The School Board of the City of Petersburg

Financial Report

PEOPLE REACHING PEOPLE TEACHING

For the Fiscal Year ended June 30, 2015

The School Board of the City of Petersburg

(A Component Unit of the City of Petersburg, Virginia)

Financial Report

Year Ended June 30, 2015

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

Financial Report
Year Ended June 30, 2015

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THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

BOARD MEMBERS

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

Patricia Hines	Adrian T. Pance, Sr.
Lois A. Long	Bernard J. Lundy, Jr
Atiba Muse	

ADMINISTRATIVE/FISCAL OFFICERS

Dr. Joseph Melvin, Superintendent of Schools

Leslie A. Northington, Administrative Assistant to the Superintendent

Carol G. Potter, 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, a component united of the City of Petersburg, Virginia as of and for the year ended June 30, 2015, 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 Counties, Cities, and Towns,* 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, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the School Board adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to 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 November 20, 2015, 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
November 20, 2015

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
At June 30, 2015

		Governmental Activities
ASSETS		
Current Assets:		
Receivables (net of allowance for uncollectibles):		
Accounts receivable	$	106,480
Due from primary government - General Fund		789,499
Due from primary government - Capital Projects		3,070,486
Due from other governments		2,377,030
Inventory		184,392
Total Current Assets	$	6,527,887
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	$	5,000
Land improvements		111,929
Buildings and improvements		6,712,989
Vehicles		1,154,682
Equipment		432,908
Total Noncurrent Assets	$	8,417,508
Total Assets	$	14,945,395
Deferred Outflows of Resources:		
Pension contributions subsequent to measurement date	$	3,676,347
Total assets and deferred outflows of resources	$	18,621,742
LIABILITIES		
Current Liabilities:		
Reconciled overdraft	$	147,300
Accounts payable		432,573
Accrued liabilities		4,126,659
Unearned revenues		6,517
Long-term obligations - current portion		56,134
Total Current Liabilities	$	4,769,183
Noncurrent Liabilities:		
Long-term obligations - net of current portion		39,292,657
Total Liabilities	$	44,061,840
Deferred Inflows of Resources		
Items related to measurement of net pension liability	$	6,842,597
NET POSITION		
Investment in capital assets	$	8,417,508
Unrestricted		(40,700,203)
Total Net Position	$	(32,282,695)
Total Liabilities, Deferred Inflows of Resources and Net Position	$	18,621,742

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

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
		Program Revenues			
Governmental activities:					
Education:					
Instructional	$ 35,506,054	$ 56,358	$ 6,989,173	$ 79,957	$ (28,380,566)
Administration, attendance, and health	3,052,369	-	3,052,369	-	-
Operation and maintenance	4,853,987	-	4,853,987	-	-
Pupil transportation	2,092,016	-	2,092,016	-	-
Technology	984,280	-	984,280	-	-
Food service	2,407,241	173,938	2,422,347	-	189,044
Interest and fiscal costs	396	-	-	-	(396)
Total Governmental Activities	$ 48,896,343	$ 230,296	$ 20,394,172	$ 79,957	$ (28,191,918)

General revenues:	
City contribution to the school board	$ 11,662,512
Unrestricted revenues from use of money and property	10,952
Grants and contributions not restricted to specific programs	16,741,157
Miscellaneous - Other	193,680
Total general revenues	$ 28,608,301
Change in net position	$ 416,383
Net position - beginning, as restated	(32,699,078)
Net position - ending	$ (32,282,695)

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

Fund Financial Statements

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 3**

Balance Sheet - Governmental Funds
At June 30, 2015

	Governmental Funds			
		Nonmajor		
	General	Special Revenue	Capital Projects	Total
ASSETS:				
Cash and cash equivalents	$ -	$ 3,607	$ 103,965	$ 107,572
Receivables (net of allowance for uncollectibles):				
Accounts receivable	29,110	-	77,370	106,480
Due from other governmental units	2,274,923	102,107	-	2,377,030
Due from other funds	-	1,091,603	258,385	1,349,988
Due from primary government - General Fund	789,499	-	-	789,499
Due from primary government - Capital Projects	3,070,486	-	-	3,070,486
Inventory	130,171	54,221	-	184,392
Total assets	$ 6,294,189	$ 1,251,538	$ 439,720	$ 7,985,447
LIABILITIES:				
Reconciled overdraft	$ 254,872	$ -	$ -	$ 254,872
Accounts payable	343,961	11,242	77,370	432,573
Accrued liabilities	4,126,659	-	-	4,126,659
Due to other funds	1,349,988	-	-	1,349,988
Unearned revenue	6,517	-	-	6,517
Total liabilities	$ 6,081,997	$ 11,242	$ 77,370	$ 6,170,609
FUND BALANCES:				
Nonspendable:				
Inventory	$ 130,171	$ 54,221	$ -	$ 184,392
Capital projects	-	-	362,350	362,350
Committed:				
Instruction	82,021	-	-	82,021
Assigned:				
School lunch program	-	1,186,075	-	1,186,075
Total fund balances	212,192	$ 1,240,296	$ 362,350	$ 1,814,838
Total liabilities and fund balances	$ 6,294,189	$ 1,251,538	$ 439,720	$ 7,985,447

