The School Board of the City of Petersburg

Financial Report

For the Fiscal Year ended June 30, 2014

THE SCHOOL BOARD OF THE CITY OF PETERSBURG
(A COMPONENT UNIT OF THE CITY OF PETERSBURG, VIRGINIA)

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

BOARD MEMBERS

Kenneth L. Pritchett, Chairman
Steven L. Pierce, Vice-Chairman

Patricia Hines	Dr. Elsie R. Jarman
Dr. Kenneth W. Lewis	Bernard J. Lundy, Jr
Atiba Muse	

ADMINISTRATIVE/FISCAL OFFICERS

Dr. Joseph Melvin, Superintendent of Schools

Leslie A. Northington, Administrative Assistant to the Superintendent

Donita M. Harper, Director of Budget & Finance

Independent Auditors' Report

To the Honorable Members of the School Board
City of Petersburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the School Board of the City of Petersburg, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Board of the City of Petersburg, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School Board of City of Petersburg, Virginia, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension and OPEB funding progress on pages 40-41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board of City of Petersburg, Virginia's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the School Board of City of Petersburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board of the City of Petersburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 5, 2014

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
At June 30, 2014

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	688,810
Receivables (net of allowance for uncollectibles):		
Accounts receivable		21,921
Due from primary government - General Fund		295,389
Due from primary government - Capital Projects		3,070,486
Due from other governments		2,283,589
Inventory		220,765
Total Current Assets	$	6,580,960
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	$	5,000
Land improvements		122,871
Buildings and improvements		7,073,637
Vehicles		1,365,397
Equipment		407,004
Total Noncurrent Assets	$	8,973,909
Total Assets	$	15,554,869
LIABILITIES		
Current Liabilities:		
Accounts payable	$	486,940
Accrued liabilities		4,205,190
Unearned revenues		9,554
Long-term obligations - current portion		122,565
Total Current Liabilities	$	4,824,249
Noncurrent Liabilities:		
Long-term obligations - net of current portion		1,275,929
Total Liabilities	$	6,100,178
NET POSITION		
Net investment in capital assets	$	8,919,338
Unrestricted		535,353
Total Net Position	$	9,454,691
Total Liabilities and Net Position	$	15,554,869

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

Statement of Activities
Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Change in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Education:					
Instructional	$ 35,231,287	$ 6,766	$ 7,889,154	$ -	$ (27,335,367)
Administration, attendance, and health	2,924,746	-	2,924,746	-	-
Operation and maintenance	5,367,577	-	5,367,577	-	-
Pupil transportation	1,582,022	-	1,582,022	-	-
Technology	1,094,654	-	1,094,654	-	-
Food service	2,287,760	436,008	1,949,890	-	98,138
Interest and fiscal costs	10,442	-	-	-	(10,442)
Total Governmental Activities	$ 48,498,488	$ 442,774	$ 20,808,043	$ -	$ (27,247,671)

General revenues:	
City contribution to the school board	$ 9,767,357
Unrestricted revenues from use of money and property	21,184
Grants and contributions not restricted to specific programs	16,495,598
Miscellaneous - Other	352,785
Total general revenues	$ 26,636,924
Change in net position	$ (610,747)
Net position - beginning	10,065,438
Net position - ending	$ 9,454,691

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

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2014

	Governmental Funds			
		Nonmajor		
	General	Special Revenue	Capital Projects	Total
ASSETS:				
Cash and cash equivalents	$ 584,676	$ 686	$ 103,448	$ 688,810
Receivables (net of allowance for uncollectibles):				
Accounts receivable	21,921	-	-	21,921
Due from other governmental units	2,194,515	89,074	-	2,283,589
Due from other funds	-	897,246	271,163	1,168,409
Due from primary government - General Fund	295,389	-	-	295,389
Due from primary government - Capital Projects	3,070,486	-	-	3,070,486
Inventory	177,925	42,840	-	220,765
Total assets	$ 6,344,912	$ 1,029,846	$ 374,611	$ 7,749,369
LIABILITIES:				
Accounts payable	$ 465,560	$ 21,380	$ -	$ 486,940
Accrued liabilities	4,205,190	-	-	4,205,190
Due to other funds	1,168,409	-	-	1,168,409
Unearned revenue	9,554	-	-	9,554
Total liabilities	$ 5,848,713	$ 21,380	$ -	$ 5,870,093
FUND BALANCES:				
Accounts payable				
Nonspendable:				
Inventory	$ 177,925	$ 42,840	$ -	$ 220,765
Committed:				
Instruction - supplies	108,124	-	-	108,124
Instruction - textbooks	81,980	-	-	81,980
Instruction - purchased professional services	83,223	-	-	83,223
Administration, attendance, and health - purchased professional services	30,764	-	-	30,764
Pupil transportation - supplies	497	-	-	497
Maintenance - supplies	11,718	-	-	11,718
Technology - supplies	1,968	-	-	1,968
Capital projects	-	-	374,611	374,611
Assigned:				
School lunch program	-	965,626	-	965,626
Total fund balances	$ 496,199	$ 1,008,466	$ 374,611	$ 1,879,276
Total liabilities and fund balances	$ 6,344,912	$ 1,029,846	$ 374,611	$ 7,749,369

