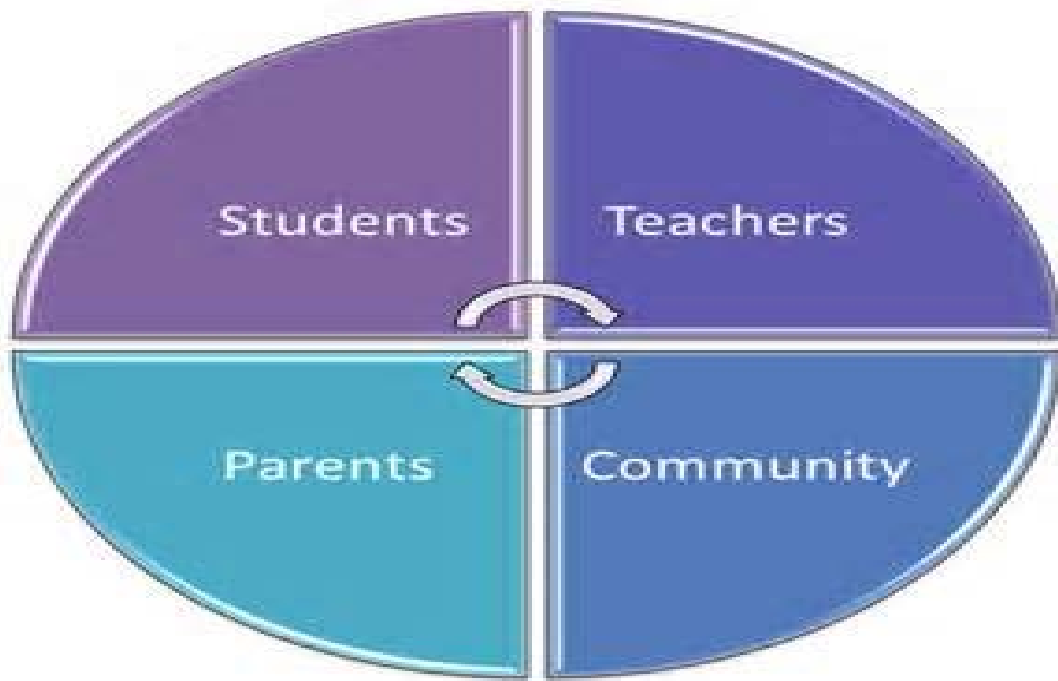


# Comprehensive Annual Financial Report



*City of Portsmouth, Virginia School Board*

*A Component Unit of the City of Portsmouth, Virginia*

*For the Fiscal Year Ended June 30, 2015*



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**City of Portsmouth, Virginia School Board**  
**Component Unit of the City of Portsmouth, Virginia**

For the Fiscal Year Ended June 30, 2015

Prepared by the Department of Finance

Brittany T. Dortch, CPA  
Director of Accounting

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2015**

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June 30, 2015**

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## ***INTRODUCTORY SECTION***





December 4, 2015

The Honorable Members of the School Board  
and the Citizens of the City of Portsmouth, Virginia:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Portsmouth, Virginia School Board (School Board or PPS) for the fiscal year ended June 30, 2015. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School Board. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

For financial reporting, the School Board is a component unit of the City of Portsmouth, Virginia (City), and, accordingly, the financial position and results of operations of the School Board are also reflected in the financial statements included in the City's CAFR. An annual audit of the books of accounts, financial records, and transactions of all the departments of the school division has been performed by Cherry Bekaert LLP, Certified Public Accountants. The auditors' reports, which include their unmodified opinion on the basic financial statements of the school division, are included herein.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This Transmittal Letter is designed to complement the MD&A and should be read in conjunction with it.

The School Board is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, if any, and auditors' reports, are included in the City's CAFR.

### **The Reporting Entity and Organization**

Founded in 1752 and incorporated by the Virginia General Assembly in 1858, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33<sup>rd</sup> largest Metropolitan Statistical Area with over 1.5 million residents. The City encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations. Over 250 years old, the City is the home to one of the world's greatest natural harbors, situated in the James and Elizabeth Rivers, which empties into the Chesapeake Bay. It is bordered by the cities of Chesapeake, Suffolk, and Norfolk to the South, West, and East, respectively.

In accordance with the requirements of the Governmental Accounting Standards, the financial reporting entity consists of a primary government (the City of Portsmouth), and its component units, which are legally

separate organizations. The School Board is considered a component unit of the City and the financial position and results of operations of the School Board are also presented in the City's CAFR. The School Board has no component units for financial reporting purposes. The School Board is fiscally dependent, i.e., it does not have taxing and borrowing authority. It derives most of its funding from the City and the Commonwealth of Virginia allocations.

The School Board's responsibility is the education of elementary and secondary students within the City. The nine-member School Board is elected by the Portsmouth citizens and its members serve a four-year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent who is the executive and administrative head of the public school division. The City Council approves the School Board's operating budget, levies the necessary taxes to finance their portion of the operations, and approves the borrowing of money and issuance of bonds when necessary. The City Council is prohibited from exercising any control over specific expenditures within the operating budget of the School Board. However, City Council may exercise control in total by major categories (e.g. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance and Technology) as prescribed by the Code of Virginia, as amended.

### **Economic Condition and Outlook**

Old Dominion University's Regional Studies Institute (the Institute) recently published the State of The Region - Hampton Roads 2015 report. According to the Institute, the economy within Hampton Roads (which includes the City of Portsmouth) has experienced minimal gains in what has been described as a "not too hot" or "not too cold" economy. Defense spending, the Port of Virginia, and hotels/tourism continue to be the "Big Three" sectors in the Hampton Roads economy.

As a continued trend in the past years, defense spending in Hampton Roads has decreased and is expected to continue to decrease. According to the Institute, defense spending represented 40.3% of the region's Gross Regional Product and is expected to finish at 39% by the end of calendar year 2015. Portsmouth ranked 5<sup>th</sup> and 6<sup>th</sup> in the region for the Department of Defense (DOD) contractual transactions and DOD contracts awarded by city, respectively.

The Port of Virginia generated an estimated 6% of the region's gross domestic product. Cargo tonnage handled by the Port continues to increase year over year. In recent years, the Port has experienced operating losses, however, fiscal year 2015 preliminary results expect the Port to have an estimated \$16.1 million of net of operating income. With the geographical location of the Port, the Port is the largest deep water port (and third largest port) on the East Coast, and with the Port's relationships with major rail companies, the Port appears to be in a good position to experience continued positive growth in future years. As with any business, there are challenges facing the Port (i.e. competitors, facility and logistical constraints, etc.) however, the Port's future and impact on the region's economy appears to be favorable. The Institute has called the Port "a bright spot for our region."

Hotels/tourism continues to experience slow economic growth since the last recession. Hotel/tourism is anticipated to reach pre-recession levels by the end of the 2015 calendar year.

Hampton Roads experienced economic growth of 1.34% (after inflation) in 2014. The estimated growth rate for 2015 is 1.27% (after inflation). This anticipated decrease may be the result of lower median incomes and slow job recovery. The rate of job growth in Hampton Roads continues to lag behind the Commonwealth of Virginia (the Commonwealth) and United States. Both the Commonwealth and the United States have restored jobs lost during the last recession at a faster rate than the Hampton Roads region. It is estimated that the region has not replaced approximately 22,000 jobs which were lost during the recession. Despite slow job growth, the region's unemployment rate is down (5.41%) but this appears to be the result of an increase in the number of persons actively seeking employment.

Unemployment in the City of Portsmouth is 6.7%. The City has also experienced 40% growth between 2001 and 2013 in real (after inflation) non-farm earnings. This growth is before the implementation of tolls in 2014 on the two major tunnels which connect Portsmouth to surrounding cities.

