Authority's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Park Authority submits an annual (July – June) operating budget to Prince William County for purposes of determining the County's general fund support to the Park Authority. The budget is submitted in accordance with an operating agreement between the Park Authority and the County, which details that the Park Authority will receive payment of the County support in quarterly installments as determined by cash flow requirements throughout the fiscal year.

Budgetary control for operating activities is maintained at the governmental activity level. Encumbrance accounting is utilized to maintain detailed budgetary control over individual expenses.

The Park Authority's General Fund revenue was \$459,295 more than the adopted budget, primarily a result of additional fees and charges revenue. Expenditures during 2006 compared to budget were \$494,970 more, primarily due to acquisition of capital equipment financed through the issuance of debt. Overall, the Park Authority's excess of expenditures over revenues was \$35,675, which reduced the Park Authority's General Fund balance by the same amount. Including issuance of debt and transfers to business-type activity the Park Authority's General Fund balance increased by \$1,134,002.

Capital Asset and Debt Administration

CAPITAL ASSETS

As of June 30, 2006, the total reporting entity had invested, net of accumulated depreciation, \$76,251,523 in a broad range of capital assets, including land, buildings, improvements, equipment, and construction in progress (Table A-4). This amount represents a net increase (including additions and deductions) of \$1,598,180 as a result of new projects and the acquisition of capital equipment.

TABLE A-4
Park Authority Capital Assets

	2006	2005
Land, Land Improvements & Construction in Progress	\$ 53,767,336	52,645,389
Buildings and other capital assets, net of depreciation	22,954,187	22,477,954
Total	\$ 76,721,523	75,123,343

During 2006 the Park Authority completed and transferred to fixed assets a number of projects including various sports field improvements, various playground replacements, Dale City Recreation Center renovations, Ridgefield Park development, Hammill Mill pool and park renovation, Pfitzner Stadium renovation, Prince William Golf Course irrigation improvements, various paving projects, and various other capital maintenance projects at multiple park locations.

A number of park construction and renovation projects continue in progress, with construction in progress as of the end of the current year of \$521,045.

Additional capital asset and construction in progress data is included in Note 5 of the Financial Statements.

LONG-TERM LIABILITIES AND OTHER OBLIGATIONS

At year-end the Park Authority had total debt and other obligations of \$22,470,086 of which bonded debt outstanding represented \$18,458,871. The Park Authority's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE A-5
Park Authority Long-term Liabilities and Other Obligations

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenue bonds	\$ -	-	18,458,871	18,795,581	18,458,871	18,795,581
Total bonded debt	-	-	18,458,871	18,795,581	18,458,871	18,795,581
Capital leases	2,093,326	1,071,196	156,142	281,456	2,249,468	1,352,652
Notes payable	779,631	903,617	-	-	779,631	903,617
Compensated absences	872,234	878,897	109,882	111,995	982,116	990,892
Total long-term debt and other obligations	\$ 3,745,191	2,853,710	18,724,895	19,189,032	22,470,086	22,042,742

The Park Authority's total debt and obligations increased by \$427,344 during the current fiscal year. The key factor for this increase was the issuance of \$1,500,000 of lease purchase debt for the acquisition of equipment. More detailed information about the Park Authority's long-term debt is presented in Note 6 to the financial statements.

BOND RATINGS

The Park Authority maintains an "A3" rating from Moody's Investor's Services for revenue bond debt.

LIMITATIONS ON DEBT

The Park Authority has no legal limitations on the amount of debt it can issue. The Park Authority, however, has adopted a debt policy, which establishes a maximum debt to asset ratio of 50 percent, including current liabilities. The calculated debt ratio at June 30, 2006 is 31.3 percent. Additional detail on outstanding debt is included in the notes to the financial statements.

In connection with the Series 1999 Revenue Bonds issued for the construction of Splashdown Waterpark, Forest Greens Golf Course, and General's Ridge Golf Course, the Park Authority is required to achieve a debt coverage ratio of 1.10. The calculated revenue bond debt coverage ratio for 2006 is 1.36, which exceeds the required debt coverage ratio of 1.10. Further information regarding the debt coverage ratio in connection with the Series 1999 Revenue Bonds is included in Note 6 to the financial statements.

Economic Factors

The key economic factors of Prince William County affecting the Park Authority included the following:

- The County's real estate tax base has increased from \$43.7 billion in 2006 to \$57.6 billion for 2007, which is a 32 percent increase.
- The County's fiscal year 2007 general fund budget, including support to the Park Authority, is \$857.3 million, which is an increase of 12 percent over fiscal year 2006.
- The population in the County has grown at an average annual rate of 4 percent over the past decade and the vast majority of those residents are employed.
- The Virginia Employment Commission estimated the County's at-place employment (jobs located in the County) was 103,000 during the fourth quarter of 2005.
- The County had an unemployment rate of 2.3 percent and a civilian labor force of 194,000 as of April 2006, according to the Virginia Employment Commission. This represents a decrease in the employment rate from 2.6 percent in July 2005 and an increase in civilian labor force from 188,000 in July 2005.
- The Census Bureau's 2005 American Community Survey indicates that the County's Median Household Income rose from \$49,000 in 1989 to \$82,000 in 2005.

These factors were considered in preparing the Park Authority's budget for the fiscal year. The Park Authority will use the increases in revenues and County support through the budget process to fund programs currently offered and the expected impact of inflation on program costs.

Contacting the Park Authority

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the Park Authority's finances and to demonstrate the Park Authority's accountability for its resources.

Any questions regarding this report or for additional financial information, contact the Finance Director, Prince William County Park Authority, 14420 Bristow Road, Manassas, Virginia 20112-3932.



BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include all funds and notes to provide an overview of the financial position and changes in financial position for the Park Authority as a whole.

Prince William County Park Authority

Statement of Net Assets

As of June 30, 2006

Exhibit 1

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and pooled investments	\$ 2,102,800	705,829	2,808,629
Inventories	49,800	82,759	132,559
Accounts receivable, net	234,407	25,976	260,383
Interest receivable	-	20,163	20,163
Internal balances	1,841,022	(1,841,022)	-
Deferred charge	-	238,192	238,192
Prepaid items	27,503	60,920	88,423
Restricted cash	-	644,536	644,536
Restricted investments	-	1,561,015	1,561,015
Capital assets:			
Land, land improvements and construction in progress	38,318,791	15,448,545	53,767,336
Buildings and other capital assets, net of depreciation	19,714,087	3,240,100	22,954,187
Total assets	62,288,410	20,187,013	82,475,423
LIABILITIES			
Accounts payable	619,124	172,593	791,717
Retainage payable	19,692	-	19,692
Wages and benefits payable	629,658	193,933	823,591
Accrued interest	22,735	234,828	257,563
Unearned revenue	735,890	102,409	838,299
Deposits	-	66,950	66,950
Compensated Absences:			
Due within one year	97,952	12,340	110,292
Due in more than one year	774,282	97,542	871,824
Capital Leases:			
Due within one year	417,471	121,992	539,463
Due in more than one year	1,675,855	34,150	1,710,005
Bonds and Notes Payable:			
Due within one year	129,121	356,710	485,831
Due in more than one year	650,510	18,102,161	18,752,671
Total liabilities	5,772,290	19,495,608	25,267,898
NET ASSETS			
Invested in Capital Assets, net of related debt	55,159,921	(717,497)	54,442,424
Restricted	-	2,205,551	2,205,551
Unrestricted	1,356,199	(796,649)	559,550
Total net assets	\$ 56,516,120	691,405	57,207,525