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

Fund balances above	$ 1,879,276
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the School Board as a whole.	8,973,909
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the Statement of Net Position.	(1,398,494)
Net position of general government activities	$ 9,454,691

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	Governmental Funds			
		Nonmajor		
	General	Special Revenue	Capital Projects	Total
Revenues:				
Revenue from use of money and property	$ 21,080	$ -	$ 104	$ 21,184
Charges for services	6,766	436,008	-	442,774
Miscellaneous	270,235	-	82,550	352,785
Intergovernmental:				
Local government	9,767,357	-	-	9,767,357
Commonwealth	28,802,944	33,360	-	28,836,304
Federal	6,550,807	1,916,530	-	8,467,337
Total revenues	$ 45,419,189	$ 2,385,898	$ 82,654	$ 47,887,741
Expenditures:				
Current:				
Instructional	$ 34,501,130	$ -	$ -	$ 34,501,130
Administration, attendance, and health	2,872,119	-	-	2,872,119
Operation and maintenance	5,270,998	-	-	5,270,998
Pupil transportation	2,000,741	-	-	2,000,741
Food service	-	2,246,596	-	2,246,596
Technology	1,074,957	-	-	1,074,957
Capital projects	-	-	98,000	98,000
Debt service:				
Principal retirement	292,032	-	-	292,032
Interest and other debt costs	10,442	-	-	10,442
Total expenditures	$ 46,022,419	$ 2,246,596	$ 98,000	$ 48,367,015
Net change in fund balances	$ (603,230)	$ 139,302	$ (15,346)	$ (479,274)
Fund balances at beginning of year	1,099,429	869,164	389,957	2,358,550
Fund balances at end of year	$ 496,199	$ 1,008,466	$ 374,611	$ 1,879,276

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2014

				Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:				
Net change in fund balances - total governmental funds			$	(479,274)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.				
Capital outlay	$	455,378		
Depreciation expense		(801,703)		(346,325)
The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the same as the treatment of long-term debt and related items.				
Principal retired on capital lease obligations				292,032
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.				
Change in compensated absences	$	18,806		
Change in Net pension obligation		(75,986)		
Change in Net OPEB obligation		(20,000)		(77,180)
Change in net position of governmental activities			$	(610,747)

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2014

	Scholarship Private-Purpose Trust Fund	Agency Fund
ASSETS:		
Cash and cash equivalents	$ 93,439	$ 56,029
Investments	906,407	-
Total assets	$ 999,846	$ 56,029
LIABILITIES:		
Amounts held for others	$ -	$ 56,029
Total liabilities	$ -	$ 56,029
NET POSITION:		
Held in trust for scholarships	$ 999,846	$ -
Total net position	$ 999,846	$ -
Total liabilities and net position	$ 999,846	$ 56,029

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

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014

		Scholarship Private-Purpose Trust Fund
Additions:		
Contributions	$	10,007
Interest Income		12,493
Investment income (loss)		3,764
Total additions	$	26,264
Deductions:		
Scholarships awarded	$	36,000
Total deductions	$	36,000
Change in net position	$	(9,736)
Net position - beginning of the year		1,009,582
Net position - end of the year	$	999,846

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

Note 1—Summary of Significant Accounting Policies:

The School Board of the City of Petersburg, Virginia (the "School Board") was established in 1868 to provide educational opportunities to the residents of the City of Petersburg (the "City"). The accounting principles of the School Board conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The School Board is a component unit of the City of Petersburg, Virginia and, accordingly, the financial position and results of operations of the School Board are presented in the financial statements included in the Comprehensive Annual Financial Report of the City. All members of the School Board were elected. The majority of the School Board's funding is provided by annual appropriations from the Commonwealth of Virginia with the City being the second major source of funding. The City Council approves the School Board's operating budget but is prohibited from exercising any control over specific expenditures.

B. Individual Component Unit Disclosures

Blended Component Unit - The School Board has no blended component units to be included for the fiscal year ended June 30, 2014.

Discretely Presented Component Unit - The School Board has no discretely presented component units to be included for the fiscal year ended June 30, 2014.