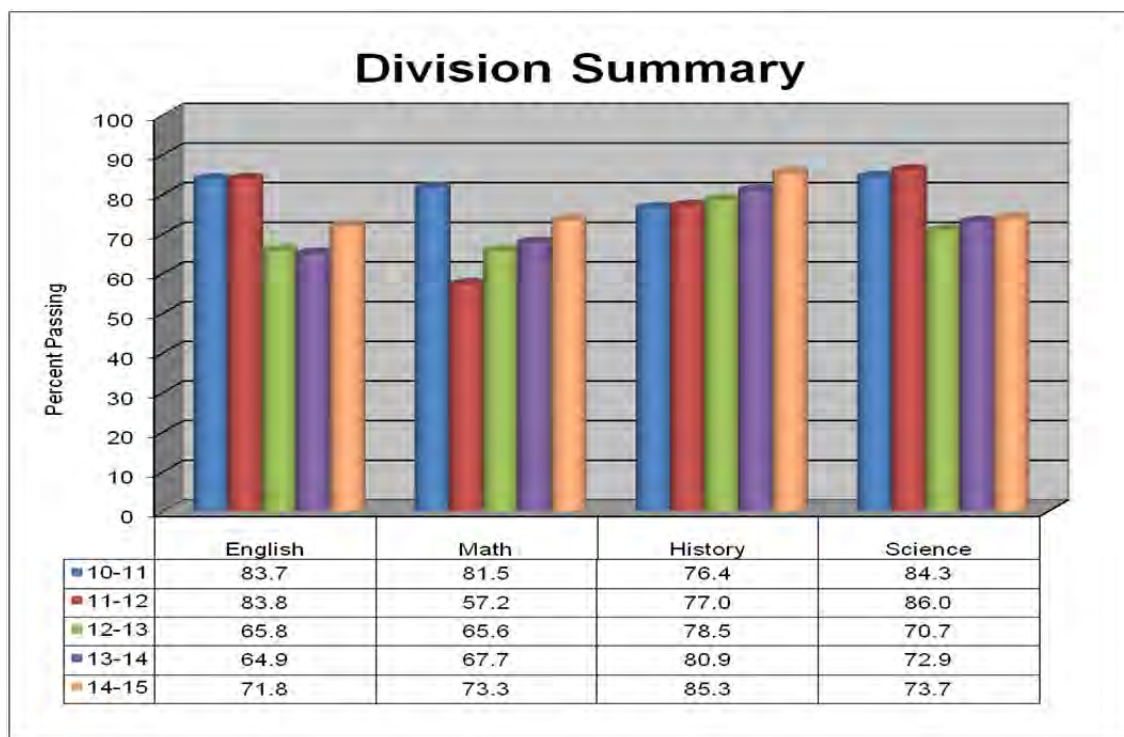
According to 2014 statistics, Portsmouth has a population of 96,004 of which 53.4% is African-American, 41.8% is Caucasian, and 4.8% is other nationality. Major City employers include Norfolk Naval Shipyard, Naval Medical Center- Portsmouth, U.S. Fifth Coast Guard District Command, City of Portsmouth, and PPS. Within PPS, there are approximately 2,061 employees. PPS served 14,809 students in thirteen elementary schools (twelve are Title I schools), three middle schools, three high schools, four Pre-K centers, one alternative school, one adult learning center, and a Career and Technical office at Tidewater Community College, Portsmouth campus. Projected enrollment for FY2015-16 is estimated to be 14,211. Along with general education, PPS serves special education needs. School-wide, 11% of all students received special education services. The average age of school buildings within the district is 47 years. Numerous school building additions and improvements have been completed subsequent to the initial construction of school buildings. The average school building addition and improvement is 9 years.

PPS is funded from local (City of Portsmouth or City), state, and federal resources. State and City funds are the two largest sources of revenue and represent approximately 98% of the total budget. PPS does not have the authority to levy taxes to directly support education; as such the school division is fiscally dependent on the City. State monies are determined based on our Average Daily Membership (ADM) and the local composite index, which measures a school division's ability to pay education costs to meet the Commonwealth's Standard of Quality (SOQ). Federal monies primarily consist of Impact Aid from the United States Government. Significant funding is also received from federal grants.

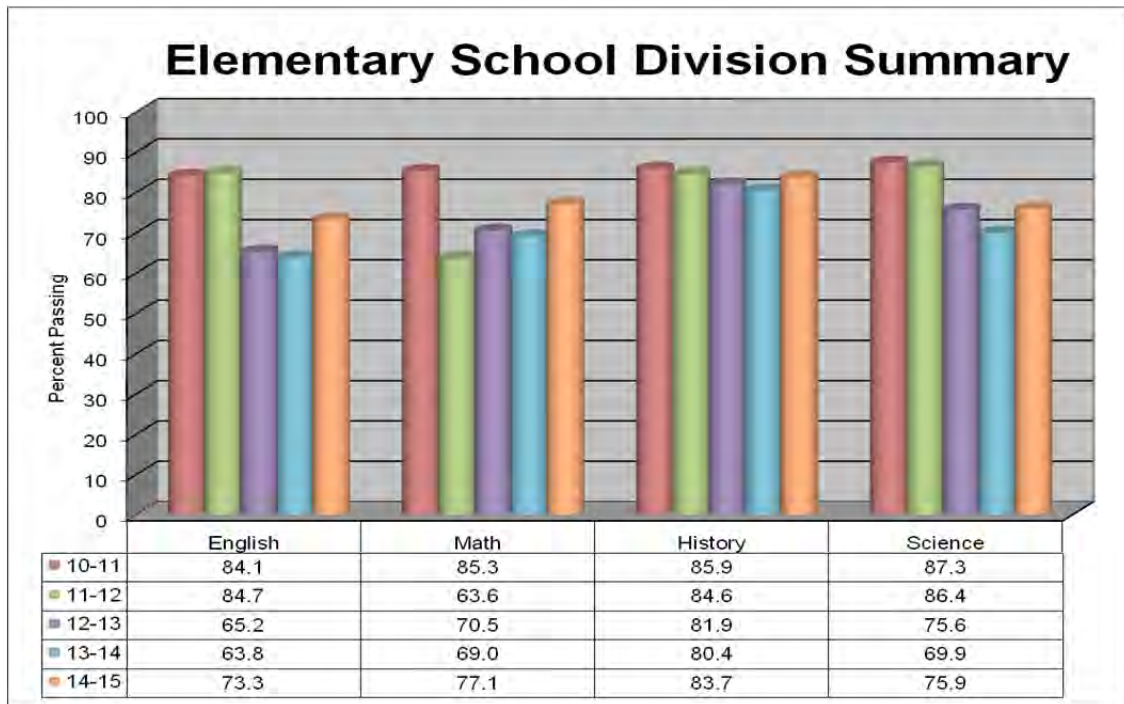
The most recent recession and slow recovery of the region's economy continues to have an effect on the funding of the school division. State funding for FY2014-15 was below the funding levels experienced pre-recession. The outlook for FY2015-16 shows fairly consistent City funding as compared to FY2014-15 and state funds increasing slightly from FY2014-15 (but still below pre-recession state funding levels). Beyond FY2015-16, the economic outlook for PPS continues to pose challenges, however, PPS is committed and continues to be fiscally responsible in providing quality education to the students in the City of Portsmouth.

## **SOL Passing Rates Comparison**

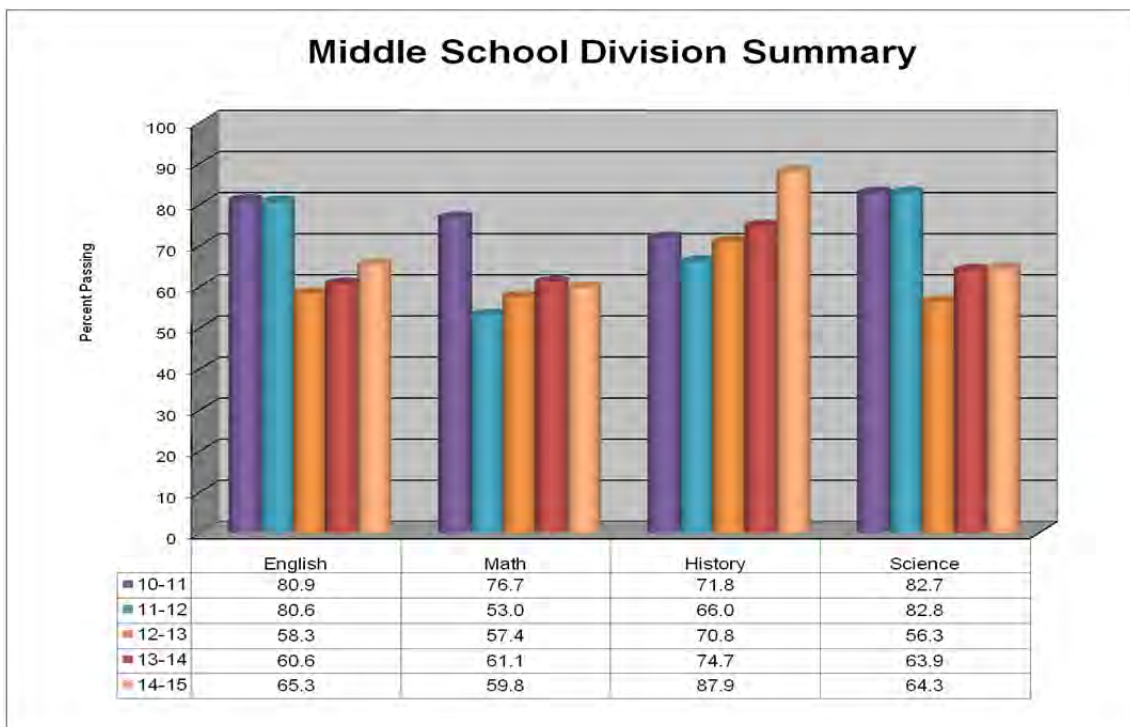
### **Division Summary Portsmouth Public Schools Standards of Learning Assessments**