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

Prince William County Park Authority

Statement of Activities

For the Year Ended June 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Totals
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Government:						
Governmental activities:						
Parks, recreations and cultural	\$ 20,635,572	6,796,441	637,735	(13,201,396)	-	(13,201,396)
Interest on long-term debt	115,102	-	-	(115,102)	-	(115,102)
Total governmental activities	20,750,674	6,796,441	637,735	(13,316,498)	-	(13,316,498)
Business-type activities:						
Golf courses	4,585,046	3,555,154	-	-	(1,029,892)	(1,029,892)
Water Parks	2,469,991	2,294,502	-	-	(175,489)	(175,489)
Total business-type activities	7,055,037	5,849,656	-	-	(1,205,381)	(1,205,381)
Total government	\$ 27,805,711	12,646,097	637,735	(13,316,498)	(1,205,381)	(14,521,879)
General revenues:						
Payment from Prince William County				15,247,495	-	15,247,495
Unrestricted investment earnings				210,254	113,742	323,996
Transfers				(1,048,130)	1,048,130	-
Total general revenues				14,409,619	1,161,872	15,571,491
Change in net assets				1,093,121	(43,509)	1,049,612
Net assets - beginning, as restated				55,422,999	734,914	56,157,913
Net assets - ending				\$ 56,516,120	691,405	57,207,525

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

Prince William County Park Authority
Governmental Funds

Balance Sheet

As of June 30, 2006

Exhibit 3

	Governmental Funds		
	General Fund	Capital Projects Fund	Totals
ASSETS			
Cash and pooled investments	\$ 1,785,766	317,034	2,102,800
Inventories	49,800	-	49,800
Accounts receivable, net	234,407	-	234,407
Due from Golf Courses Fund	-	1,841,022	1,841,022
Prepaid items	27,503	-	27,503
Total assets	\$ 2,097,476	2,158,056	4,255,532
LIABILITIES AND FUND BALANCES:			
LIABILITIES			
Accounts payable	\$ 589,265	29,859	619,124
Retainage payable	-	19,692	19,692
Wages and benefits payable	629,658	-	629,658
Unearned revenue	735,890	-	735,890
Total liabilities	1,954,813	49,551	2,004,364
FUND BALANCES:			
Reserved for:			
Prepaid costs	27,503	-	27,503
Unreserved:			
Designated for construction projects	-	2,108,505	2,108,505
Designated for encumbrances	90,170	-	90,170
Undesignated:			
General Fund	24,990	-	24,990
Total fund balances	142,663	2,108,505	2,251,168
Total liabilities and fund balances	\$ 2,097,476	2,158,056	4,255,532

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

Prince William County Park Authority

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

As of June 30, 2006

Exhibit 4

Fund balances—total governmental funds	\$	2,251,168
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 3) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		58,032,878
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.		(22,735)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	\$	(779,631)
Capital lease obligations		(2,093,326)
Compensated absences		(872,234)
		<u>(3,745,191)</u>
Net assets of governmental activities	\$	<u>56,516,120</u>

Prince William County Park Authority
Governmental Funds
For the Year Ended June 30, 2006

Exhibit 5

	Governmental Funds		
	General Fund	Capital Projects Fund	Totals
REVENUES:			
Charges for services	\$ 6,796,441	-	6,796,441
From use of money and property	210,254	-	210,254
Intergovernmental revenue:			
Support from Prince William County	13,091,566	2,155,929	15,247,495
Total revenues	\$ 20,098,261	2,155,929	22,254,190
EXPENDITURES			
Current:			
Parks, recreation and cultural:			
Compensation and benefits	12,286,359	-	12,286,359
Contractual services	3,156,093	-	3,156,093
Materials, supplies, and utilities	2,865,515	-	2,865,515
Debt service:			
Principal retirement	601,856	-	601,856
Interest	95,997	-	95,997
Capital outlays	1,128,116	2,141,937	3,270,053
Total expenditures	20,133,936	2,141,937	22,275,873
Excess (deficiency) of revenues over (under) expenditures	(35,675)	13,992	(21,683)
Other financing sources (uses):			
Issuance of debt	1,500,000	-	1,500,000
Transfers out	(330,323)	(717,807)	(1,048,130)
Total other financing sources (uses), net	1,169,677	(717,807)	451,870
Net change in fund balances	1,134,002	(703,815)	430,187
FUND BALANCES, (deficit) beginning of year, as stated	(991,339)	2,812,320	1,820,981
FUND BALANCES, end of year	\$ 142,663	2,108,505	2,251,168

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

Prince William County Park Authority

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2006

Exhibit 6

Net change in fund balances—total governmental funds		\$	430,187
Amounts reported for governmental activities in the Statement of Activities 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	\$	2,903,702	
Subtract depreciation		<u>(1,965,333)</u>	938,369
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.			
Add debt principal repayment		601,856	
Subtract debt issued or incurred:			
Capital leases		<u>(1,500,000)</u>	(898,144)
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 prior year's compensated absences liability		878,897	
Subtract current year's compensated absences liability		<u>(872,234)</u>	6,663
Add prior year's accrued interest liability		3,630	
Subtract current year's accrued interest liability		<u>(22,735)</u>	(19,105)
The net effect of various transactions involving capital assets which increases net assets.			
Contribution of capital assets		637,735	
Loss on disposals		<u>(2,584)</u>	635,151
Change in net assets of governmental activities		<u>\$</u>	<u>1,093,121</u>

Prince William County Park Authority
 Proprietary Funds
 Statement of Net Assets

As of June 30, 2006

Exhibit 7

	Enterprise Funds		
	Golf Courses	Water Parks	Totals
ASSETS			
Current assets:			
Cash and pooled investments	\$ -	705,829	705,829
Inventories	82,759	-	82,759
Accounts Receivable	-	25,976	25,976
Interest Receivable	14,921	5,242	20,163
Deferred charge	176,262	61,930	238,192
Prepaid Items	9,050	51,870	60,920
Restricted cash	476,957	167,579	644,536
Total Current Assets	759,949	1,018,426	1,778,375
Noncurrent assets:			
Restricted investments	1,155,151	405,864	1,561,015
Capital assets:			
Land and land improvements	12,753,586	2,694,959	15,448,545
Buildings and other capital assets, net of depreciation	1,528,779	1,711,321	3,240,100
Total Noncurrent Assets	15,437,516	4,812,144	20,249,660
Total Assets	16,197,465	5,830,570	22,028,035
LIABILITIES:			
Current liabilities:			
Accounts payable	104,746	67,847	172,593
Due to Capital Projects Fund	1,841,022	-	1,841,022
Wages and benefits payable	97,793	96,140	193,933
Accrued interest	173,997	60,831	234,828
Unearned revenue	50,445	51,964	102,409
Deposits	-	66,950	66,950
Compensated Absences	8,839	3,501	12,340
Current Portion of Revenue Bonds Payable	263,965	92,745	356,710
Current Portion of Capital Leases Payable	121,992	-	121,992
Total Current Liabilities	2,662,799	439,978	3,102,777
Noncurrent liabilities			
Compensated Absences	69,869	27,673	97,542
Revenue Bonds Payable	13,395,599	4,706,562	18,102,161
Capital Leases Payable	34,150	-	34,150
Total Noncurrent Liabilities	13,499,618	4,734,235	18,233,853
Total Liabilities	16,162,417	5,174,213	21,336,630
NET ASSETS:			
Invested in Capital Assets, net of related debt	(118,777)	(598,720)	(717,497)
Restricted	1,632,108	573,443	2,205,551
Unrestricted (deficit)	(1,478,283)	681,634	(796,649)
Total Net Assets	\$ 35,048	656,357	691,405