C. Other Related Organizations

Included in the School Board's Financial Report

None

Excluded from the School Board's Financial Report

None

D. Financial Statement Presentation

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Financial Statement Presentation: (Continued)

Government-wide and Fund Financial Statements: (Continued)

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget, and a comparison of final budget and actual results.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

In the fund financial statements, financial transactions and accounts of the School Board are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The School Board reports the following major governmental fund:

General Fund - The General Fund is the primary operating fund of the School Board. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from state and federal distributions and contributions from the City of Petersburg, Virginia.

The School Board reports the following nonmajor funds:

Special Revenue Fund – The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Fund consists of the School Food Service Fund.

Capital Projects Fund – The Capital Projects Fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds (Trust and Agency) - Fiduciary Funds are used to account for assets held the School Board in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units and/or other funds. These funds include the Scholarship Private-Purpose Trust Fund, and the Vocational Work Experience Fund. These funds are accounted for on the accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

F. Budgets and Budgetary Accounting

The budgetary data reflected in the financial statements was established by the School Board using the following procedures, which comply with legal requirements:

i. On or before April 1, the School Board submits to the City Council of the City of Petersburg proposed operating budgets for the General Fund. The operating budgets include proposed expenditures and the means of financing them.

ii. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. An appropriation ordinance must be adopted by the City Council prior to May 1 or as soon thereafter as is practicable.

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Budgets and Budgetary Accounting: (Continued)

The School Board and Superintendent are authorized to make transfers between functions and budgetary line items, respectively. However, City Council must approve any budget revisions at the fund level once the appropriation ordinance has been adopted. The legal level of budgetary control for the General Fund is the fund level or the level at which management cannot make transfers or over-expenditures in excess of appropriations without the approval of the School Board. However, management control is exercised over the budget at the individual revenue and expenditure budgetary line item level. Adopted budgets may be amended or superseded by actions of City Council. Appropriations, except for encumbrances and committed fund balances, lapse at year end. Encumbrances and reserved fund balances outstanding at year end are reappropriated in the succeeding year.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are reported at fair value.

H. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

I. Inventory

Inventory in the General Fund and Special Revenue Funds (School Food Service Fund) is stated at cost (which is determined using the first-in first-out method). The inventory consists of expendable items held for consumption and is recorded as an expenditure when used (consumption method). Donated inventory is valued at prices determined by the United States Department of Agriculture.

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the School Board as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Capital Assets: (Continued)

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20-40
Vehicles	3-5
Office and computer equipment	5
Buses	12

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School Board does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School Board does not have any deferred inflows of resources as of June 30, 2014.

L. Accrued Liabilities

Teachers may elect to have their salaries paid over twelve months although they are earned during the ten-month school year. Salaries that are earned but unpaid at June 30 are included in accrued liabilities.

M. Unearned Revenue

Revenue from grants is recognized when the related expenditure is made. Amounts received for various grant programs for which expenditures have not been made are recorded as unearned revenue.

N. Pension Plans

The School Board participates in two separate pension plans administered by the Virginia Retirement System (VRS). Pension plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30 year period.

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts. In the event of termination, other than retirement, School Board employees are reimbursed for accumulated vacation days based on years of service and are not reimbursed for accumulated sick leave. Upon retirement, School Board employees are reimbursed for accumulated vacation days and accumulated sick leave.

For Governmental Funds, the cost of accumulated vacation and sick leave expected to be paid in the next twelve months is recorded as a fund liability and amounts expected to be paid after twelve months are recorded in the Government-wide Financial Statements.

P. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

Q. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers to equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

R. Reversion of Unused Appropriation to City of Petersburg

Since General Fund appropriations, except for encumbrances and restrictions of fund balance, lapse at year-end, any unused appropriation reverts to the City of Petersburg in the following year.

S. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

T. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Note 1—Summary of Significant Accounting Policies: (Continued)

U. Net Position Flow Assumption

Sometimes the School Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

V. Fund Equity

The School Board reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the School Board policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Note 1–Summary of Significant Accounting Policies: (Continued)

V. Fund Equity: (Continued)

Held in Trust for Scholarships - The equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as the following represents the detail of amounts held for scholarships and restricted for trust corpus by individual scholarship:

		Held in Trust for Scholarships
A.P. Bolling Scholarship	$	1,948
Brockwell Scholarship		12,220
Communities in Schools		2,415
Germaine S. Fauntleroy		2,300
Norman Jenkins Scholarship		12,557
Optimist Club of Petersburg		1,466
Robert Kilbourne Scholarships		11,818
R.H. Seabury Scholarship		2,376
Bettie O. Sweeny Scholarship		1,256
PHS Scholarship Fund		947,379
Other Funds		4,111
Total cash, cash equivalents and investments	$	999,846

Note 2—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The School Board does not have a policy regarding credit risk of debt securities.