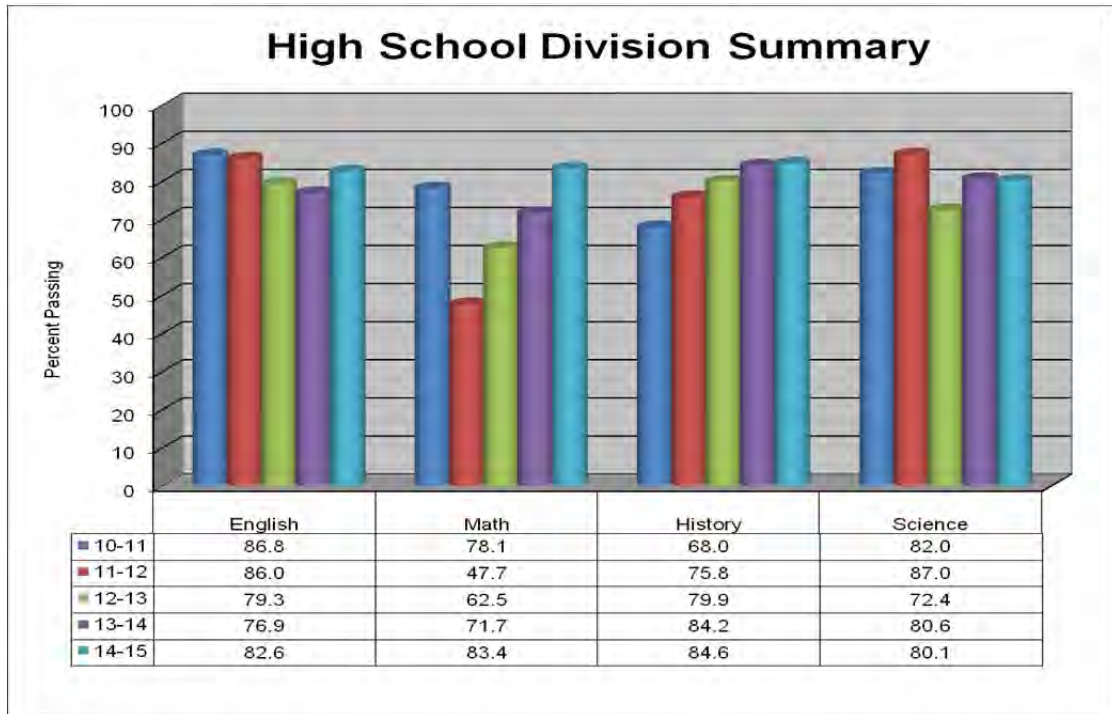
**Elementary Schools Summary  
Portsmouth Public Schools  
Standards of Learning Assessments**



**Middle Schools Summary  
Portsmouth Public Schools  
Standards of Learning Assessments**



**High Schools Summary  
Portsmouth Public Schools  
Standards of Learning Assessments**



## **Major Initiatives and Recognition**

### **Special Education**

The PPS Autism Program participated in water safety at a local YMCA pool. This community integrated activity, organized by a Special Education Supervisor, provided students with water safety practices and supported the students' community, social and sensory learning needs.

A class of students in the Special Education Special Program at Churchland Middle School surprised residents and staff at Golden Living Nursing Home in Portsmouth with gift bags for Valentine's Day. The students prepared 120 gift bags filled with student made trinkets and artwork. This successful event recognized a few of Portsmouth's senior residents, and allowed the students to experience giving back to their community.

The Social Workers' Department Head was elected Tidewater Regional School Social Worker of the Year for the 2014-15 school year.

The Psychologists' Department Head was elected Virginia School Psychologist of the Year as awarded by the Virginia Academy of School Psychology.

One of the Special Education Program Specialists is currently serving on the Virginia Department of Education's (VDOE) "Inclusive Placement Opportunities for Preschoolers" state manual revision team with VDOE and TTAC Staff. PPS is the only school division in the state of Virginia with a representative on the team.

One of the Early Childhood Special Education Teachers is currently serving as the President of the Portsmouth Children First Lion's Club, a community organization dedicated to serving preschoolers with



disabilities in the City. This group has helped build wheelchair ramps at homes, conducted literacy events for parents in partnership with home visiting agencies, donated money for playground equipment, and provided vision screenings at all 4 preschool centers in the City.

In collaboration with the Virginia Department for Aging and Rehabilitative Services (DARS), and Virginia Commonwealth University, PPS Southeastern Cooperative Educational Programs (SECEP) had one student, in one of our alternative programs, participate in a job readiness program through Project Search. The student has been hired for full time employment with Bon Secours/Maryview Hospital in the packaging unit.

Six high school students successfully completed a school-to-work program at the Goodwill Retail Store in Portsmouth for the 2014-15 school year. The School-to-Work Transition Program is a community based work experience that serves students with disabilities between the ages of 17 and 22 who have difficulty accessing and participating in traditional school-based work experience programs. This program serves as a bridge between school and the world of work. The primary purpose of the School-to-Work program is to assist students with disabilities to develop the skills, knowledge, and attitudes required to make them employable or capable of seeking further education and training. The goal of the program is to increase employment opportunities for these students, strengthen their self-determination skills, provide a partnership to assist with their transition, and bridge the gap between school and employment. This program is a result of the partnership between PPS, Goodwill Industries, and DARS.

## **Science - Technology - Engineering - Mathematics (STEM) Pathways**

### Pre-K and Elementary

Pre-K thru grade 6 implemented new textbook series with refreshed curricula. McGraw-Hill was purchased for Pre-K and Houghton-Mifflin-Harcourt for grades K-6. Sustained, targeted Professional Learning Communities (PLC) for Pre-K-6 classroom teachers and principals were in place throughout the school year. Sessions included professional development and sharing of information.

The STARBASE Victory program, the elementary STEM Center, served 3,000+ students in grade 4 SPACEBASE Atlas, grade 5 ENVIROBASE Aquarius, and grade 6 AEROBASE Aquarius.

In line with the Education Goal of the Governor's 2014 Chesapeake Bay Watershed Agreement, 939 fifth grade students, representing 86.78% of the total fifth grade population, participated in a watershed walk at Paradise Creek Nature Park – a 40 acre park within city limits.

All third and fourth grade students attended 100% grant funded field trips to the VA Air and Space Center. In addition, the VA Marine Science Center and Aquarium offered all-expense paid field trips to all fifth grade students.

In response to the VA Department of Education's (VDPE) charge to drop the Standards of Learning (SOL) Assessments for science in grade 3 and writing in grade 5, PPS' Office of Science developed Performance Based Assessments (PBA). These assessments integrate writing into science content. Training and division wide scoring events were held throughout the year for teachers and principals.

Elementary CHROME (Cooperating Hampton Roads Organization for Minorities in Engineering) Clubs participated in an Ocean Explorers competition using LEGO WEDO robots.

### Middle School

As part of the redeveloped middle school science curriculum, new Life and Physical Science textbooks were introduced this school year. Monthly textbook and online resources training was provided along with sustained and targeted professional development for teachers and administrators.

Middle school teachers participated in the Mathematics and Science Partnership (MSP) grant funded program, D'n'A – Discourse and Argumentation. This forty-hour summer institute and school year sessions

allowed the teachers to gain insight into Argument Driven Inquiry from national leader, Victor Sampson and Old Dominion University Instructors.

The STEM program, DISCOVERYBASE, was offered to seventh graders at two of the three middle schools. The program included problem-based BIOBASE Inquiry and ROBOBASE TITAN curricula and offered four-day scenarios using NXT robots to assist with the gathering of evidence.

Additionally, CHROME Clubs within two of the middle schools included the Green City challenge using the NXT robots.

### High School

As part of the redeveloped high school curriculum, new Biology, Earth Science, Chemistry, Physics, and Oceanography textbooks were introduced this school year along with monthly professional development for each discipline.