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

Prince William County Park Authority
Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2006

Exhibit 8

	Enterprise Funds		
	Golf Courses	Water Parks	Totals
OPERATING REVENUES:			
Charges for services	\$ 3,555,154	2,294,502	5,849,656
Total operating revenue	3,555,154	2,294,502	5,849,656
OPERATING EXPENSES:			
Compensation and benefits	1,820,292	905,288	2,725,580
Contractual services	207,030	231,816	438,846
Materials, supplies and utilities	1,120,592	533,068	1,653,660
Depreciation	535,115	487,251	1,022,366
Total operating expenses	3,683,029	2,157,423	5,840,452
Operating income (loss)	(127,875)	137,079	9,204
NON OPERATING REVENUES (EXPENSES):			
Interest Income	84,171	29,571	113,742
Interest Expense	(902,017)	(312,568)	(1,214,585)
Total non operating expenses, net	(817,846)	(282,997)	(1,100,843)
Loss before transfers	(945,721)	(145,918)	(1,091,639)
Transfers in	946,656	101,474	1,048,130
Changes in Net Assets	935	(44,444)	(43,509)
NET ASSETS, beginning of year, as restated	34,113	700,801	734,914
NET ASSETS, end of year	\$ 35,048	656,357	691,405

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

Prince William County Park Authority
 Proprietary Funds
 Statement of Cash Flows

For the Year Ended June 30, 2006

Exhibit 9

	Enterprise Funds		
	Golf Courses	Water Parks	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,406,813	2,330,249	5,737,062
Payments to supplies for goods and services	(1,276,110)	(824,512)	(2,100,622)
Payments to employees for services	(1,477,515)	(802,404)	(2,279,919)
Payments on behalf of employees	(335,507)	(110,602)	(446,109)
Net cash provided by operating activities	317,681	592,731	910,412
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfer from Capital Projects Fund	894,339	-	894,339
Net cash provided by non-capital financing activities	894,339	-	894,339
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on bonds, leases and other debt	(428,714)	(106,600)	(535,314)
Interest paid on bonds, leases and other debt	(851,538)	(294,599)	(1,146,137)
Net cash used by capital and related financing activities	(1,280,252)	(401,199)	(1,681,451)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received on investments	84,171	29,571	113,742
Net cash provided by investing activities	84,171	29,571	113,742
Net increase in cash and cash equivalents	15,939	221,103	237,042
CASH AND CASH EQUIVALENTS, beginning of year	461,018	652,305	1,113,323
CASH AND CASH EQUIVALENTS, end of year	\$ 476,957	873,408	1,350,365
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (loss)	\$ (127,875)	137,079	9,204
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	535,115	487,251	1,022,366
Amortization of Deferred Charge	7,748	2,722	10,470
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	-	37,083	37,083
Inventories	18,241	-	18,241
Prepaid Items	-	(48,870)	(48,870)
Increase (decrease) in:			
Accounts payable, accrued liabilities	23,353	(42,609)	(19,256)
Salaries and benefits payable	9,440	(7,776)	1,664
Deposits	-	29,187	29,187
Unearned revenue	(148,341)	(1,336)	(149,677)
Total adjustments	445,556	455,652	901,208
Net cash provided by operating activities	\$ 317,681	592,731	910,412
Schedule of Noncash Capital Activities:			
Donated assets from the General and Capital Projects Funds	\$ 945,954	101,072	1,047,026

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

Notes to Financial Statements

June 30, 2006

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Prince William County Park Authority (the Park Authority) prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Park Authority applies all applicable GASB pronouncements and has elected to apply only those Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements to its proprietary funds. 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 Park Authority are discussed in subsequent sections of these notes to the financial statements. The remainder of the notes is organized to provide explanations, including required disclosures, of the Park Authority's financial activities for the year ended June 30, 2006.

A. Reporting Entity

The Park Authority's reporting entity includes general park operations, reported under the entity heading of primary government.

For financial reporting purposes, the Park Authority reporting entity is considered a component unit of Prince William County, Virginia (the County) under the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14. Accordingly, the financial position, changes in financial position and cash flows of the Park Authority are discretely presented in the County's basic financial statements. The inclusion criteria which define the Park Authority as a component unit are:

- All of the Park Authority Board is appointed by the County.
- A financial benefit/burden relationship exists.

B. Basis of Presentation

The basic financial statements include both entity-wide financial statements, which are based on the Park Authority as a whole, and fund financial statements. The current reporting model focuses on either the Park Authority as a whole or on major individual funds (within the fund financial statements).

Entity-wide Financial Statements

The entity-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the reporting entity. The focus of the entity-wide financial statements is more on sustainability of the Park Authority 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 general revenue received from the County, are reported separately from business type activities, which rely, to a significant extent, on fees and other charges for support.

In the entity-wide Statement of Net Assets, 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 proprietary funds are reported as “internal balances” in the entity-wide Statement of Net Assets.

The entity-wide Statement of Activities demonstrates the degree to which the direct expenses of a given functional category (park operations) or business type activity (golf courses and water parks) 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 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 meeting the operational or capital requirements of a particular functional category or business type activity. Support payments from the County 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 Park Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The financial transactions of the Park Authority are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, 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 Park Authority has elected to present Capital Projects, Golf Course, and Waterpark funds as major due to specific community focus.

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 in which these funds are normally budgeted and is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid financial resources, and (c) demonstrate how the Park Authority’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 entity-wide statements’ governmental activities column, reconciliations are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the entity-wide financial statements.

The Park Authority’s enterprise funds, presented in the proprietary fund financial statements, are presented using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s principal ongoing operations. The principal operating revenues of the Golf Courses Fund and the Waterparks Fund are charges to customers for services. Operating expenses of the enterprise funds include the costs of providing services, such as staff, contract services and supplies, as well as depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the Park Authority:

Governmental Funds:

The focus of governmental fund measurement in the fund financial statements is upon 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 Park Authority:

- General Fund – The General Fund accounts for numerous primary Park Authority recreational and leisure programs and facilities, such as open parks, recreation centers, community pools, various recreation and special events programs, and is the primary operating unit of the Park Authority. It accounts for all financial resources of the general government, except those required to be accounted for by another fund.
- Capital Projects Fund – The Capital Projects Fund is used to account for the resources and expenditures related to new facility construction and major capital maintenance projects.

Proprietary Funds

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

- Golf Courses Fund – The Golf Courses Fund accounts for the recreational golf facilities operated by the Park Authority, and include Prince William Golf Course, Forest Greens Golf Course, and General's Ridge Golf Course.
- Water Parks Fund – The Water Parks Fund accounts for the major aquatics facilities operated by the Park Authority and include Splashdown Waterpark and Waterworks Waterpark.

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 entity-wide financial statements and the proprietary fund 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 Park Authority considers the availability period for all significant revenue sources to be 60 days after the end of the current fiscal period. Interest earnings are recorded as earned. The Park Authority's major revenue source susceptible to accrual is for fees and charges.

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 long-term debt is recognized when due.

E. Cash and Investments

Cash and pooled investments consist of cash deposits, money market accounts, and repurchase agreements with original maturities of three months or less. Investments are recorded at amortized cost, which approximates fair value. Investment interest is recorded when earned. The Park Authority includes restricted cash and investments in its Statement of Cash Flows.

F. Compensated Absences

In governmental fund types, the cost of pooled annual leave (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund type vested accrued pooled annual leave is recorded as non-current liabilities in the entity-wide Statement of Net Assets. Proprietary fund types accrue pooled annual leave benefits in the period they are earned.