The School Board's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investment Values

	Fair Quality Ratings			
	AAAm	AA+	A	A-
Governmental Activities:				
LGIP	$ 103,448	$ -	$ -	$ -
Fiduciary Funds:				
LGIP	$ 56,029	$ -	$ -	$ -
Government and Agency Bonds:				
Federal Farm Credit Bank	-	270,204	-	-
Fixed Income:				
Caterpillar Financial Services Mid Term Note	-	-	326,680	-
Teva Pharma Fin Company B.V. Senior Note	-	-	-	309,523
Total Fiduciary Funds	$ 56,029	$ 270,204	$ 326,680	$ 309,523
Total	$ 159,477	$ 270,204	$ 326,680	$ 309,523

Concentration of Credit Risk

The School Board does not have a policy regarding concentration of credit risk. However, the School Board's investment in cash and investments by type is represented by the following allocation:

	Total Primary Government	Fiduciary Funds
Cash and cash equivalents	100.00%	14.16%
Investments:		
U.S. Agencies	0.00%	85.84%
	100.00%	100.00%

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

The School Board does not have a policy regarding interest rate risk.

Investment Type	Fair Value	<1 Year	1-5 Years
	Investment Maturities (in years)		
Governmental Activities:			
LGIP	$ 103,448	$ 103,448	$ -
Fiduciary Funds:			
LGIP	$ 56,029	$ 56,029	$ -
Government and Agency Bonds:			
Federal Farm Credit Bank	270,204	-	270,204
Fixed Income:			
Caterpillar Financial Services Mid Term Note	326,680	-	326,680
Teva Pharma Fin Company B.V. Senior Note	309,523	-	309,523
Total Fiduciary Funds	$ 962,436	$ 56,029	$ 906,407
Total	$ 1,065,884	$ 159,477	$ 906,407

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

The following provides a reconciliation of total cash and investments to the statement of net position:

	Total Primary Government	Fiduciary Funds
Cash and cash equivalents	$ 688,810	$ 149,468
Investments:		
U.S. Agencies	-	906,407
	$ 688,810	$ 1,055,875

Note 2—Deposits and Investments: (Continued)

Foreign Currency Risk

The School Board does not have a policy regarding foreign currency risk and the School Board does not have investments in foreign currencies.

Note 3—Due from Other Governmental Units:

Amounts due from other governments consist principally of cost reimbursements due from the Commonwealth of Virginia and from federal and state grants. Such amounts are generally received in the succeeding month. The following is a summary of amounts due from other governments at June 30, 2014:

	Federal	State	Total
General Fund:			
Head Start	$ 267,168	$ -	$ 267,168
Perkins	75,694	-	75,694
Special education	264,877	-	264,877
Preschool incentive	5,676	-	5,676
Title I	344,969	-	344,969
Title II Part A	76,767	-	76,767
Title III	14,319	-	14,319
Title IV Part B	54,620	-	54,620
1003 g school improvement	251,111	-	251,111
Special Ed - Jail	-	22,114	22,114
Technology	-	48,050	48,050
Sales Tax	-	769,150	769,150
General Fund Total	$ 1,355,201	$ 839,314	$ 2,194,515
Special Revenue Fund-School Food Service	$ 89,074	$ -	$ 89,074
Total	$ 1,444,275	$ 839,314	$ 2,283,589

Note 4—Capital Assets:

The following is a summary of changes in capital assets during the fiscal year.

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
School Board:				
Capital assets, not being depreciated:				
Land	$ 5,000	$ -	$ -	$ 5,000
Construction in progress	13,420	147,914	161,334	-
Total capital assets not being depreciated	$ 18,420	$ 147,914	$ 161,334	$ 5,000
Capital assets being depreciated:				
Land improvements	$ 218,848	$ -	$ -	$ 218,848
Buildings and improvements	12,399,086	128,552	-	12,527,638
Vehicles	3,603,073	55,491	-	3,658,564
Equipment	2,050,620	284,755	-	2,335,375
Total capital assets being depreciated	$ 18,271,627	$ 468,798	$ -	$ 18,740,425
Accumulated depreciation:				
Land improvements	$ 85,035	$ 10,942	$ -	$ 95,977
Buildings and improvements	5,093,353	360,648	-	5,454,001
Vehicles	2,044,404	248,763	-	2,293,167
Equipment	1,747,021	181,350	-	1,928,371
Total accumulated depreciation	$ 8,969,813	$ 801,703	$ -	$ 9,771,516
Total capital assets being depreciated, net	$ 9,301,814	$ (332,905)	$ -	$ 8,968,909
School Board capital assets, net	$ 9,320,234	$ (184,991)	$ 161,334	$ 8,973,909