A place-based Ecology curriculum was developed and will use Paradise Creek Nature Park as a local resource site. Twenty-five high school Biology and Earth Science teachers and their students participated in a watershed study throughout the school year.

PPS hosted one VEX Robotics Regional Competition. One PPS team qualified for the State Competition.

The PPS first robotics team competed at the regional competition in Richmond. Twenty-four students and three coaches took the six-week challenge and placed 42nd out of 64 teams.

Under the State Council of Higher Education for VA (SCHEV) grant, twenty-seven teachers completed the System Science Assessing the Critical Zone, three-hour graduate course in partnership with Hampton University. Teachers explored the American Association for the Advancement of Science (AAAS) assessment development strategies of construct validity within a 5E (Engage-Explore-Explain-Elaborate-Evaluate) learning cycle.

The Annual STEM EXPO attracted over 1,000 PPS students and their parents. The event highlighted the STEM Pathways Program and included thirty-nine STEM partners sharing interactive sessions from 3-D printing to Makerspaces and presentations from thirty-five teachers and science program specialists.

Over 300 elementary, middle, and high school students participated in summer camps in which topics taught included geospatial technologies, robotics, environmental stewardship, and the physics of NASCAR.

### **AC 13 - Academic + Career after High School**

Career and Technical Education (CTE) programs and co-curricular activities provide the skills that address the needs of high growth industries. Over the years, CTE has evolved to match the needs of the changing economy. CTE programs, which consist of, but are not limited to, AutoCAD, Childcare, Culinary, Certified Nursing Assistant, Horticulture, Hotel Marketing, Marine Electric, and Marine Welding, continue to be an asset in preparing students for success. These programs motivate students because these courses connect to the real world, and as a result, students are less likely to drop out.

During FY 2014-15, CTE continued its recent trend of increased enrollment to 6,000 students. The office of CTE offered 865 certifications this school year. Types of certifications offered were Greenhouse Operations, Early Childhood Education, Food Handling, CPR, Registered Pesticide Technician, Microsoft Specialists, Customer Service/Sales, Workplace Readiness, Hospitality Management, and Adobe.

Students involved in CTE clubs such as DECA (Marketing), FBLA (Business), and FCCLA (Family and Consumer Science) participated in local, state, and national competitions throughout the school year. One student was a state finalist in a Retail Merchandising competition.

A total of \$760,288 in scholarships were awarded to CTE students during the school year.

## **Social Studies**

The Office of Social Studies held its 12th Annual History Bowl on April 29, 2015 at Woodrow Wilson High School. A team of three fourth grade students from each elementary school showed their knowledge of Virginia Geography, Economics, and History. The top two schools were Hodges Manor Elementary and Victory Elementary.

## **Human Resources (HR)**

The Instructional Personnel Verification Report (IPAL), an annual report required by the Virginia Department of Education that reflects the school division's data on teacher licensing, reported the percentage of highly qualified teachers at 97.03% for the 2014-15 school year.

During the school year, "Effective Customer Service" training was conducted for the Department of Operations and Churchland High School. The training was tailored to meet the unique challenges of instructional assistants, clerical staff, and selected administrators as it relates to team work, communication, attitude, and conflict resolution.

Staffing specialists attended several recruitment and job fairs and made early commitment offers to five highly-qualified math teachers. Of those, three will start the school year with PPS. A total of 139 instructional positions were staffed in school year 2014-15.

HR hosted the Teacher of the Year and Retirement banquets, both of which were declared a rousing success by all in attendance.

The PPS United Way fundraising campaign raised \$44,625 to support local charities.

HR hosted a meeting of the Tidewater Association of School Personnel Administrators (TASPA). This meeting, held twice each school year, allows area school human resources staff to collaborate and share ideas on staffing, salaries, and personnel practices. At the meeting, the HR Director (who also served as the immediate past-president of the Association) presided over the installation of the PPS HR Senior Supervisor as the incoming president. The HR Senior Supervisor will serve a two year term.

## **Financial Information**

Management is responsible for establishing and maintaining an internal control structure which is designed to provide reasonable, but not absolute, assurance. Reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits require estimates and judgments by management. A component of internal control structure should increase the probability that material errors or fraud, that may occur, are detected in a timely manner by employees in the normal course of performing their duties.

The School Board management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board and City Council. The school division maintains an encumbrance accounting system as a method of accomplishing budgetary control. Outstanding encumbrances or open purchase orders at the end of the fiscal year are a use of the current fiscal year budget and are carried forward to the next fiscal year. The School Board has adopted budgets for the following funds - General, Textbooks, Grants, Food Services, Capital Projects, Print Shop, and Risk Management. The School Board and the City Council adopt the School Operating Budget by March and April, respectively, for the upcoming fiscal year.

The School Board pays the City a yearly fee to manage the School Board's risk management program. The School Board is "fully insured" for auto liability and for general liability through the Virginia Association of Counties Group Self Insurance Risk Pool (VACORP). For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$500,000. Workers Compensation claims are handled by VACORP, a third-party claims administrator.



Except for funds under the trust account for Other Post-Employment Benefits, the City Treasurer is the custodian of pooled cash and temporary investments, and funds held for student activity accounts and related investments. Our financial institution keeps a minimum required balance in a general depository account and invests the excess in an Institutional Money Market Fund. The investments are in compliance with industry-standard requirements for money market funds for quality, maturity, and diversification on investments. Interest earned is allocated among all the pooled cash funds based on General Ledger cash balances at the end of each month.

## **Awards**

### **Certificate of Excellence**

The Association of School Business Officials (ASBO) awarded the School Board its Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The Certificate of Excellence is valid for a period of one year only. This is the ninth consecutive year that PPS has achieved this prestigious award.

The Financial Reporting Award was designed by ASBO to enable school business officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. Since its inception in 1972, the program has gained the distinction of being a prestigious national award recognized by accounting professionals, underwriters, securities analysts, bond rating agencies, state and federal agencies, and education, teacher, and citizen groups.

ASBO, founded in 1910, is a professional association, which provides programs and services to promote the highest standards of school business management practices, professional growth, and the effective use of educational resources.

### **Certificate of Achievement**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to PPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This is the eighth consecutive year that PPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the School Board must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

### **Meritorious Budget Award for Excellence**

ASBO awarded the Meritorious Budget Award for Excellence in the preparation and issuance of the School Board's budget for FY2015-16. The budget is judged on its conformity to the principles and standards of ASBO's budget award program. The program promotes and recognizes excellence in school budget presentation and enhances the school business officials' skills in developing, analyzing and presenting a school system budget.

### **Distinguished Budget Presentation Award**

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Portsmouth City School Board, Virginia for its annual budget for budget for FY2015-16. In order to receive this award, a governmental unit must publish a budget

document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

### **Academics**

The First College program has grown from 19 students in 2006 to 191 scholars this school year. Eighteen of the students earned all A's. This session, the students achieved a C or better in 82% of the courses they attempted and will be able to transfer the courses as college credit to 4-year universities.

Of the 832 members of the Class of 2015, 285 received Advanced Studies Diplomas and 302 graduated with Honors. The Class of 2015 earned 3,646 college credits. Merit-based scholarships were awarded in the amount of \$11,923,432. One member of the Class of 2015 earned dual associate degrees along with her high school diploma.

### **Acknowledgements**

We would like to express our sincere gratitude to the personnel in the Department of Finance who participated in the preparation of this report and to our independent auditors, Cherry Bekaert LLP. Appreciation is also extended to the School Board and to its administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Elie Bracy, III".

Elie Bracy, III, Ed.D.  
Division Superintendent

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2015**

**Members of the School Board and School Board Officials**

**School Board**

Mr. James E. Bridgeford ..... Chairman

Mr. Claude C. Parent.....Vice Chairman

Rev. Joseph A. Fleming

Mrs. Sarah D. Hinds (term started November 5, 2014)

Mr. Ted J. Lamb

Mr. B. Keith Nance, Sr.