G. Risk Management

The Park Authority participates in the Prince William Self-Insurance Group Casualty Pool and Workers' Compensation Association, which provide casualty insurance and workers' compensation protection for the members.

H. Operating Revenue

Charges for the use of recreation facilities are recognized as revenue when the facilities are used. Fees for recreation programs are recognized as revenue at the time the program is held. Recreation fees and charges collected in advance are recorded as unearned revenue. Accounts receivable are recorded for fees and charges earned but not yet received.

I. Support from the County

The Park Authority receives an unrestricted annual support payment from the County. This payment partially supports the Park Authority's General Fund operations and Capital Projects Fund requirements and is budgeted and appropriated in the County's annual fiscal year budget. The Park Authority is economically dependent on the County and the receipt of this annual support.

J. Capital Assets

The cost of capital assets acquired for general government purposes are recorded as an expenditure in the governmental funds and as an asset in the entity-wide financial statements to the extent the Park Authority's capitalization threshold has been met. Capital assets acquired by proprietary funds are recorded as assets in both the entity-wide financial statements and in the proprietary fund financial statements to the extent the Park Authority's capitalization threshold has been met. The Park Authority capitalizes assets valued over \$5,000 with a useful life of greater than one year.

Park and recreation real properties, facilities and equipment are recorded at cost. Donated capital assets are recorded at estimated fair value as of the date of donation. Recurring normal maintenance and repair costs are charged to operations, and major repairs, improvements, and replacements are capitalized. Upon sale or retirement, the cost and related accumulated depreciation/amortization of park and recreation facilities and equipment are eliminated from the respective accounts and any resulting gain or loss is shown as other income or expense, respectively. Depreciation expense is computed using the straight-line method over the following estimated useful lives of purchased and donated assets:

Buildings	10-40 years
Recreational structures	10-15 years
Equipment and vehicles	5-10 years

K. Deferred Charge

In connection with the issuance of the Series 1999 Revenue Bonds, the related costs of issuance are reported as a deferred charge and are amortized over the life of the bond issue.

L. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent the Park Authority's managerial plans for future use of financial resources.

M. Leases

For capital leases in the governmental fund types, acquisition costs are recorded as expenditures with an offsetting entry to other financing sources. Proprietary fund types and the entity-wide financial statements record the assets acquired under capital lease arrangements at the lesser of the fair value of the asset or the present value of the lease payments and the assets are then amortized over the shorter of the lease period or the estimated life of the asset.

N. Deferred Loss on Debt Refundings

Losses resulting from advance or current refundings of debt in proprietary funds 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 a reduction of the debt and is amortized and reported as a component of interest expense.

O. Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria were met, but for which revenue recognition were not met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

P. Inventories and Prepaid expenses

Inventories and prepaid items are accounted for using the consumption method, whereby the purchase of inventory or pre-paid items is reported as an asset and recognition of the expense deferred until the period in which consumption occurs. Inventory is valued at cost using the specific identification method.

NOTE (2) - CASH AND INVESTMENTS

A. Cash Deposits

All cash of the Park Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

Investments

Code of Virginia Sec. 2.2-4501 through 2.2-4513 authorize the Park Authority 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 and certain corporate notes, bankers' acceptances, repurchase agreements and the State Treasurers Local Government Investment Pool (LGIP).

The Park Authority adopted an Investment Policy during 2006 which permits investment in any obligation authorized under the Code of Virginia referenced previously and establishes limitations on holdings by percentage of the investment portfolio. Investments are subject to interest rate, credit, custodial and concentration of credit risks as described below:

Interest Rate Risk – The Park Authority limits its investments to overnight repurchase agreements and money market mutual funds, with the exception of the debt service reserve fund, thus limiting its interest rate risk exposure.

Illustration 2-1 reflects the fair value and the weighted average maturity (WAM) of the Park Authority's investments as of June 30, 2006. 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 Park Authority assumes that all of its investments will be held to maturity.

ILLUSTRATION 2-1

Fair Value and Weighted Average Maturity of Investments at June 30, 2006

	Fair Value	Weighted Average Maturity (Years)
PARK AUTHORITY		
Money Market Mutual Funds	\$ 2,481,767	0.003
Overnight Repurchase Agreements	1,151,447	0.003
Long-term Repurchase Agreements	1,561,015	22.29
Total Reporting Entity Investments	\$ 5,194,229	6.7

Credit Risk – State statutes authorize the Park Authority to invest in various instruments as described above. The Park Authority will only invest in money market or mutual funds with a rating of AAA by at least two nationally recognized statistical rating organizations. During the year, the Park Authority invested its available funds in repurchase agreements and money market mutual funds, including the Commonwealth Cash Reserve Fund (CCRF) and the State Treasurer's Local Government Investment Pool (LGIP).

The Park Authority's investments' ratings as of June 30, 2006 are presented in [Illustration 2-2](#).

ILLUSTRATION 2-2

Park Authority Investment Credit Risk at June 30, 2006

	Credit Quality (Rating)	Credit Exposure as a % of Total Investments
Money Market Mutual Funds	AAA	47.8%
Repurchase Agreements	AAA	5.2%
		<u>100.0%</u>

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

Reconciliation of total cash and investments to the entity-wide financial statements at June 30, 2006 is shown in [Illustration 2-3](#).

ILLUSTRATION 2-3

Reconciliation of Cash and Investments to Entity-Wide Financial Statements at June 30, 2006

Total Park Authority Investments		\$	5,194,229
Add: Cash on Hand			20,330
Deposits			(200,379)
Total Cash and Investments		<u>\$</u>	<u>5,014,180</u>
	Governmental Activities	Business Type Activities	Total Reporting Entry
Primary Government:			
Cash and Pooled Investments	\$ 2,102,800	705,829	2,808,629
Restricted Cash	-	644,536	644,536
Restricted Investments	-	1,561,015	1,561,015
	<u>\$ 2,102,800</u>	<u>2,911,380</u>	<u>5,014,180</u>

Restricted cash and investments consist of amounts required by revenue bond financing terms to be segregated in a debt service reserve account, a principal account, and an interest account required to be used for debt service as shown in [Illustration 2-4](#). These accounts and investments therein are held by Wachovia Bank, as Trustee, for the Park Authority's Series 1999 Revenue Bonds.

ILLUSTRATION 2-4

Restricted Cash and Investments at June 30, 2006

Park Authority Revenue Bond Funds	<u>\$</u>	<u>2,205,551</u>
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NOTE (3) - UNEARNED REVENUE

Illustration 3-1 details the amounts of unearned revenue at June 30, 2006.

ILLUSTRATION 3-1

Unearned Revenue at June 30, 2006

GENERAL FUND:

Unearned Revenue - Prepaid recreation fees and charges	\$	735,890
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ENTERPRISE FUNDS:

Unearned Revenue - Prepaid recreation fees and charges		102,409
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Total Reporting Entity	\$	838,299
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NOTE (4) – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances are generally made for the purpose of providing operational support for the receiving fund. Illustration 4-1 details the amounts due from and due to other funds at June 30, 2006.

ILLUSTRATION 4-1

Interfund Receivables and Payables at June 30, 2006

	Due from Other Funds	Due to Other Funds
Capital Projects Fund	\$ 1,841,022	-
Enterprise Fund - Golf Courses	-	1,841,022
Total	\$ 1,841,022	1,841,022

NOTE (5) - CAPITAL ASSETS

Illustration 5-1 summarizes the changes in capital assets of the governmental activities for the year ended June 30, 2006.