Per Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, the City has a "tenancy in common" with the School Board for any school property purchased with a financial obligation payable over more than one fiscal year. For financial reporting purposes, the legislation permits the City to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

Note 5—Long-term Obligations:

The following is a summary of changes in long-term obligations transactions for fiscal year ending June 30, 2014:

	Balance July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2014	Amounts Payable Within One Year
Capital lease	$ 346,603	$ -	$ 292,032	$ 54,571	$ 54,571
Compensated absences payable	698,743	-	18,806	679,937	67,994
Net pension obligation	-	75,986	-	75,986	-
Net OPEB obligation	568,000	186,000	166,000	588,000	-
Total	$ 1,613,346	$ 261,986	$ 476,838	$ 1,398,494	$ 122,565

Annual requirement to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Capital Lease Principal	Capital Lease Interest
2015	$ 54,571	$ 275
Total	$ 54,571	$ 275

Details of long-term obligations are as follows:

	Amount Outstanding
School Capital Lease:	
$2,900,000 obligation for heating and air conditioning upgrades, issued October 1, 2002 payable in monthly installments of $24,998 through October 1, 2014, interest at 3.78%. The book value of the related assets is $1,298,651. At June 30, 2014, accumulated depreciation for these assets was $1,587,240.	$ 54,571
Total school capital lease	$ 54,571

Note 6—Due From/To Other Funds/Primary Government:

The following is a summary of due from the Primary Government at June 30, 2014:

Fund	Due from Primary Government	Due to Primary Government
Due to/from Primary Government:		
General	$ 3,070,486	$ -
Capital Projects	295,389	-
Total	$ 3,365,875	$ -

Interfund receivable and payable balances related to working capital loans at June 30, 2014 are presented below:

	Due from other funds	Due to other funds
Due to/from other funds:		
General	$ -	$ 1,168,409
Special Revenue	897,246	-
Capital Projects	271,163	-
Total	$ 1,168,409	$ 1,168,409

Note 7—Operating Leases:

Obligations under noncancellable operating leases are not significant. Total rental expenditures under operating leases approximated $154,040 for the fiscal year ended June 30, 2014. In most cases, School Board management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

Note 8—Pension Plan:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

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

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

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

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Note 8—Pension Plan: (Continued)

A. **Plan Description: (Continued)**

VRS – PLAN 1 (CONTINUED)

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

   Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

   An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age -** Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

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

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)

14. **Eligibility -** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

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

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

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

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

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

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.

8. **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier -** Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age -** Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 2 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.

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

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

    - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

    - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

    - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*
   - School division employees
   - Political subdivision employees*
   - Judges appointed or elected to an original term on or after January 1, 2014
   - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

   Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

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

8. Average Final Compensation – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

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

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

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

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

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

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component – Not Applicable.

Note 8—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (Continued)

14. **Eligibility** – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

    State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

    Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

    Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board 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 School Board's contribution rate for the fiscal year ended 2014 was 10.34% of annual covered payroll.

The School Board's contributions for professional employees were $2,585,318, $2,538,468, and $1,387,658, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

Note 8—Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2014, School Board's annual pension cost of $279,912 was not equal to the School Board's required and actual contributions. Actual contributions for fiscal year 2014 were $241,392, resulting in a increase in net pension obligation of $38,520.

Three Year Trend Information - School Board Non-Professional

Fiscal Year Ending		Annual Pension Cost (APC) (1)	Percentage of APC Contributed		Net Pension Obligation
June 30, 2014	$	279,912	86%	$	75,986
June 30, 2013		272,254	86%		37,466
June 30, 2012		245,868	100%		-

(1) Employer portion only

The following is a summary of annual pension costs for the Virginia Retirement System for 2014:

Annual required contribution	$	279,912
Contributions made		(241,392)
Increase (decrease) in net Pension obligation	$	38,520
Net Pension obligation - beginning of year		37,466
Net Pension obligation - end of year	$	75,986

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 77.78% funded. The actuarial accrued liability for benefits was $13,068,009, and the actuarial value of assets was $10,164,635, resulting in an unfunded actuarial accrued liability (UAAL) of $2,903,374. The covered payroll (annual payroll of active employees covered by the plan) was $2,317,185 and ratio of the UAAL to the covered payroll was 125.30%.