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

Fund balances above	$ 1,814,838
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.	8,417,508
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Change in proportionate share of employer contributions to the cost-sharing pension plan	663,000
Items related to the measurement of net pension liability	(7,505,597)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	3,676,347
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.	(39,348,791)
Net position of general government activities	$ (32,282,695)

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, 2015

	Governmental Funds			
		Nonmajor		
	General	Special Revenue	Capital Projects	Total
Revenues:				
Revenue from use of money and property	$ 10,835	$ -	$ 117	$ 10,952
Charges for services	56,358	173,938	-	230,296
Miscellaneous	8,761	13,319	171,600	193,680
Recovered costs	9,526	-	-	9,526
Intergovernmental:				
Local government	11,662,512	-	-	11,662,512
Commonwealth	28,946,077	30,917	79,957	29,056,951
Federal	5,766,905	2,391,430	-	8,158,335
Total revenues	$ 46,460,974	$ 2,609,604	$ 251,674	$ 49,322,252
Expenditures:				
Current:				
Instructional	$ 35,841,802	$ -	$ -	$ 35,841,802
Administration, attendance, and health	3,015,005	-	-	3,015,005
Pupil transportation	2,066,408	-	-	2,066,408
Operation and maintenance	4,794,569	-	-	4,794,569
Food service	-	2,377,774	-	2,377,774
Technology	972,230	-	-	972,230
Capital projects	-	-	263,935	263,935
Debt service:				
Principal retirement	54,571	-	-	54,571
Interest and other debt costs	396	-	-	396
Total expenditures	$ 46,744,981	$ 2,377,774	$ 263,935	$ 49,386,690
Net change in fund balances	$ (284,007)	$ 231,830	$ (12,261)	$ (64,438)
Fund balances at beginning of year	496,199	1,008,466	374,611	1,879,276
Fund balances at end of year	$ 212,192	$ 1,240,296	$ 362,350	$ 1,814,838

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, 2015

			Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:			
Net change in fund balances - total governmental funds			$ (64,438)
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	$	169,010	
Depreciation expense		(725,411)	(556,401)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
Increase (decrease) in deferred inflows related to the measurement of the net pension liability			(6,842,597)
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			54,571
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	$	114,800	
Deferred outflows related to pension payments subsequent to measurement date		846,930	
Change in Net pension liability		6,870,518	
Change in Net OPEB obligation		(7,000)	7,825,248
Change in net position of governmental activities			$ 416,383

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2015

	Scholarship Private-Purpose Trust Fund	Agency Fund
ASSETS:		
Cash and cash equivalents	$ 130,038	$ 56,092
Investments	877,060	-
Total assets	$ 1,007,098	$ 56,092
LIABILITIES:		
Amounts held for others	$ -	$ 56,092
Total liabilities	$ -	$ 56,092
NET POSITION:		
Held in trust for scholarships	$ 1,007,098	$ -
Total net position	$ 1,007,098	$ -
Total liabilities and net position	$ 1,007,098	$ 56,092

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

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
Year Ended June 30, 2015

		Scholarship Private-Purpose Trust Fund
Additions:		
Contributions	$	29,555
Interest Income		13,073
Investment income (loss)		(4,376)
Total additions	$	38,252
Deductions:		
Scholarships awarded	$	31,000
Total deductions	$	31,000
Change in net position	$	7,252
Net position - beginning of the year		999,846
Net position - end of the year	$	1,007,098

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, 2015.

Discretely Presented Component Unit - The School Board has no discretely presented component units to be included for the fiscal year ended June 30, 2015.

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 (governmental 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 (no measurement focus).

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.

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

J. Capital Assets: (Continued)

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.

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. 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.