ILLUSTRATION 5-1

Governmental Activities - Changes in Capital Assets

	June 30, 2005 (as restated)	Additions	Deletions	Transfers	June 30, 2006
Governmental Activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 36,195,811	-	-	1,601,935	37,797,746
Construction in progress	1,688,752	1,991,865	(2,584)	(3,156,988)	521,045
Total capital assets not being depreciated	37,884,563	1,991,865	(2,584)	(1,555,053)	38,318,791
Buildings and other capital assets, being depreciated:					
Buildings and recreation structures	37,323,570	637,735	-	1,527,357	39,488,662
Equipment	3,074,345	438,529	(298,497)	27,696	3,242,073
Vehicles	1,821,320	473,308	(152,273)	-	2,142,355
Total buildings and other capital assets being depreciated	42,219,235	1,549,572	(450,770)	1,555,053	44,873,090
Less accumulated depreciation for:					
Buildings and recreation structures	20,149,193	1,662,568	-	-	21,811,761
Equipment	2,184,006	203,995	(298,497)	-	2,089,504
Vehicles	1,311,241	98,770	(152,273)	-	1,257,738
Total accumulated depreciation	23,644,440	1,965,333	(450,770)	-	25,159,003
Buildings and other capital assets, net	18,574,795	(415,761)	-	1,555,053	19,714,087
Governmental activities capital assets (net)	\$ 56,459,358	1,576,104	(2,584)	-	58,032,878

The prior year amount for construction in progress was restated (increased by \$33,755) to record retainage completed at year end.

Depreciation expense was charged to parks, recreational and cultural functions of governmental activities in the amount of \$1,965,333 for the fiscal year.

Illustration 5-2 summarizes the changes in capital assets of the business-type activities for the year ended June 30, 2006.

ILLUSTRATION 5-2
Business-Type Activities - Changes in Capital Assets

	June 30, 2005 (as restated)	Additions	Deletions	Transfers	June 30, 2006
Business-type Activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 14,760,826	8,631	-	679,088	15,448,545
Construction in progress	-	709,176	-	(709,176)	-
Total capital assets not being depreciated	14,760,826	717,807	-	(30,088)	15,448,545
Buildings and other capital assets, being depreciated:					
Buildings and recreation structures	8,796,885	-	(68,804)	30,088	8,758,169
Equipment	2,361,112	329,219	(36,781)	-	2,653,550
Vehicles	65,092	-	-	-	65,092
Total buildings and other capital assets being depreciated	11,233,089	329,219	(105,585)	30,088	11,476,811
Less accumulated depreciation for:					
Buildings and recreation structures	5,752,933	573,214	(68,804)	-	6,257,343
Equipment	1,502,159	448,898	(36,781)	-	1,914,276
Vehicles	64,838	254	-	-	65,092
Total accumulated depreciation	7,319,930	1,022,366	(105,585)	-	8,236,711
Buildings and other capital assets, net	3,903,159	(693,147)	-	30,088	3,240,100
Governmental activities capital assets (net)	\$ 18,663,985	24,660	-	-	18,688,645

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

Golf Courses	\$ 535,115
Waterparks	487,251
Total	<u>\$1,022,366</u>

Illustration 5-3 summarizes the construction in progress at June 30, 2006. Sources of funding for various capital improvements include proceeds from Prince William County general obligation bonds and appropriations from the County's General Fund budget. Funds from County general obligation bonds are reimbursed to the Park Authority as project expenditures are incurred.

ILLUSTRATION 5-3
Construction in Progress at June 30, 2006

Location	Amount Authorized	Expended to Date	Project Balance
PRIMARY GOVERNMENT			
Dale City Rec Center	\$ 27,658	22,789	4,869
Various park signage	20,000	1,653	18,347
Various field improvements	432,183	134,622	297,561
Valley View Park	444,000	36,687	407,313
Chinn Center	70,000	55,580	14,420
Jenkins Park	75,000	37,342	37,658
Reading Park	75,000	30,290	44,710
Marumsco Park	55,000	12,160	42,840
Locust Shade Park	195,000	97,386	97,614
Lakeridge Park	40,783	11,511	29,272
Waterworks	117,928	4,794	113,134
Ben Lomond Center	40,000	34,045	5,955
Fuller Heights Park	120,000	5,645	114,355
Rosemont Lewis Park	45,000	36,541	8,459
Total	\$ 1,757,552	521,045	1,236,507

NOTE (6) - LONG-TERM DEBT

A. Revenue Bonds Payable

Revenue bonds payable consist of amounts owed by the Park Authority for the construction of facilities and acquisition of related equipment. These liabilities bear interest from 5 percent to 6 percent and mature from 2007 to 2028.

All commitments under revenue bonds are the sole responsibility of the Park Authority and are not considered debt of the County. The debt service requirements for outstanding commitments are summarized below:

- On October 5, 1999 the Park Authority issued \$21,415,000 of revenue bonds, the proceeds from which were partially used with reserve funds established in connection with the Series 1994 Revenue bonds to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 1994 bonds. The Series 1994 bonds are considered defeased. Accordingly, the liability for the Series 1994 bonds has been removed from the Park Authority's balance sheet.
- Included in the Series 1999 bonds were additional funds of \$750,000 beyond that required to defease the Series 1994 bonds and establish the required reserves. The additional funds were provided to implement improvements at the golf course and waterpark facilities originally funded by the Series 1994 bonds. These improvements were completed during 2001.

- In connection with the Series 1999 bonds the Park Authority is required to achieve a debt coverage ratio of 1.10. For 2006 the debt coverage ratio achieved was 1.36.
- The sources of repayment for the Series 1999 bonds are the net revenues of the facilities, as well as other revenues of the Park Authority. The County has provided a debt service reserve fund reimbursement provision for the Series 1999 bonds, subject to annual appropriation, in the event the debt service reserve fund is drawn upon and the Park Authority cannot provide funds to reimburse the debt service reserve fund. The bonds are rated A3 by Moody's Investors Service.

The annual debt service requirements of all bonds outstanding in business-type activities as of June 30, 2006, including interest payments, are shown in [Illustration 6-1](#).

ILLUSTRATION 6-1
Business-type Activities - Debt Service Requirements - Revenue Bonds

Year Ending June 30:	Principal	Interest	Total
2007	\$ 430,000	1,112,282	1,542,282
2008	450,000	1,090,057	1,540,057
2009	475,000	1,066,231	1,541,231
2010	500,000	1,040,757	1,540,757
2011	525,000	1,013,522	1,538,522
2012 -2016	3,090,000	4,583,295	7,673,295
2017 -2021	4,105,000	3,339,119	7,444,119
2022 - 2026	5,510,000	2,115,000	7,625,000
2027 - 2029	4,165,000	384,450	4,549,450
Subtotal	19,250,000	15,744,713	34,994,713
Less: unamortized discount on issuance of revenue bonds	162,036		
Less: unamortized deferred loss on refunding	629,093		
Total	\$ 18,458,871		

B. Capital Leases

The Park Authority leases equipment under capital leases expiring at various dates through 2009. All leases are non-cancelable except they are contingent upon the Park Authority Board appropriating funds for each year's payments. Total lease payments under capital leases of the Park Authority for the year ended June 30, 2006 was \$692,391, including interest.

- On May 23, 2002, the Park Authority entered into a tax-exempt lease agreement in the amount of \$1,500,000 with SunTrust Bank for the acquisition of equipment. Repayment terms provide for fourteen equal semi-annual payments of \$123,947, including interest, beginning November 23, 2002.
- On June 14, 2002, the Park Authority entered into a tax-exempt lease agreement in the amount of \$184,800 with Patriot Public Finance for the acquisition of equipment. Repayment terms provide for twenty equal quarterly payments of \$10,349, including interest, beginning June 14, 2002.
- On October 20, 2002, the Park Authority entered into a tax-exempt lease agreement in the amount of \$240,000 with Patriot Public Finance for the acquisition of equipment. Repayment terms provide for twenty equal quarterly payments of \$13,697, including interest, beginning October 20, 2002.