Rev. Cardell C. Patillo (term started January 1, 2015)

Dr. Ingrid P. Whitaker (term started January 1, 2015)

Mrs. Costella Williams

**Officials**

Dr. Elie Bracy, III ..... Division Superintendent

Dr. Anita W. Taylor.....Assistant Superintendent for Curriculum and Instruction

Mr. Christopher P. Steele ..... Assistant Superintendent for Budget and Planning

Ms. Brittany T. Dortch, CPA..... Director of Accounting

Mrs. Kathy L. Chambliss ..... Clerk of the School Board

Mrs. Laura Chandler .....Deputy Clerk of the School Board

Mr. James L. Williams..... City Treasurer



## Portsmouth City School Board



Mr. James E. Bridgeford  
*School Board Chairman*  
Member of the School Board since 1990  
Current Term expires December 31, 2016  
Retired Systems Accountant and Federal Auditor

Mr. Claude C. Parent  
*School Board Vice-Chairman*  
Member of the School Board since 2010  
Current Term expires December 31, 2018  
Minister of Church Administration, Retired Educator



Rev. Joseph A. Fleming  
Member since July 2012  
Current Term expires  
December 31, 2018  
Assistant Pastor, Former Teacher



Mrs. Sarah D. Hinds  
Member since 2014  
Current Term expires  
December 31, 2016  
Career Educator



Mr. Ted J. Lamb  
Member since 2013  
Current Term expires  
December 31, 2016  
Career Educator



Mr. Brian K. Nance, Sr.  
Member since 2009  
Current Term expires  
December 31, 2016  
Consultant



Rev. Cardell C. Patillo  
Member since January 2015  
Current Term expires  
December 31, 2018  
Youth Pastor



Dr. Ingrid P. Whitaker  
Member since January 2015  
Current Term expires  
December 31, 2018  
Associate Professor



Mrs. Costella B. Williams  
Member Since 2008  
Current Term expires  
December 31, 2016  
Supervisor and  
Community Volunteer

•   •   •  
The mission of the Portsmouth Public Schools is “to challenge the minds, challenge the bodies,  
and challenge the dreams of all students while focusing on excellence”.  
•   •   •

## MISSION AND VISIONS

The School Board adopted the Mission Statement above in August 2007. To accomplish this mission, the School Board approved a 2007-2017 Comprehensive Plan in December 2007 with five visions for the future. Every two years the School Board reviews the plan and revises it as necessary. They added a sixth vision in December 2009. The plan's six visions are summarized below. The full text of the Comprehensive Plan, including multiple goals and measurable objectives, is printed in a separate publication.

1. *By 2017, the Portsmouth School Board will be a leading force for community advancement.* To complete this vision, the School Board will seek recognition by the Virginia School Boards Association (VSBA) as a “Board of Distinction,” and they will implement technology to increase the efficiency of its operation.
2. *By 2017, all parents of Portsmouth Public School students will be excited about and claim ownership of their children's education.* Schools will exhibit a parent-friendly environment and will work with the Communities in Schools organization to involve parents and families in their children's schooling. Parents will be invited into schools, and parent literacy programs will be expanded.
3. *By 2017, all graduates of Portsmouth Public Schools will be highly sought after by both employers and institutions of higher learning.* The Board envisions that 100% of Portsmouth Public Schools students will graduate and enter a post high school educational program or a job that requires specific training. They see high-quality teachers seeking our school division and growing within it. Portsmouth Public Schools will establish programs within the school division to encourage and support students and staff members to become teachers. At the same time, the school system will establish a program evaluation system that will indicate which programs merit expansion, modification, or deletion.
4. *By 2017, Portsmouth Public Schools will be recognized by educational organizations and institutions of higher learning for its innovative and effective programs.* To fulfill this vision, all graduates of Portsmouth Public Schools will successfully complete three years of high school mathematics and three years of a foreign language. The School Board expects it will enhance cultural awareness and learning experiences through the arts. Portsmouth Public Schools will partner with city agencies and with faith-based and civic organizations to establish a comprehensive Pre-K program. Lastly, Portsmouth Public Schools will strengthen athletic and other extracurricular programs to make our students more competitive on the state and national levels.

5. *By 2017, all Portsmouth Public Schools students will be socially responsible and respected as lights of inspiration for future generations.* To accomplish this vision, Portsmouth Public Schools will provide leadership development programs for all students and teach them the value of being law-abiding citizens.
6. *By 2017, the Portsmouth City School Board will provide educational facilities – including technology – that contribute to the learning environment for students and provide safe and accessible facilities for students and staff.* The Board expects to provide facilities that support the 21st Century Learning Environment and will participate in the Virginia School Boards Association (VSBA) Green Schools challenge by implementing environment-friendly solutions. In addition to providing and maintaining safe facilities and equipment, they will also build processes, responsibilities, and technologies that provide information to understand the past and present and enable the shaping of the future.

The School Board's budget is formulated to accomplish the visions listed above and supports the Comprehensive Plan. In the Plan, numerous goals for each vision along with objectives for the goals are listed. Most of the costs associated with achieving the goals are accommodated within the budget for the day-to-day operation of the various departments. With decreasing revenue, it has been difficult to fund some of the objectives; thus, they have been delayed. For example, under Vision 4, the Board identified a goal related to foreign languages. One objective was to include foreign language as part of the elementary school curriculum in grades 4-6. The cost, for this objective, involved supplements for curriculum writers, additional supplies, and hiring additional teaching staff. Since additional funds cannot be identified to support this objective, it has been postponed until funds become available on a continuing basis.

Many of the objectives require funding that simply is not available or cannot be supported on a continuing basis. While the School Board recognizes this limitation, it also expects the staff to diligently work toward achieving the visions and goals adopted in the Comprehensive Plan. Budget constraints continue to limit or postpone the implementation of some objectives, but the division continues to strive toward achieving every goal possible with the funds already budgeted.

One shining example of achieving the Board's visions and goals (specifically, Vision 4, Goal G) is the implementation of additional preschool centers to ensure that students entering kindergarten will make a seamless transition by possessing the readiness skills that ensure success in a public school setting. The division staffs four preschool centers with an adequate number of classrooms to serve all preschool students whose parents wish for them to attend.

Raising the level of publicity for athletics programs is a goal under Vision 4. The PSET (Portsmouth Schools Education Television) facilities are being upgraded to enable athletic events to be televised. This upgrade will also allow for expanded use of PSET resources in the classroom. Additionally, the School Board is considering a program to solicit corporate sponsorships for athletic programs.

An objective under Vision 6 is to provide gymnasiums for all elementary schools to provide for indoor physical education classes for our students. That objective has been met.



# Association of School Business Officials International



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

**City of Portsmouth, Virginia School Board**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2014*

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



A handwritten signature in black ink, appearing to read "M. Pepera", is written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read "John D. Musso", is written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director



Government Finance Officers Association

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

Presented to

**City of Portsmouth, Virginia  
School Board**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

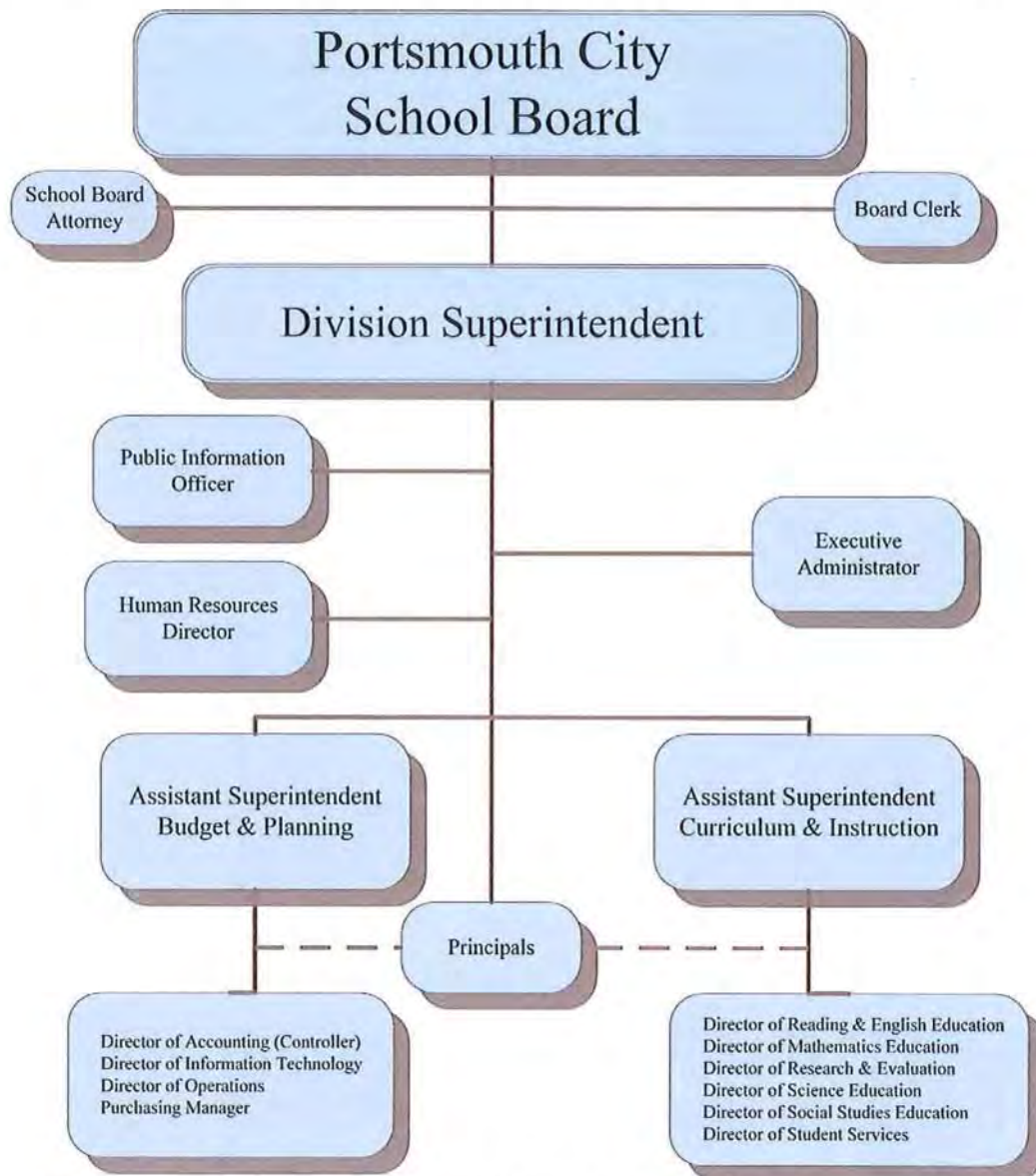
**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emswiler".