Note 8—Pension Plan: (Continued)

D. Funding Status and Progress

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 9—Commitments and Contingencies:

Federal programs in which the School Board participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 10—Risk Management:

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board reports all of its risk management activities in its General Fund and pays all premiums from General Fund resources. The School Board maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, workers' compensation, employer's liability, health care and certain other risks with commercial insurance companies. All premiums are budgeted for and paid with General Fund resources. All unemployment and health care claims are paid through a third-party administrator through resources from the General Fund. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11—Litigation:

At June 30, 2014, there were no matters of litigation involving the School Board which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12–Other Postemployment Benefits – Health Insurance:

A. Plan Description

The School Board Post-Retirement Medical Plan is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. Retired employees, who were enrolled in Petersburg Public Schools group health insurance plan for the 24 months prior to retirement date, with at least 10 years of service and who retired under the VRS plan are eligible to elect post-retirement coverage in the plan. The plan has no separate financial report.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. For participating retirees the School Board pays zero per month towards the monthly premium and the retiree contributes the remaining funds towards the monthly premium. Retirees pay 100 % of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC and for fiscal year 2014 totaled $187,000. The School Board paid $166,000 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2014. The School Board is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The School Board’s annual OPEB cost, the amount of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 are as follows:

Annual required contribution	$	187,000
Interest on net OPEB obligation		23,000
Adjustment to annual required contribution		(24,000)
Annual OPEB cost (expense)	$	186,000
Contributions made		(166,000)
Increase (decrease) in net OPEB obligation	$	20,000
Net OPEB obligation - beginning of year		568,000
Net OPEB obligation - end of year	$	588,000

Note 12–Other Postemployment Benefits – Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, the most recent actuarial is as follows:

Actuarial accrued liability (AAL)	$	1,803,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,803,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		24,269,000
UAAL as a percentage of covered payroll		7.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Cost Method

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 9 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was up to thirty years.

Interest Assumptions

	Funded
Discount rate	4.00%
Payroll growth	N/A

Note 13—Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The School Board believes the implementation of Statement No. 68 will significantly impact the School Board's net position; however, no formal study or estimate of the impact of this standard has performed.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	$ 16,000	$ 16,000	$ 21,080	$ 5,080
Charges for services	13,400	13,400	6,766	(6,634)
Miscellaneous	158,725	1,132,245	270,235	(862,010)
Recovered costs	226,000	147,228	-	(147,228)
Intergovernmental:				
Local government	10,802,512	10,842,912	9,767,357	(1,075,555)
Commonwealth	28,334,969	28,570,133	28,802,944	232,811
Federal	6,620,923	8,073,578	6,550,807	(1,522,771)
Total revenues	$ 46,172,529	$ 48,795,496	$ 45,419,189	$ (3,376,307)
Expenditures:				
Current:				
Instructional	$ 34,256,747	$ 36,500,424	$ 34,501,130	$ 1,999,294
Administration, attendance, and health	3,313,250	3,188,246	2,872,119	316,127
Operation and maintenance	4,986,181	5,367,557	5,270,998	96,559
Pupil transportation	1,880,501	1,900,501	2,000,741	(100,240)
Technology	1,119,022	1,230,342	1,074,957	155,385
Debt service:				
Principal retirement	580,426	580,426	292,032	288,394
Interest and other debt costs	28,000	28,000	10,442	17,558
Total expenditures	$ 46,164,127	$ 48,795,496	$ 46,022,419	$ 2,773,077
Changes in fund balance	$ 8,402	$ -	$ (603,230)	$ (603,230)
Fund balance at beginning of year	(8,402)	-	1,099,429	1,099,429
Fund balance at end of year	$ -	$ -	$ 496,199	$ 496,199

Schedules of Pension and OPEB Funding Progress
Last Three Fiscal Years

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
Virginia Retirement System						
6/30/2013	$ 10,164,635	$ 13,068,009	$ 2,903,374	77.78%	$ 2,317,185	125.30%
6/30/2012	10,099,449	13,401,918	3,302,469	75.36%	2,362,460	139.79%
6/30/2011	10,466,248	13,467,286	3,001,038	77.72%	2,464,913	121.75%
Other Postemployment Benefits						
7/1/2012	$ -	$ 1,803,000	$ 1,803,000	0.00%	$ 24,269,000	7.4%
7/1/2010	-	2,281,000	2,281,000	0.00%	22,838,000	10.0%
7/1/2008	-	2,314,000	2,314,000	0.00%	24,985,000	9.3%

Other Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Special Revenue Fund
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Charges for services	$ 488,170	$ 496,572	$ 436,008	$ (60,564)
Intergovernmental:				
Commonwealth	30,074	30,074	33,360	3,286
Federal	1,734,400	1,734,400	1,916,530	182,130
Total revenues	$ 2,252,644	$ 2,261,046	$ 2,385,898	$ 124,852
Expenditures:				
Current:				
Food service	$ 2,261,046	$ 2,261,046	$ 2,246,596	$ 14,450
Total expenditures	$ 2,261,046	$ 2,261,046	$ 2,246,596	$ 14,450
Changes in fund balance	$ (8,402)	$ -	$ 139,302	$ 139,302
Fund balance at beginning of year	8,402	-	869,164	869,164
Fund balance at end of year	$ -	$ -	$ 1,008,466	$ 1,008,466