- On March 18, 2003, the Park Authority entered into a tax-exempt lease agreement in the amount of \$184,800 with Patriot Public Finance for the acquisition of equipment. Repayment terms provide for twenty quarterly payments of \$10,547, including interest, beginning March 21, 2003.
- On October 11, 2005, the Park Authority entered into a tax-exempt lease agreement in the amount of \$1,500,000 with SunTrust Bank for the acquisition of equipment. Repayment terms provide for fourteen equal semi-annual payments of \$121,310, including interest, beginning March 1, 2006.

Illustration 6-2 presents a summary of minimum lease commitments on all capital leases, which are subject to escalation clauses, exclusive of taxes, insurance, maintenance and repairs.

ILLUSTRATION 6-2 Minimum Lease Commitments - Capital Lease Obligations

	Primary Government	
Year Ending June 30:		
2007	\$	618,536
2008		525,303
2009		490,514
2010		242,619
2011		242,619
2012 - 2013		363,929
Total minimum payments		2,483,520
Less: Interest		(234,052)
Present value of future minimum payments	\$	2,249,468

C. Notes Payable

The annual debt service requirements of notes payable in governmental funds as of June 30, 2006, including interest payments, are shown in Illustration 6-3.

- On November 19, 2001, the Park Authority entered into a tax-exempt loan agreement in the amount of \$1,300,000 with SunTrust Bank for the development of Valley View Park. Repayment terms provide for twenty equal semi-annual payments of \$79,888, including interest, beginning May 19, 2002.

ILLUSTRATION 6-3 Governmental Activities - Debt Service Requirements - Notes Payable

	Principal	Interest	Total
Year Ending June 30:			
2007	\$ 129,121	30,655	159,776
2008	134,469	25,307	159,776
2009	140,039	19,737	159,776
2010	145,839	13,937	159,776
2011	151,880	7,896	159,776
2012	78,283	1,605	79,888
Total	\$ 779,631	99,137	878,768

D. Changes in Long-Term Liabilities:

Changes in long-term liabilities of governmental activities for the year ended June 30, 2006 are shown in Illustration 6-4.

ILLUSTRATION 6-4

Governmental Activities - Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year	Due Within One Year
Capital leases	\$ 1,071,196	1,500,000	(477,870)	2,093,326	1,675,855	417,471
Notes payable	903,617	-	(123,986)	779,631	650,510	129,121
Compensated absences	878,897	940,920	(947,583)	872,234	774,282	97,952
Total	\$ 2,853,710	2,440,920	(1,549,439)	3,745,191	3,100,647	644,544

Long-term liabilities of governmental activities are generally liquidated by the General Fund.

Changes in long-term liabilities of business-type activities for the year ended June 30, 2006 are shown in Illustration 6-5.

ILLUSTRATION 6-5

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	\$ 19,660,000	-	(410,000)	19,250,000	18,820,000	430,000
Unamortized discount on issuance of revenue bonds	(169,106)	-	7,070	(162,036)	(154,966)	(7,070)
Unamortized deferred loss on refunding	(695,313)	-	66,220	(629,093)	(562,873)	(66,220)
Revenue bonds, net	18,795,581	-	(336,710)	18,458,871	18,102,161	356,710
Capital leases payable	281,456	-	(125,314)	156,142	34,150	121,992
Compensated absences	111,995	107,930	(110,043)	109,882	97,542	12,340
Total	\$ 19,189,032	107,930	(572,067)	18,724,895	18,233,853	491,042

NOTE (7) - FUND BALANCES/NET ASSETS

Illustration 7-1 details the designated fund balances at June 30, 2006.

ILLUSTRATION 7-1

Designated Fund Balances at June 30, 2006

Designated for:	Primary Government	
	Capital Projects Fund	Total Primary Government
Construction projects	\$ 2,108,505	2,108,505
Total	\$ 2,108,505	2,108,505

NOTE (8) - DEFINED BENEFIT PENSION PLANS

A. Virginia Retirement System

Plan Description

The Park Authority, as a participant with the County, contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. The Park Authority's payroll for employees covered by the VRS for the year ended June 30, 2006 was \$6,989,638 (total payroll was \$12,171,180).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5 percent per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be downloaded at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy and Annual Pension Cost

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. The Park Authority has assumed this 5 percent member contribution. In addition, the Park Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Park Authority contribution rate for the fiscal year ended June 30, 2006 was 7.5 percent of annual covered payroll.

The required contributions for the County, including the Park Authority, were determined as part of an actuarial valuation performed as of June 30, 2003 using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8 percent investment rate of return, (b) projected salary increases that range between 4 percent and 7 percent depending on the member's service and classification, and (c) 3 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3 percent. The actuarial value of the County's assets is equal to the modified 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 roll on an open basis. The remaining amortization period at June 30, 2004, was twelve years for the County.

Trend Information

Illustration 8-1 summarizes the required three-year trend information for the Park Authority as a participant through the County in VRS.

ILLUSTRATION 8-1

Virginia Retirement System

Three Year Trend Information for the Park Authority (000's)

Annual Pension Cost (APC)					
Fiscal Year Ending	Employer Portion	Employee Portion Paid by Employer	Percentage of APC Contributed	Net Pension Obligation (NPO)	
June 30, 2004	\$ 63	\$ 318	100%	\$ -	-
June 30, 2005	492	327	100%	-	-
June 30, 2006	524	350	100%	-	-

B. Post-employment Benefits

The Park Authority provides limited postretirement health and dental benefits as provided for in Virginia state law to retirees who have 15 or more years of service with the Park Authority. The retirees are granted the option to participate by paying 100 percent of their monthly health insurance premium less a \$1.50 times years of service for a maximum credit of \$45 from the VRS. As of the end of the current fiscal year, there were 4 retirees who participated in the Park Authority's group insurance plan and 14 retirees that received the VRS insurance credit. The insurance credit is financed by payments from the Park Authority to the VRS. The surplus funds are not considered advance funded because the Park Authority, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

The Park Authority paid \$5.50 per eligible Park Authority years of service to eligible retirees during the fiscal year if they attained 15 or more years of service with the Park Authority. For the year ended June 30, 2006, the Park Authority paid \$18,513 to 14 eligible retirees.

The disparity in the number of participants between the Park Authority and VRS health insurance credit plans can be attributed to the higher rate per years of service and Park Authority's proactive approach in encouraging participation.

NOTE (9) - RISK MANAGEMENT

The Park Authority is 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 Park Authority participates in the Prince William Self-Insurance Group Casualty Pool (the Pool) and the Prince William Self-Insurance Workers' Compensation Association (the Association) for purposes of addressing the liability and workers' compensation exposures of its operations. The Pool and the Association are operated by Prince William County for the benefit of various related governmental entities located in the County. The Park Authority paid an annual premium of \$275,066 in 2006 to the Pool and Association for this insurance coverage, which includes workers' compensation, employers' liability, comprehensive general and auto liability, and public official's liability.

The Casualty Pool has a \$750,000 per occurrence retention for all lines of coverage and it purchases commercial excess insurance with a \$10,000,000 per occurrence and a \$20,000,000 annual aggregate limit, except for automobile liability coverage, which has no annual aggregate limit, and public official's liability, which has a \$10,000,000 aggregate limit. The Worker's Compensation Association has a \$500,000 per occurrence retention, and it purchases commercial excess coverage, which provides statutory limits for workers' compensation claims and a \$2,000,000 per occurrence and annual aggregate limit for employee liability coverage.