Executive Director/CEO



# Division Organizational Chart 2014-15



Rev. 03/2015 Please note: at the time of publication, the Superintendent is considering reorganization for 2015-16. This reorganization will be expenditure neutral and within the appropriated categories.

## ***FINANCIAL SECTION***

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## **Report of Independent Auditor**

The Honorable Members of the School Board  
City of Portsmouth, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth, Virginia School Board, Virginia (the "School Board"), a component unit of the City of Portsmouth, 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's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 10 to the financial statements, the School Board implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board ("GASB") Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

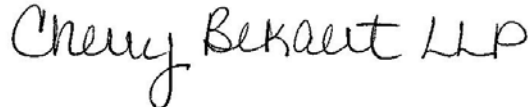
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board of the City of Portsmouth, Virginia's basic financial statements. The introductory section, combining internal service fund financial statements, the statement of changes in assets and liabilities-agency funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining internal service fund financial statements, and the statement of changes in assets and liabilities-agency funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining internal service fund financial statements, and the statement of changes in assets and liabilities-agency funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the School Board of the City of Portsmouth, 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's internal control over financial reporting and compliance.

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

Virginia Beach, Virginia  
December 4, 2015

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**June 30, 2015**

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This section of the City of Portsmouth, Virginia School Board's ("School Board" or "PPS") annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year (FY) ended June 30, 2015. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights for Fiscal Year Ended June 30, 2015 (FY 2015)**

PPS' financial status, as reflected in total net position, increased 13% to \$(63.3) million.

On the Statement of Net Position – Governmental Activities, total liabilities at June 30, 2015 totaled \$160.4 million. The bulk of the current liabilities of \$15.3 million are related to accrued payroll and accounts payable, while the majority of the non-current liabilities is related to the net pension liability recorded based on the implementation of GASB 68, *Accounting and Financial Reporting for Pension* – an amendment of GASB Statement No. 27, which became effective for financial statement periods beginning after June 15, 2014.

On the Statement of Activities, total net position increased from \$(72.5) million at June 30, 2014 (after restatement) to \$(63.3) million at June 30, 2015. The beginning net position was restated primarily due to the implementation of GASB 68, as noted above.

The General and Textbook Funds experienced an increase in fund balance. The Food Services and Grant Funds experienced a decrease in fund balance.

Total intergovernmental revenue was \$160.8 million. Of that, \$52.4 million was from the City of Portsmouth ("City"), \$91.5 million was from state aid from the Commonwealth of Virginia, and \$16.6 million was from the federal government. Charges for services totaled \$14.8 million. Interest and other charges were \$2.2 million.

**Overview of the Financial Statements**

This Comprehensive Annual Financial Report has six component sections: *management's discussion and analysis* (this section), *the basic financial statements*, *other supplementary information*, an optional section that presents *combining statements* for internal service funds, a *statistical section*, and a *compliance section*.

There are two types of financial statement presentations - one for the School Board as a whole (government-wide), and one for the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status on an economic resource focus. The remaining statements are fund financial statements that focus on a current financial resource basis and individual parts of the School Board's operations in more detail than the government-wide financial statements.

Also included in the financial statements are *notes* that explain some of the information in the financial statements and provide more detailed data. Following the statements is a section of *required supplementary information* that further explains and supports the information in the financial statements.

The chart on the following page summarizes the major features of the School Board's financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.



Major Features of the School Board's Government-Wide and Fund Financial Statements:

	<b>Government-Wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire school system	The activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds	Activities the school system operates similar to private businesses, such as the Print Shop Fund	Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB trust and Student Activities Fund
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of changes in net position (Fiduciary Fund only)</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	The school system's fund does not currently contain capital assets nor liabilities
Deferred inflows/outflows of resources	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred

## Government-Wide Statements

The government-wide statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School Board's assets plus deferred outflows and liabilities plus deferred inflows, while the Statement of Activities reports the School Board's revenues and expenses, regardless of when cash is received or paid. Both of the statements are prepared using the full accrual basis of accounting, which is similar to private-sector accounting.

The two government-wide statements report the School Board's net position and how they have changed. Net position, the difference between the School Board's assets plus deferred outflows and liabilities plus deferred inflows, is one way to measure the School Board's financial health or position.

- Over time, increases or decreases in the School Board's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School Board you need to consider additional non-financial factors such as changes in the student population and the condition of school properties.

The government-wide financial statements of the School Board include only governmental activities, as the School Board does not have business-type activities. Most of the School Board's basic services are included here, such as administration, instruction, attendance and health, pupil transportation, information technology, and operations and maintenance. State aid, Federal aid, and State and Federal grants finance most of these activities.

## Fund Financial Statements

The fund statements focus on the major funds of the School Board, rather than the entity as a whole. These financial statements are presented on a modified accrual basis and are accounting devices that the School Board uses to keep track of specific sources of funding and spending for particular purposes.

The School Board has three types of funds:

- *Governmental funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses two *internal service funds*. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies or to other unrelated governmental units, usually on a cost reimbursement basis. The Print Shop Fund supplies printing and graphic services to the City of Portsmouth, outside entities, and functional units in the School Board on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board.
- *Fiduciary funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to report resources that are required to be held in a trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or employee benefit plans.

## Financial Analysis of the School Board as a Whole

Following is a discussion of the major financial highlights of the School Board financial statements:

### Net Position

The School Board's net position at the year ended June 30, 2015 was \$(63.3) million, which was composed of \$(133.3) million in unrestricted net position, \$2.4 million in restricted for other purposes, and \$67.6 million net investment in capital assets. Capital assets of the School Board for which the City of Portsmouth has incurred related debt are reflected in the City of Portsmouth's financial statements. All capital assets that are School Board assets, which are not secured by debt, are reported in the School Board's financial statements. The fund balance for FY 2014 was restated primarily due to the implementation of GASB 68.

Under GASB 68, governments are required to record a net pension liability in the Statement of Net Position. The implementation required the recognition of deferred inflows/outflows related to pensions, pension expense, and also required prior period adjustments to the beginning net position. The net pension liability for Portsmouth Public Schools as of June 30, 2015 is \$137.9 million. The net pension liability caused net position to show a deficit of \$63.3 million. The net pension liability has existed since the start of the School Board's pension plans. With the issuance of GASB 68, the Government Accounting Standard Board, effective June 30, 2015, has now made it a requirement for governments to present this liability for the first time within the Statement of Net Position. The liability for the pension plan can be likened to the concept of parents establishing an investment account which will be used to fund their infant child's college education when the child turns 18. The first day the child is born, the parents have a future college liability that they will plan to steadily fund so that when the child is ready to go to college, there are funds available to meet the obligation. Both of the School Board's pension plans are under the Virginia Retirement System (VRS). All funding for the School Board's pension plans are done in accordance with the VRS funding requirements.

Readers desiring more information on the School Board's pension plans are referred to Note 5 in the basic financial statements.