L. 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.

M. 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.

N. Long-term Obligations

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

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

O. 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.

P. 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.

Q. 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.

R. 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 has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on this item, reference the pension note.

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 has one item that qualifies for reporting in this category. It is a certain item related to the measurement of the net pension liability. This item includes the difference between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

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

S. Pensions

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

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.

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;

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

V. Fund Equity: (Continued)

- 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).

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
PHS Scholarship Fund	$ 933,545
Other Funds	73,553
Total cash, cash equivalents and investments	$ 1,007,098

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

W. Pensions

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

X. Adoption of Account Principles

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* **and Statement No. 71,** *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***:**

The School Board implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	School Board
Net position as reprted at June 30, 2014	$ 9,454,691
Implementation of GASB 68	(42,153,769)
Net position as restated at June 30, 2014	$ (32,699,078)

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).

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, 2015 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	$ 103,965	$ -	$ -	$ -
Fiduciary Funds:				
LGIP	$ 56,092	$ -	$ -	$ -
Government and Agency Bonds:				
Federal Farm Credit Bank	-	572,296	-	-
Fixed Income:				
Teva Pharma Fin Company B.V. Senior Note	-	-	-	304,765
Total Fiduciary Funds	$ 56,092	$ 572,296	$ -	$ 304,765
Total	$ 160,057	$ 572,296	$ -	$ 304,765

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)			
Investment Type	Fair Value	<1 Year	1-5 Years
Fiduciary Funds:			
Government and Agency Bonds:			
Federal Farm Credit Bank	$ 572,296	$ -	$ 572,296
Fixed Income:			
Teva Pharma Fin Company B.V. Senior Note	304,765	-	304,765
Total Fiduciary Funds	$ 877,061	$ -	$ 877,061

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.

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, 2015:

	Federal	State	Total
General Fund:			
Head Start	$ 302,579	$ -	$ 302,579
Title I	417,566	-	417,566
Other federal funds	651,355	-	651,355
Technology and other state funds	-	121,642	121,642
Sales Tax	-	781,781	781,781
General Fund Total	$ 1,371,500	$ 903,423	$ 2,274,923
Special Revenue Fund-School Food Service	$ 102,107	$ -	$ 102,107
Total	$ 1,473,607	$ 903,423	$ 2,377,030

Note 4—Capital Assets:

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
School Board:				
Capital assets, not being depreciated:				
Land	$ 5,000	$ -	$ -	$ 5,000
Construction in progress	-	99,946	99,946	-
Total capital assets not being depreciated	$ 5,000	$ 99,946	$ 99,946	$ 5,000
Capital assets being depreciated:				
Land improvements	$ 218,848	$ -	$ -	$ 218,848
Buildings and improvements	12,527,638	-	-	12,527,638
Vehicles	3,658,564	13,681	-	3,672,245
Equipment	2,335,375	155,329	-	2,490,704
Total capital assets being depreciated	$ 18,740,425	$ 169,010	$ -	$ 18,909,435
Accumulated depreciation:				
Land improvements	$ 95,977	$ 10,942	$ -	$ 106,919
Buildings and improvements	5,454,001	360,648	-	5,814,649
Vehicles	2,293,167	224,396	-	2,517,563
Equipment	1,928,371	129,425	-	2,057,796
Total accumulated depreciation	$ 9,771,516	$ 725,411	$ -	$ 10,496,927
Total capital assets being depreciated, net	$ 8,968,909	$ (556,401)	$ -	$ 8,412,508
School Board capital assets, net	$ 8,973,909	$ (456,455)	$ 99,946	$ 8,417,508

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, 2015:

	Balance July 1, 2014	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2015	Amounts Payable Within One Year
Capital lease	$ 54,571	$ -	$ 54,571	$ -	$ -
Compensated absences	679,937	241,119	355,919	565,137	56,134
Net pension obligation	75,986	-	75,986	-	-
Net pension liability - non-professional	2,377,186	1,161,253	2,016,785	1,521,654	-
Net pension liability - professional	42,606,000	2,774,000	8,713,000	36,667,000	-
Net OPEB obligation	588,000	138,000	131,000	595,000	-
Total	$ 46,381,680	$ 4,314,372	$ 11,347,261	$ 39,348,791	$ 56,134

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

The following is a summary of due from the Primary Government at June 30, 2015:

Fund	Due from Primary Government	Due to Primary Government
Due to/from Primary Government:		
General	$ 789,499	$ -
Capital Projects	3,070,486	-
Total	$ 3,859,985	$ -