The Park Authority purchases commercial property insurance coverage from independent third parties to protect fixed assets from physical damage and loss. There have been no significant reductions in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage over the previous three fiscal years.

NOTE (10) – RESTATEMENT OF BEGINNING FUND BALANCE AND NET ASSETS

The following table shows the change to beginning fund balance and net assets from the amounts previously reported.

	General Fund	Capital Projects Fund	Golf Courses Fund	Water Parks Fund
Balance at June 30, 2005 as reported	\$ (1,005,140)	2,846,075	(61,452)	707,966
Adjustment to record beginning retainage	-	(33,755)	-	-
Adjustment to record beginning FICA	(33,799)	-	-	(51,609)
Adjustment to record beginning inventory	47,600	-	96,500	-
Balance at June 30, 2005 as adjusted	\$ (991,339)	2,812,320	35,048	656,357



REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

Required Supplementary Information (Unaudited)

Virginia Retirement System Schedule of Funding Progress (Financial data is presented in thousands)

Virginia Retirement System Schedule of Funding Progress for the County (including the Park Authority)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Asset)	Funded Ration Assets as % of AAL	Annual Covered Payroll	UAAL (Asset) as a % of Covered Payroll
Park Authority:						
June 30, 1998	\$ 253,752	\$ 232,985	\$ (20,767)	108.9%	\$ 101,468	-20.5%
June 30, 1999	298,039	271,789	(26,250)	109.7%	108,380	-24.2%
June 30, 2000	350,252	297,709	(52,543)	117.6%	115,505	-45.5%
June 30, 2001	391,317	335,353	(55,964)	116.7%	125,261	-44.7%
June 30, 2002	409,236	379,122	(30,114)	107.9%	138,361	-21.8%
June 30, 2003	418,600	428,567	9,967	97.7%	151,303	6.6%
June 30, 2004	429,575	479,643	50,068	89.6%	163,078	30.7%
June 30, 2005	452,581	526,900	74,319	85.9%	160,806	46.2%

Prince William County Park Authority

General Fund

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

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual 2006	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Park Authority Revenue	\$ 6,547,400	6,547,400	7,006,695	459,295
Intergovernmental Revenue:				
Support from Prince William County	13,091,566	13,091,566	13,091,566	-
Total revenues	19,638,966	19,638,966	20,098,261	459,295
EXPENDITURES:				
Current:				
Parks, recreation, and cultural	18,808,600	18,808,600	18,307,967	(500,633)
Capital and Debt Service	830,366	830,366	1,825,969	995,603
Total expenditures	19,638,966	19,638,966	20,133,936	494,970
Revenues under expenditures	-	-	(35,675)	(35,675)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	1,500,000	1,500,000
Transfers out	-	-	(330,323)	(330,323)
Total other financing sources (uses), net	-	-	1,169,677	1,169,677
Net change in fund balance	\$ -	-	1,134,002	1,134,002

Notes to Required Supplementary Information

June 30, 2006

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year. The Park Authority submits an annual operating and capital projects budget to Prince William County for purposes of determining the County's General Fund support to the Park Authority in accordance with the operating agreement between the Park Authority and the County. Each February, the Park Authority submits to the County Executive for consideration of the Board of County Supervisors (the Board), a proposed operating and capital projects budget for the annual fiscal year (July – June) commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Prior to submission of the budget to the County, the Park Authority Board holds work sessions to review the proposed budget. Subsequent to the Board of County Supervisors adoption and appropriation of the annual County support to the Park Authority, the Park Authority Board adopts and appropriates the budget for the fiscal period beginning July 1.

Budgetary control for general operations is maintained at the activity level. All budgets and appropriations lapse at the end of the year.

Expenditures in the General Fund of the Park Authority were less than authorized budget limitations for the parks, recreation and cultural functions by \$500,633 and exceeded authorized budget limitations for the capital and debt service functions by \$995,603. These amounts were offset by additional fees and charges for services revenue of \$459,295.

Statistical Section

This section of the Park Authority'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 indicates about the Park Authority's overall financial health.

CONTENTS:

	<u>Tables</u>
Financial Trends	
These tables contain trend information to help the reader understand how the Park Authority's financial performance and well-being have changed over time.	1-4
Revenue Capacity	
These tables contain information to help the reader assess the Park Authority's most significant revenue source, fees, and charges for services and County support	5
Debt Capacity	
These tables present information to help assess the affordability of the Park Authority's current levels of outstanding debt and its ability to issue additional debt in the future.	6-8
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the Park Authority's financial activities take place.	9
Operating Information	
These tables contain service and infrastructure data to help the reader understand how the information in the Park Authority's financial report relates to the services the Park Authority provides and the activities it performs.	10-12

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

The data reported in this Section is limited to the two fiscal year periods (July-June) the Park Authority has reported on this fiscal period basis. Prior to June 30, 2005 the Park Authority reported on a calendar year basis and therefore most prior data is not comparable.

Prince William County Park Authority, Virginia

TABLE 1 - NET ASSETS BY COMPONENT

Last Two Fiscal Years

(accrual basis of accounting)

(unaudited)

	Fiscal Year	
	2005	2006
Governmental activities:		
Invested in capital assets, net of related debt	\$ 54,484,545	55,159,921
Unrestricted	938,454	1,356,199
Total governmental activities net assets	\$ 55,422,999	56,516,120
Business-type activities:		
Invested in capital assets, net of related debt	\$ (1,277,471)	(717,497)
Restricted	2,183,997	2,205,551
Unrestricted	(171,612)	(796,649)
Total business-type activities net assets	\$ 734,914	691,405
Total reporting entity:		
Invested in capital assets, net of related debt	\$ 53,207,074	54,442,424
Restricted	2,183,997	2,205,551
Unrestricted	766,842	559,550
Total reporting entity net assets	\$ 56,157,913	57,207,525

Prince William County Park Authority, Virginia

TABLE 2 - CHANGES IN NET ASSETS

Last Two Fiscal Years

(accrual basis of accounting)

(unaudited)

	Fiscal Year	
	2005	2006
Expenses		
Governmental activities:		
Parks, recreation and cultural	\$ 19,690,881	20,635,572
Interest on long-term debt	83,007	115,102
Total governmental activities expenses	19,773,888	20,750,674
Business-type activities:		
Golf Courses	4,270,335	4,585,046
Waterparks	2,513,913	2,469,991
Total business-type activities expenses	6,784,248	7,055,037
Total reporting entity expenses	\$ 26,558,136	27,805,711
Program Revenues		
Governmental activities:		
Charges for services:		
Parks, recreation and cultural	\$ 6,697,027	6,796,441
Capital grants and contributions	-	637,735
Total governmental activities program revenues	6,697,027	7,434,176
Business-type activities:		
Charges for services:		
Golf Courses	\$ 3,717,583	3,555,154
Waterparks	2,520,532	2,294,502
Total business-type activities program revenues	6,238,115	5,849,656
Total reporting entity program revenues	\$ 12,935,142	13,283,832
Net (Expense)/Revenue		
Governmental activities	\$ (13,076,861)	(13,316,498)
Business-type activities	(546,133)	(1,205,381)
Total reporting entity net (expense)/revenue	\$ (13,622,994)	(14,521,869)
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Support from Prince William County	\$ 13,884,039	15,247,495
Investment earnings	85,403	210,254
Transfers	-	(1,048,130)
Total governmental activities	13,969,442	14,409,619
Business-type activities:		
Investment earnings	99,697	113,742
Transfers	-	1,048,130
Miscellaneous	439,268	-
Total business-type activities	538,965	1,161,872
Total reporting entity	\$ 14,508,407	15,571,491
Change in Net Assets		
Governmental activities	\$ 892,581	1,093,121
Business-type activities	(7,168)	(43,509)
Total reporting entity	\$ 885,413	1,049,612