### Net Position Years Ended June 30, (In thousands of dollars)

	2015	2014 (Restated)
Current and other assets	\$ 40,208	\$ 33,801
Capital assets	68,582	71,406
Total assets	108,790	105,207
Deferred outflows related to pensions	12,048	9,847
Total Deferred outflows of resources	12,048	9,847
Long-term debt outstanding	145,165	177,196
Other liabilities	15,273	10,356
Total liabilities	160,438	187,552
Deferred inflows related to pensions	23,679	-
Total Deferred inflows of resources	23,679	-
Net position:		
Net investment in capital assets	67,581	68,535
Restricted		
Grants	528	611
School Food Services	894	1,710
Textbook	989	863
Unrestricted (deficit)	(133,271)	(144,217)
Total net position	\$ (63,279)	\$ (72,498)

## Changes in Net Position

The breakdown of program revenue is as follows: 63% comes from operating contributions, while the remaining program revenue is from charges for services. In the prior year, operating contributions represented 95% of program revenue. The change in breakdown of program revenues between operating contributions and charges for services from the prior year is due to the establishment of the health self-insurance plan, which is accounted for in the General Fund. Total general revenues for FY 2015 were \$132 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 39% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

### Changes in Net Position

Years Ended June 30,  
(In thousands of dollars)

	<b>2015</b>	<b>2014 (Restated)</b>
Revenues:		
Program revenues:		
Charges for services	\$ 16,732	\$ 2,510
Operating grants and contributions	29,091	30,530
General revenues:		
Interest and investment earnings	1	6
Grants and contributions not restricted	131,801	125,366
Miscellaneous	240	597
Total revenues	<u>177,865</u>	<u>159,009</u>
Program expenses:		
Instruction	114,824	117,951
Administration, Attendance and Health Services	8,468	7,703
Pupil Transportation	7,063	6,567
Operations and Maintenance	14,486	15,372
Information Technology	6,900	4,160
Food Services	7,719	8,016
Self Insured Health	9,073	
Interest on long-term debt	113	146
Total program expenses	<u>168,646</u>	<u>159,915</u>
Special Item - Abandonment of CIP Assets	-	4,779
Change in net position	<u>9,219</u>	<u>(5,685)</u>
Beginning net position, as previously stated	(72,498)	84,363
Restatement due to net pension liability	-	(151,176)
Beginning net position, as restated	<u>(72,498)</u>	<u>(66,813)</u>
Ending net position	<u>\$ (63,279)</u>	<u>\$ (72,498)</u>

Charges for services increased by \$14.2 million from the previous year. This increase is primarily due to implementation of the PPS health self-insurance plan effective 1/1/2015. The health self-insurance plan is accounted for in the General Fund.

Grants and contributions not restricted, in the general revenues section, increased by \$6.4 million over the previous fiscal year. This increase is primarily due to increased state funding based on the increase in average daily membership in FY 2015 as compared to FY 2014, and increased funding from the City.

Total program expenses increased by \$8.7 million from the previous fiscal year. The increase is primarily due to the recording of expenses incurred within the health self-insurance plan established 1/1/2015 and management's focused initiative to spend down the FY 2015 budget.

## Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$15.9 million for fiscal year ended June 30, 2015. The current year compared to last year is as follows:

### Fund Balance Comparison Years Ended June 30, (in thousands of dollars)

	2015	2014
Fund:		
General	\$ 13,697	\$ 4,874
Grants	285	1,192
Food Services	897	1,734
Textbook	989	863
Total combined fund balance	<u>\$ 15,868</u>	<u>\$ 8,663</u>

There were several factors that contributed to the change in fund balances.

### General Fund

During FY 2015, the General Fund received \$7.3 million in additional funding (which includes the re-appropriation of \$2.3 million of FY 2014 unassigned fund balance to FY 2015) compared to the previous year. End of the year assigned fund balance increased from \$2.3 million to \$6.7 million from the previous year. The increase is primarily due to the encumbrances associated with the implementation of the Virginia e-Learning Backpack Initiative which included the purchase of student tablet devices and upgrades to the wireless network/system within schools. Additionally, PPS became self-insured for healthcare benefits effective January 1, 2015. Activity related to the health self-insurance is recorded within the General Fund. The excess of charges for services over actual health expenses paid (and incurred) between January 1, 2015 and June 30, 2015 is included within fund balance.

### Grants Fund

During FY 2015, the schools Grants Fund (a multi-year fund) received \$15.9 million in revenues and \$1.2 million required local match from the General Fund for total funding of \$17.1 million. Total grant expenditures totaled \$18.0 million. The excess of expenditures over revenues (including local match requirements) caused fund balance to decrease by \$.9 million from FY 2014. The decrease in fund balance is primarily due to use of previous years Virginia Public School Authority (VPSA) Education Technology notes awarded by the State for technology expenditures in the current year.

### Food Services Fund

During FY 2015, the school Food Services Fund received \$7.2 million in revenues and incurred \$8.1 million in expenditures. The excess of expenditures over revenues caused fund balance to decrease by \$.9 million from FY 2014. The decrease in fund balance is primarily due to serving approximately 27,000 less paid students during FY 2015 as compared to FY 2014, and less sales of a la carte items to students as part of the strategy to encourage students to receive reimbursable meals instead of purchasing a la carte items for lunch. Additionally, the cost of food has increased due to the increase in nutritional requirements.

## Textbook Fund

During FY 2015, the Textbook Fund received \$1 million in revenues and \$.3 million in required local match from the General Fund for total funding of \$1.3 million. Total expenditures incurred were \$1.2 million. The excess of revenues over expenditures caused fund balance to increase by \$.1 million from FY 2014.

## General Fund Budgetary Highlights

Throughout FY 2015, the School Board monitors its total budget; however, the School Board delegates authority to the superintendent to move budget amounts within each category only to meet the changing needs of the School Board. Budget amounts which need to be moved between categories must receive School Board and City Council approval prior to movement. The School Board's administration manages actual spending to revenue received.

### General Fund Fiscal Year 2015 (In thousands of dollars)

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Original Budget versus Amended Budget Variance	Amended Budget versus Actual Variance
Revenues:					
Intergovernmental	\$ 138,329	\$ 141,104	\$ 140,628	2.0%	-0.3%
Charges for services	-	-	14,228	0.0%	100.0%
Other	1,209	1,425	2,485	17.9%	74.4%
Total	139,538	142,529	157,341	2.1%	10.4%
Expenditures and transfers:					
Instruction	103,065	99,394	99,302	-3.6%	-0.1%
Administration, Attendance, and Health	6,476	6,891	6,849	6.4%	-0.6%
Pupil Transportation	6,353	6,606	6,585	4.0%	-0.3%
Operations and Maintenance	15,551	16,389	16,265	5.4%	-0.8%
Information Technology	4,517	8,596	8,587	90.3%	-0.1%
Self insured health	-	-	9,073	0.0%	100.0%
Debt Service	985	2,060	2,061	109.1%	0.0%
Transfers in/out	2,591	2,593	1,883	0.1%	-27.4%
Total	139,538	142,529	150,605	2.1%	5.7%
Change in fund balance, budgetary basis	\$ -	\$ -	\$ 6,736	0.0%	0.0%

Actual other revenues as compared to the amended budget for other revenues increased by \$1 million or 74.4%. The increase in other revenues is primarily due to receipt of larger than expected Medicaid reimbursements and Optima healthcare rebate (under 2014 fully insured plan) in FY 2015 than was received in FY 2014. PPS' Special Education department continues to make improvements in the Medicaid cost reconciliation process and contracted with a third party to provide further assistance in the cost reconciliation process. The Optima healthcare rebate is not known until the subsequent June following the end of the benefits year which is on a calendar year basis. PPS will no longer receive a healthcare rebate due to the start of the health self-insurance plan effective January 1, 2015.

The amended budget for information technology expenditures, compared to the original budget for information technology expenditures, increased by \$4.1 million or 90.3% primarily due to the implementation of the Virginia e-Learning Backpack Initiative which included the purchase of student tablet devices and upgrades to the wireless network/system within schools.

The amended budget for debt service, compared to the original budget for debt service, increased by \$1.1 million or 109.1% due to the School Board's and City Council's approval to pay off the FY 2016 debt service payment, in June 2015, to allow for a \$1 million decrease in the FY 2016 appropriation from the City.

#### **Grants Fund**

During FY 2015, the schools Grants Fund (a multi-year fund) received \$15.9 million in revenues and \$1.2 million required local match from the General Fund for total funding of \$17.1 million. Total grant expenditures totaled \$18.0 million. The excess of expenditures over revenues (including local match requirements) caused fund balance to decrease by \$.9 million from FY 2014.