Statement of Changes in Assets and Liabilities - Agency Fund
Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Vocational Work Experience Fund:				
Assets:				
Cash and cash equivalents	$ 55,972	$ 57	$ -	$ 56,029
Liabilities:				
Amounts held for others	$ 55,972	$ 57	$ -	$ 56,029

Supporting Schedules

Governmental Funds
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	$ 16,000	$ 16,000	$ 21,080	$ 5,080
Total revenue from use of money and property	$ 16,000	$ 16,000	$ 21,080	$ 5,080
Charges for services:				
Tuition	$ 10,400	$ 10,400	$ -	$ (10,400)
Other fees	3,000	3,000	6,766	3,766
Total charges for services	$ 13,400	$ 13,400	$ 6,766	$ (6,634)
Miscellaneous revenue:				
Cameron Foundation - algebra project	$ -	$ 5,118	$ 3,632	$ (1,486)
Other miscellaneous revenue	158,725	1,127,127	266,603	(860,524)
Total miscellaneous revenue	$ 158,725	$ 1,132,245	$ 270,235	$ (862,010)
Recovered costs:				
Recoveries and rebates - E rate reimbursement	$ 226,000	$ 147,228	$ -	$ (147,228)
Total revenue from local sources	$ 414,125	$ 1,308,873	$ 298,081	$ (1,010,792)
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Petersburg, Virginia	$ 10,802,512	$ 10,842,912	$ 9,767,357	$ (1,075,555)
Revenue from the Commonwealth:				
Categorical aid:				
Basic aid	$ 11,887,091	$ 11,887,091	$ 12,196,718	$ 309,627
Disparity funds - K-3 Primary Class Size	1,502,878	1,502,878	1,631,223	128,345
Gifted & talented	137,749	137,749	139,636	1,887
SOQ special education	1,829,661	1,829,661	1,854,724	25,063
SOQ vocation education	419,235	419,235	424,978	5,743
Special education - jails	87,928	84,690	86,889	2,199
Sales tax	4,432,088	4,432,088	4,298,880	(133,208)
English as second language	104,865	104,865	94,155	(10,710)
Remedial education	1,197,814	1,197,814	1,214,222	16,408
Remedial summer school	283,195	283,195	248,503	(34,692)
Textbooks	268,700	268,700	272,380	3,680
Vocational education - adult	8,748	8,748	-	(8,748)
Fringe benefits social security	877,399	877,399	889,418	12,019
Fringe benefits retirement	2,107,483	2,107,483	2,131,918	24,435
Fringe benefits group life	53,902	53,902	54,640	738
At risk	1,279,645	1,279,645	1,297,361	17,716
At risk four year olds	880,118	880,118	880,118	-

Governmental Funds
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Early reading intervention	$ 142,534	$ 142,534	$ 186,929	$ 44,395
SOL algebra readiness	98,245	98,245	93,349	(4,896)
Technology funds	336,000	418,290	336,998	(81,292)
Regional alternative school	142,703	142,503	142,077	(426)
ISAEP	23,576	23,576	26,888	3,312
Project graduation	23,404	59,509	44,484	(15,025)
Jobs for VA graduates	21,000	21,000	21,000	-
Other state categorical aid	189,008	309,215	235,456	(73,759)
Total categorical aid	$ 28,334,969	$ 28,570,133	$ 28,802,944	$ 232,811
Total revenue from the Commonwealth	$ 28,334,969	$ 28,570,133	$ 28,802,944	$ 232,811
Revenue from the federal government:				
Categorical aid:				
Special education	$ 1,068,004	$ 1,065,237	$ 994,427	$ (70,810)
ROTC	65,000	65,000	68,820	3,820
Title I	2,360,992	3,064,572	2,369,003	(695,569)
Title II - part a, teacher quality	357,396	385,102	379,875	(5,227)
Title III - part a	15,370	27,471	18,984	(8,487)
Head start grant	923,299	923,255	923,255	-
Vocational grant - Carl Perkins	121,062	129,431	130,758	1,327
21st century community learning centers	284,400	573,678	242,699	(330,979)
Preschool incentive	27,959	39,624	30,006	(9,618)
Gear up	-	1,156	1,156	-
1003 g school improvement	1,385,441	1,787,052	1,379,824	(407,228)
Title X	12,000	12,000	12,000	-
Total categorical aid	$ 6,620,923	$ 8,073,578	$ 6,550,807	$ (1,522,771)
Total revenue from the federal government	$ 6,620,923	$ 8,073,578	$ 6,550,807	$ (1,522,771)
Total General Fund	$ 46,172,529	$ 48,795,496	$ 45,419,189	$ (3,376,307)