Interfund receivable and payable balances related to working capital loans at June 30, 2015 are presented below:

	Due from other funds	Due to other funds
Due to/from other funds:		
General	$ -	$ 1,349,988
Special Revenue	1,091,603	-
Capital Projects	258,385	-
Total	$ 1,349,988	$ 1,349,988

Note 7—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City of Petersburg School Board and (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Vesting** Same as Plan 1.	**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. Plan 1 or 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 Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contributions Component:</u> (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit 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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) 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.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For 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.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions and School divisions (including Plan 1 and 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. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service 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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

Note 7—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	104
Inactive members:	
Vested inactive members	9
Non-vested inactive members	23
Inactive members active elsewhere in VRS	19
Total inactive members	51
Active members	110
Total covered employees	265

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 12.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $320,927 and $241,417 for the years ended June 30, 2015 and June 30, 2014, respectively.

Note 7—Pension Plan: (Continued)

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

All Others (Non 10 Largest) – Non-LEOS: (Continued)

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the School Board's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Note 7—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 7—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 13,068,009	$ 10,690,823	$ 2,377,186
Changes for the year:			
Service cost	$ 261,048	$ -	$ 261,048
Interest	891,079	-	891,079
Differences between expected and actual experience	-	-	-
Contributions - employer	-	241,417	(241,417)
Contributions - employee	-	116,401	(116,401)
Net investment income	-	1,658,880	(1,658,880)
Benefit payments, including refunds of employee contributions	(676,610)	(676,610)	-
Administrative expenses	-	(9,126)	9,126
Other changes	-	87	(87)
Net changes	$ 475,517	$ 1,331,049	$ (855,532)
Balances at June 30, 2014	$ 13,543,526	$ 12,021,872	$ 1,521,654

Note 7—Pension Plan: (Continued)

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	$ 3,039,889	$ 1,521,654	$ 236,810

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

For the year ended June 30, 2015, the School Board (nonprofessional) recognized pension expense of $123,482, respectively. At June 30, 2015, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	737,597
Employer contributions subsequent to the measurement date	320,927	-
Total	$ 320,927	$ 737,597

Note 7—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$320,927 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		Component Unit School Board (nonprofessional)
2016	$	(184,399)
2017		(184,399)
2018		(184,399)
2019		(184,400)
Thereafter		-

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/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Component Unit School Board (professional)

Plan Description

Al full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Note 7—Pension Plan: (Continued)

Contributions (Continued)

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were $3,355,420 and $2,588,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of $36,667,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .30341% as compared to .30928% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of $2,754,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,442,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	663,000
Employer contributions subsequent to the measurement date	3,355,420	-
Total	$ 3,355,420	$ 6,105,000

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

$3,355,420 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2016	$	(1,526,250)
2017		(1,526,250)
2018		(1,526,250)
2019		(1,526,250)
Thereafter		-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

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

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

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

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) Plan Net Pension Liability (Asset)	$ 53,841,000	$ 36,667,000	$ 22,526,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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, 2015, 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 2015 totaled $138,000. The School Board paid $131,000 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2015. 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.

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

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

The School Board's annual OPEB cost, the amount of annual OPEB cost contributed to the plan, and the net OPEB obligation for te fiscal years ending June 30, 2015, 2014, and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 138,000	95%	$ 595,000
June 30, 2014	187,000	89%	588,000
June 30, 2013	182,000	64%	568,000

For 2015, the School Board's payments of $131,000 was less than the annual OPEB costs. The School Board's annual OPEB cost, the contributions made, and the increase in the net OPEB obligation as well as the net OPEB obligation for 2015 is as follows:

Annual required contribution	$ 138,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	(24,000)
Annual OPEB cost (expense)	$ 138,000
Contributions made	(131,000)
Increase (decrease) in net OPEB obligation	$ 7,000
Net OPEB obligation - beginning of year	588,000
Net OPEB obligation - end of year	$ 595,000

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial is as follows:

Actuarial accrued liability (AAL)	$ 1,463,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,463,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	21,463,000
UAAL as a percentage of covered payroll	6.82%

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.

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

E. 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, 2014 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 7.5% 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, 2014 was up to thirty years.