Prince William County Park Authority, Virginia

TABLE 3 - FUND BALANCES OF GOVERNMENTAL FUNDS

Last Two Fiscal Years

(accrual basis of accounting)

(unaudited)

	Fiscal Year	
	2005	2006
General Fund:		
Reserved	\$ 16,547	27,503
Total unreserved	(1,007,886)	115,160
Total General Fund	\$ (991,339)	142,663
Capital Projects Fund:		
Unreserved, designated	\$ 2,812,320	2,108,505
Total Capital Projects Fund	\$ 2,812,320	2,108,505

Prince William County Park Authority, Virginia

TABLE 4 - CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Two Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	Fiscal Year	
	2005	2006
Revenues:		
Charges for services	\$ 6,697,027	6,796,441
From use of money and property	85,403	210,254
Support from Price William County	13,884,039	15,247,495
Total revenues	20,666,469	22,254,190
Expenditures:		
Parks, recreation and cultural	17,322,475	18,307,967
Debt service:		
Principal retirement	480,769	601,856
Interest	93,752	95,997
Capital outlays	2,292,091	3,270,053
Total expenditures	20,189,087	22,275,873
Excess (deficiency) of revenues over (under) expenditures	477,382	(21,683)
Other Financing Sources (Uses):		
Bonds, notes and capital leases	-	1,500,000
Transfers	-	(1,048,130)
Total other financing sources, net	-	451,870
Net change in fund balances	\$ 477,382	430,187
Debt service as a percentage of noncapital expenditures	3.1%	3.6%

Prince William County Park Authority, Virginia

TABLE 5 - REVENUES BY SOURCE OF ALL FUNDS

Last Two Fiscal Years

(modified accrual basis of accounting)

(unaudited)

Fiscal Year	Charges for Services	Investment Earnings	Miscellaneous	Payment from Prince William County	Total Reporting Entity
2005	\$ 12,935,142	185,100	439,268	13,884,039	27,443,549
2006	\$ 12,646,097	323,996	637,735	15,247,495	28,855,323
Change 2005-2006	-2.2%	75.0%	45.2%	9.8%	5.1%

Prince William County Park Authority, Virginia

TABLE 6 - RATIOS OF OUTSTANDING DEBT BY TYPE, TOTAL REPORTING ENTITY

Last Two Fiscal Years

(unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Reporting Entity	Debt Per Capita
	Equipment Capital Lease	Note Payable	Revenue Bonds	Equipment Capital Lease		
2005	\$1,071,196	903,617	19,660,000	281,456	21,916,269	61.84
2006	\$2,093,326	779,631	19,250,000	156,142	22,279,099	60.22

Prince William County Park Authority, Virginia

TABLE 7 - PLEDGED REVENUE COVERAGE

Last Two Fiscal Years

(unaudited)

Series 1999 Revenue Bonds - Business Activities							
Fiscal Year	Operating and Other Revenue	Less: Operating Expenses	Net Available Revenue	Revenue Bond Principal	Revenue Bond Interest	Total Debt Service	Coverage Ratio
2005	\$ 6,777,080	4,789,330	1,987,750	390,000	1,221,872	1,611,872	1.23
2006	\$ 7,011,528	4,818,086	2,193,442	410,000	1,202,483	1,612,483	1.36

Note: Operating expenses exclude depreciation expense

Prince William County Park Authority, Virginia

TABLE 8 - SELF-IMPOSED DEBT MARGIN

Last Two Fiscal Years

(unaudited)

	Fiscal Year	
	2005	2006
Self-imposed debt limit	\$ 38,564,207	39,271,013
Total net debt subject to limit	\$ 25,616,718	25,267,898
Total net debt subject to limit as a percent of debt limit	66.4%	64.3%
Self-imposed Debt Margin Calculation		
Total Reporting Entity Assets	\$ 81,774,631	82,475,423
Less: Liabilities due in less than one year	4,646,218	3,933,398
Assets available	77,128,413	78,542,025
Debt limit (50% of total assets)	38,564,207	39,271,013
Total Reporting Entity Liabilities	25,616,718	25,267,898
Debt margin	\$ 12,947,489	14,003,115
Debt ratio	31.3%	30.6%

Prince William County Park Authority, Virginia

TABLE 9 - DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

(unaudited)

Year	County Population	Personal Income (in thousands)	Per Capita Income	Fall School Enrollment	Average Civilian Labor Force	Average Unemployment Rate
1997	260,313	\$ 7,829,447	\$ 26,193	48,333	131,789	2.5%
1998	268,894	8,269,655	26,928	49,905	136,668	2.0%
1999	277,359	8,928,784	28,145	51,028	142,169	1.8%
2000	280,813	10,228,409	31,038	52,551	152,081	1.8%
2001	294,798	10,983,002	31,896	54,646	159,619	2.4%
2002	309,351	11,539,117	32,198	57,397	166,727	3.3%
2003	321,570	12,217,847	32,849	60,541	173,124	3.3%
2004	336,820	13,572,956	35,198	62,691	178,193	2.8%
2005	354,383	*	*	66,093	189,071	2.5%
2006	369,934	*	*	68,285	197,997	2.5%

* Not available

Prince William County Park Authority, Virginia

TABLE 10 - FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM

Last Two Fiscal Years

(unaudited)

	Fiscal Year	
	2005	2006
Governmental Activities		
Parks, recreation and cultural	281	287
Business Activities		
Golf courses	56	56
Water parks	44	45
Total Reporting Entity	381	388

Prince William County Park Authority, Virginia

TABLE 11 - OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Two Fiscal Years

(unaudited)

(in 000's)

	Fiscal Year	
	2005	2006
Governmental Activities		
Parks, recreation and cultural		
Recreation Center participant visits	1,293	1,313
Park and program participant visits	450	483
Sports participant visits	1,327	1,411
Business Activities		
Golf Rounds	107	96
Water park participant visits	164	199

Prince William County Park Authority, Virginia
 TABLE 12 - CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Two Fiscal Years
 (unaudited)

Function	Fiscal Year	
	2005	2006
Parks, Recreation and Cultural		
Park acreage	3,238	3,238
Parks	61	63
Athletic Fields ^a	304	304
Aquatics & Fitness Center	2	2
Baseball Stadium	1	1
Community Centers	3	3
Hiking and Fitness Trails (in miles)	10	10
Indoor Gymnasiums ^a	59	59
Indoor Ice Rinks	2	2
Marinas	2	2
Miniature Golf Courses	2	2
Nature Areas	3	3
Outdoor Basketball Courts	25	25
Outdoor Swimming Pools	4	4
Outdoor Volleyball Courts	11	11
Picnic Shelters	63	63
Playgrounds	30	30
Regulation Golf Courses	4	4
Skateboard/BMX Courses	2	2
Tennis & Racquetball Courts	53	47
Waterparks	2	2

^a Includes Prince William County Public School facilities programmed by the Park Authority.

LOUDOUN
COUNTY

Prince William County



FAIRFAX
COUNTY

FAUQUIER
COUNTY

STAFFORD
COUNTY

- Neighborhood Parks
- Community Parks
- Regional Parks
- Special Use