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Schedule 2**

Page 1 of 2

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
General Fund:				
Education:				
Instructional				
Personnel	$ 22,541,548	$ 22,454,821	$ 21,362,849	$ 1,091,972
Employee benefits	8,116,336	8,161,108	8,144,859	16,249
Purchased professional services	2,266,721	3,494,252	3,122,444	371,808
Internal services	48,813	47,913	13,519	34,394
Other purchased services	478,561	556,766	454,507	102,259
Supplies	804,768	1,759,564	1,377,052	382,512
Capital outlay	-	26,000	25,900	100
Total instructional	$ 34,256,747	$ 36,500,424	$ 34,501,130	$ 1,999,294
Administration, Attendance, and Health				
Personnel	$ 1,919,727	$ 1,713,428	$ 1,673,272	$ 40,156
Employee benefits	962,978	897,473	747,571	149,902
Purchased professional services	212,100	347,181	274,500	72,681
Internal services	10,000	1,000	8,300	(7,300)
Other purchased services	138,560	136,035	98,011	38,024
Supplies	69,885	93,129	70,465	22,664
Total administration, attendance, and health	$ 3,313,250	$ 3,188,246	$ 2,872,119	$ 316,127
Pupil transportation				
Personnel	$ 1,042,541	$ 1,042,541	$ 1,120,330	$ (77,789)
Employee benefits	426,778	426,778	481,497	(54,719)
Purchased professional services	26,850	21,305	15,209	6,096
Other purchased services	1,332	1,332	1,322	10
Supplies	383,000	365,528	340,573	24,955
Capital outlay	-	43,017	41,810	1,207
Total pupil transportation	$ 1,880,501	$ 1,900,501	$ 2,000,741	$ (100,240)
Operation and Maintenance				
Personnel	$ 1,759,613	$ 1,759,613	$ 1,807,858	$ (48,245)
Employee benefits	703,538	703,538	741,799	(38,261)
Purchased professional services	440,250	800,598	797,778	2,820
Other purchased services	1,659,500	1,659,500	1,499,003	160,497
Supplies	423,280	426,569	406,825	19,744
Capital outlay	-	17,739	17,735	4
Total operation and maintenance	$ 4,986,181	$ 5,367,557	$ 5,270,998	$ 96,559

Governmental Funds
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
General Fund: (Continued)				
Education: (Continued)				
Technology				
Personnel	$ 496,856	$ 494,486	$ 456,804	$ 37,682
Employee benefits	185,266	185,266	160,633	24,633
Purchased professional services	54,120	66,890	66,173	717
Other purchased services	7,000	1,400	1,149	251
Supplies	39,780	88,310	79,095	9,215
Capital outlay	336,000	393,990	311,103	82,887
Total technology	$ 1,119,022	$ 1,230,342	$ 1,074,957	$ 155,385
Total education	$ 45,555,701	$ 48,187,070	$ 45,719,945	$ 2,467,125
Debt Service:				
School Board Capital Lease:				
Principal retirement	$ 580,426	$ 580,426	$ 292,032	$ 288,394
Interest and other	28,000	28,000	10,442	17,558
Total debt service capital lease	$ 608,426	$ 608,426	$ 302,474	$ 305,952
Total General Fund	$ 46,164,127	$ 48,795,496	$ 46,022,419	$ 2,773,077
Special Revenue Funds:				
School Food Service Fund:				
Food services:				
Personnel	$ 643,130	$ 652,215	$ 666,445	$ (14,230)
Employee benefits	278,819	278,819	280,977	(2,158)
Purchased professional services	34,580	36,580	30,456	6,124
Other purchased services	6,607	8,807	7,098	1,709
Supplies	1,297,910	1,284,625	1,261,620	23,005
Total School Food Service Fund	$ 2,261,046	$ 2,261,046	$ 2,246,596	$ 14,450
Capital Projects:				
School security camera network	$ -	$ -	$ 98,000	$ (98,000)
Total Capital Projects Fund	$ -	$ -	$ 98,000	$ (98,000)
Grand Total Expenditures	$ 48,425,173	$ 51,056,542	$ 48,367,015	$ 2,689,527

Compliance

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the School Board
City of Petersburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the School Board of the City of Petersburg, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Board of the City of Petersburg, Virginia's basic financial statements, and have issued our report dated December 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School Board of the City of Petersburg, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board of the City of Petersburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board of the City of Petersburg, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board of the City of Petersburg, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board of the City of Petersburg, Virginia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 5, 2014