Interest Assumptions

	Funded
Discount rate	4.00%
Payroll growth	2.50%

Note 13—Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application,* amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement.* This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of

Note 13—Upcoming Pronouncements: (Continued)

Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures,* will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	$ 15,000	$ 15,000	$ 10,835	$ (4,165)
Charges for services	64,050	64,050	56,358	(7,692)
Miscellaneous	21,500	34,597	8,761	(25,836)
Recovered costs	60,000	40,011	9,526	(30,485)
Intergovernmental:				
Local government	11,662,512	11,662,512	11,662,512	-
Commonwealth	29,226,194	29,810,642	28,946,077	(864,565)
Federal	4,825,553	7,352,787	5,766,905	(1,585,882)
Total revenues	$ 45,874,809	$ 48,979,599	$ 46,460,974	$ (2,518,625)
Expenditures:				
Current:				
Instructional - operating	$ 29,371,859	$ 29,426,199	$ 28,920,566	$ 505,633
Instructional - grants	5,489,186	8,613,965	6,921,236	1,692,729
Total instructional	$ 34,861,045	$ 38,040,164	$ 35,841,802	$ 2,198,362
Administration, attendance, and health	2,530,121	3,106,613	3,015,005	91,608
Pupil transportation	1,996,481	1,996,978	2,066,408	(69,430)
Operation and maintenance	5,062,161	5,053,890	4,794,569	259,321
Technology	959,138	959,138	972,230	(13,092)
Debt service:				
Principal retirement	451,431	54,690	54,571	119
Interest and other debt costs	15,000	277	396	(119)
Total expenditures	$ 45,875,377	$ 49,211,750	$ 46,744,981	$ 2,466,769
Changes in fund balance	$ (568)	$ (232,151)	$ (284,007)	$ (51,856)
Fund balance at beginning of year	568	232,151	496,199	264,048
Fund balance at end of year	$ -	$ -	$ 212,192	$ 212,192

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
Year Ended June 30, 2015

		2014
Total pension liability		
Service cost	$	261,048
Interest		891,079
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including refunds of employee contributions		(676,610)
Net change in total pension liability	$	475,517
Total pension liability - beginning		13,068,009
Total pension liability - ending (a)	$	13,543,526
Plan fiduciary net position		
Contributions - employer	$	241,417
Contributions - employee		116,401
Net investment income		1,658,880
Benefit payments, including refunds of employee contributions		(676,610)
Administrative expense		(9,126)
Other		87
Net change in plan fiduciary net position	$	1,331,049
Plan fiduciary net position - beginning		10,690,823
Plan fiduciary net position - ending (b)	$	12,021,872
School Board's net pension liability - ending (a) - (b)	$	1,521,654
Plan fiduciary net position as a percentage of the total pension liability		88.76%
Covered-employee payroll	$	2,334,546
School Board's net pension liability as a percentage of covered-employee payroll		65.18%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Year Ended June 30, 2015*

		2015
Employer's Proportion of the Net Pension Liability (Asset)		0.30%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$	36,667,000
Employer's Covered-Employee Payroll		24,767,178
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll		67.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions
Year Ended June 30, 2015

Date		Contractually Required Contribution (1)		Contributions in Relation to Contractually Required Contribution (2)		Contribution Deficiency (Excess) (3)		Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Component Unit School Board (nonprofessional)									
2015	$	320,927	$	320,927	$	-	$	2,588,124	12%
Component Unit School Board (professional)									
2015	$	3,355,420	$	3,355,420	$	-	$	24,767,178	14%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees
- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Schedule of 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)	Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
Other Postemployment Benefits - Health Insurance						
7/1/2014	$ -	$ 1,463,000	$ 1,463,000	0.00%	$ 21,463,000	6.8%
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%	24,985,000	9.1%

Other Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Special Revenue Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources				
Charges for services	$ 461,000	$ 461,000	$ 173,938	$ (287,062)
Miscellaneous	7,000	7,000	13,319	6,319
Intergovernmental:				
Commonwealth	34,486	37,486	30,917	(6,569)
Federal	1,812,500	1,812,500	2,391,430	578,930
Total revenues	$ 2,314,986	$ 2,317,986	$ 2,609,604	$ 291,618
Expenditures:				
Current:				
Food service	$ 2,314,418	$ 2,359,668	$ 2,377,774	$ (18,106)
Total expenditures	$ 2,314,418	$ 2,359,668	$ 2,377,774	$ (18,106)
Changes in fund balance	$ 568	$ (41,682)	$ 231,830	$ 273,512
Fund balance at beginning of year	(568)	41,682	1,008,466	966,784
Fund balance at end of year	$ -	$ -	$ 1,240,296	$ 1,240,296

Statement of Changes in Assets and Liabilities - Agency Fund
Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Vocational Work Experience Fund:				
Assets:				
Cash and cash equivalents	$ 56,029	$ 63	$ -	$ 56,092
Liabilities:				
Amounts held for others	$ 56,029	$ 63	$ -	$ 56,092

Supporting Schedules

Governmental Funds
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2015

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	$ 15,000	$ 15,000	$ 10,835	$ (4,165)
Charges for services:				
Other fees	64,050	64,050	56,358	(7,692)
Miscellaneous revenue:				
Other miscellaneous revenue	21,500	34,597	8,761	(25,836)
Recovered costs:				
Recoveries and rebates	60,000	40,011	9,526	(30,485)
Total revenue from local sources	$ 160,550	$ 153,658	$ 85,480	$ (68,178)
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Petersburg, Virginia	$ 11,662,512	$ 11,662,512	$ 11,662,512	$ -
Revenue from the Commonwealth:				
Categorical aid:				
Basic aid	$ 12,735,143	$ 12,735,143	$ 12,220,212	$ (514,931)
Disparity funds - K-3 Primary Class Size	1,722,347	1,722,347	1,696,569	(25,778)
Special education	1,621,337	1,621,337	1,570,419	(50,918)
Sales tax	4,516,922	4,516,922	4,520,945	4,023
Remedial education	1,182,479	1,182,479	1,145,343	(37,136)
Fringe benefits social security	853,103	853,103	853,103	-
Fringe benefits retirement	1,792,004	1,792,004	1,735,726	(56,278)
Fringe benefits group life	54,857	54,857	53,134	(1,723)
At risk	1,251,213	1,251,213	1,211,606	(39,607)
Other state categorical aid	3,496,789	4,081,237	3,939,020	(142,217)
Total categorical aid	$ 29,226,194	$ 29,810,642	$ 28,946,077	$ (864,565)
Total revenue from the Commonwealth	$ 29,226,194	$ 29,810,642	$ 28,946,077	$ (864,565)
Revenue from the federal government:				
Categorical aid:				
Special education	$ 959,565	$ 1,182,715	$ 1,069,478	$ (113,237)
ROTC	65,000	65,000	70,935	5,935
Title I	2,411,189	2,411,189	2,088,519	(322,670)
Title II - part a, teacher quality	354,871	366,285	345,873	(20,412)
Head start grant	986,448	986,448	986,432	(16)
21st century community learning centers	-	687,453	578,876	(108,577)
Other categorical aid	48,480	1,653,697	626,792	(1,026,905)
Total categorical aid	$ 4,825,553	$ 7,352,787	$ 5,766,905	$ (1,585,882)
Total revenue from the federal government	$ 4,825,553	$ 7,352,787	$ 5,766,905	$ (1,585,882)
Total General Fund	$ 45,874,809	$ 48,979,599	$ 46,460,974	$ (2,518,625)

Governmental Funds
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2015 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Special Revenue Funds:				
School Food Service Fund:				
Revenue from local sources:				
Charges for services:				
Charges for meals	$ 461,000	$ 461,000	$ 173,938	$ (287,062)
Miscellaneous revenue:				
Other miscellaneous revenue	7,000	7,000	13,319	6,319
Total revenue from local sources	$ 468,000	$ 468,000	$ 187,257	$ (280,743)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	$ 34,486	$ 37,486	$ 30,917	$ (6,569)
Revenue from the federal government:				
Categorical aid:				
Lunch and breakfast reimbursement	$ 1,667,000	$ 1,667,000	$ 2,129,497	$ 462,497
Fresh fruits and vegetables	145,500	145,500	152,143	6,643
USDA inventory	-	-	109,790	109,790
Total revenue from the federal government	$ 1,812,500	$ 1,812,500	$ 2,391,430	$ 578,930
Total School Food Service Fund	$ 2,314,986	$ 2,317,986	$ 2,609,604	$ 291,618
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 117	$ 117
Miscellaneous revenue:				
Miscellaneous revenue	-	-	171,600	171,600
Total revenue from local sources	$ -	$ -	$ 171,717	$ 171,717
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	$ -	$ -	$ 79,957	$ 79,957
Total Capital Projects Fund	$ -	$ -	$ 251,674	$ 251,674
Total Revenues	$ 48,189,795	$ 51,297,585	$ 49,322,252	$ (1,975,333)

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 Counties, Cities, and Towns,* 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, a component unit of the City of Petersburg, Virginia, as of and for the year ended June 30, 2015, 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 November 20, 2015.

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
November 20, 2015