#### **Food Services Fund**

During FY 2015, the school Food Services Fund received \$7.2 million in revenues and incurred \$8.1 million in expenditures. The excess of expenditures over revenues caused fund balance to decrease by \$.9 million from FY 2014.

#### **Textbook Fund**

During FY 2015, the Textbook Fund received \$1 million in revenues and \$.3 million in required local match from the General Fund for total funding of \$1.3 million. Total expenditures incurred were \$1.2 million. The excess of revenues over expenditures caused fund balance to increase by \$.1 million from FY 2014.

#### **Print Shop Fund (Internal Service Fund)**

During FY 2015, the print shop incurred a \$.2 million loss, primarily due to decreased sales and changes in instructional and operational practices over the years which require decreased levels of printing. As a result of six (6) consecutive years of operating losses, the School Board approved the closure of the print shop fund effective for FY 2016.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of June 30, 2015, the School Board had \$68.6 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of the capital assets are the school bus fleet and the maintenance vehicles.

#### **Capital Assets**

Years Ended June 30,

(Net of depreciation, in thousands of dollars)

	<b>2015</b>	<b>2014</b>
Land	\$ 6,086	\$ 6,125
Buildings and improvements	54,131	56,978
Equipment	8,365	8,270
Intangibles	-	33
Total	<u>\$ 68,582</u>	<u>\$ 71,406</u>

Land and buildings decreased due to the sale of Burton's Point to the Portsmouth Port and Industrial Commission, and FY 2015 depreciation on existing building assets. Equipment increased due to the net of \$1.3 million of new assets and \$1.2 million of depreciation on equipment for FY 2015. The decrease in intangibles is due to FY 2015 amortization.

Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

### **Long-Term Liabilities**

Long-term liabilities, excluding pension and OPEB, as of fiscal year end were \$7.2 million, with \$5.2 million due in greater than one year and the remaining \$2.0 million due within one year.

The significant portions of long-term liabilities were \$4.4 million in vacation and sick leave, \$1.0 million in energy lease obligations and \$1.8 million in claims payable related to potential workman's compensation claims and medical benefits claims.

Readers desiring more information on long-term liabilities are referred to Note 4 in the basic financial statements.

### **Economic Factors**

The unemployment rate for Portsmouth is well above the Metropolitan Statistical Area (MSA), Commonwealth of Virginia (state), and U.S. rates. In September 2015, the unemployment rate was 5.8% for Portsmouth, 4.6% for the MSA, 4.1% for the state, and 4.9% for the U.S.

Portsmouth had a per capita personal income of \$39,047 in 2013 (most recent information available), which was 20% less than the per capita income for the state at \$48,838, and 13% less than the nation's at \$44,765 (U.S. Bureau of Economic Analysis). Portsmouth's median household income in 2014 increased 2% to \$44,905 from 2014 and is 16% less than the national median household income.

### **Factors Influencing Future Budgets**

- Employee health care costs
- Employee postemployment benefits
- Inadequate state and federal aid
- Unfunded state and federal mandates
- Competitive salaries and pay raises
- Global and national economic conditions
- Fluctuations in student enrollment

### **Contacting the School Board's Financial Management**

This financial report is designed to provide citizens, taxpayers, parents, guardians, and creditors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portsmouth, Virginia, School Board, Superintendent's Office, and 801 Crawford Street, 3<sup>rd</sup> Floor, Portsmouth, Virginia 23704.



**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit I**

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

**June 30, 2015**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 28,085,351
Due from the federal government	1,464,844
Due from the Commonwealth of Virginia	1,223,203
Receivables - net	4,156,556
Prepays	77,612
Inventory	222,538
Capital assets not depreciated	6,085,707
Other capital assets - net	62,496,307
Net OPEB asset	4,978,072
<b>Total assets</b>	<b>108,790,190</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	12,048,636
<b>Total deferred outflows of resources</b>	<b>12,048,636</b>
<b>LIABILITIES</b>	
Accounts payable	6,090,029
Accrued payroll	7,684,371
Accrued payroll taxes	585,983
Health claim payable	912,670
Long-term liabilities	
Due within one year	2,018,791
Due in more than one year	5,188,641
Net pension liability	137,958,036
<b>Total liabilities</b>	<b>160,438,521</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	23,679,312
<b>Total deferred inflows of resources</b>	<b>23,679,312</b>
<b>NET POSITION</b>	
Net investment in capital assets	67,581,007
Restricted	
Grants	528,276
School food services	893,933
Textbook	988,698
Unrestricted (deficit)	(133,270,921)
<b>Total net position</b>	<b>(63,279,007)</b>
<b>Total liabilities and net position</b>	<b>\$ 120,838,826</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit II**

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

**Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration, attendance, and health services	\$ 8,468,372	\$ 743,237	\$ -	\$ -	\$ (7,725,135)
Instruction	114,823,655	36,548	23,666,175	-	(91,120,932)
Pupil transportation	7,062,852	89,795	-	-	(6,973,057)
Operations and maintenance	14,485,401	8,756	-	-	(14,476,645)
Information technology	6,900,309	-	-	-	(6,900,309)
Food service	7,718,574	1,625,939	5,424,966	-	(667,669)
Self insured health	9,073,104	14,228,080	-	-	5,154,976
Interest on long-term debt	113,167	-	-	-	(113,167)
<b>Total Primary Government</b>	<b>\$ 168,645,434</b>	<b>\$ 16,732,355</b>	<b>\$ 29,091,141</b>	<b>\$ -</b>	<b>(122,821,938)</b>
<b>General revenues</b>					
From primary government					52,400,000
Unrestricted grants and contributions					79,400,839
Investment earnings					463
Miscellaneous					239,964
<b>Total general revenues</b>					<b>132,041,266</b>
<b>Change in net position</b>					<b>9,219,328</b>
<b>Net position - beginning of year, as restated</b>					<b>(72,498,335)</b>
<b>Net position - end of year</b>					<b>\$ (63,279,007)</b>

The accompanying notes are an integral part of the basic financial statements.

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2015**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and temporary investments	\$ 21,122,300	\$ 761,422	\$ 1,280,917	\$ 1,128,684	\$ 24,293,323
Receivables	3,746,900	358,725	22,374	-	4,127,999
Due from federal government	31,085	1,090,730	343,029	-	1,464,844
Due from Commonwealth of Virginia	1,223,203	-	-	-	1,223,203
Due from other funds	1,723,941	90,064	13,682	-	1,827,687
Prepays	77,612	-	-	-	77,612
Inventory	196,573	-	25,787	-	222,360
<b>Total assets</b>	<b>\$ 28,121,614</b>	<b>\$ 2,300,941</b>	<b>\$ 1,685,789</b>	<b>\$ 1,128,684</b>	<b>\$ 33,237,028</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,168,864	\$ 597,671	\$ 245,882	\$ 77,612	\$ 6,090,029
Accrued payroll	7,661,022	8,202	11,068	938	7,681,230
Accrued payroll taxes	585,983	-	-	-	585,983
Health claims payable	912,670	-	-	-	912,670
Due to other funds	42,310	1,214,822	509,119	61,436	1,827,687
<b>Total liabilities</b>	<b>14,370,849</b>	<b>1,820,695</b>	<b>766,069</b>	<b>139,986</b>	<b>17,097,599</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	54,216	195,300	22,342	-	271,858
<b>FUND BALANCES</b>					
Nonspendable	274,185	-	25,787	-	299,972
Restricted	-	332,976	871,591	988,698	2,193,265
Assigned	12,450,267	-	-	-	12,450,267
Unassigned	972,097	(48,030)	-	-	924,067
<b>Total fund balances</b>	<b>13,696,549</b>	<b>284,946</b>	<b>897,378</b>	<b>988,698</b>	<b>15,867,571</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 28,121,614</b>	<b>\$ 2,300,941</b>	<b>\$ 1,685,789</b>	<b>\$ 1,128,684</b>	<b>\$ 33,237,028</b>

The accompanying notes are an integral part of the basic financial statements.

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2015**

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position**

<b>Total fund balances - governmental funds</b>		<b>\$ 15,867,571</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Net capital assets of governmental activities		68,582,014
Some of the School Board's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		271,858
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities		
Governmental funds	\$ (7,207,432)	
Internal service funds - current portion	574,891	
Internal service funds - long-term portion	<u>1,251,758</u>	(5,380,783)
Amounts paid to the trust for other post-employment benefits in excess of the required contributions, the net OPEB asset, are not financial resources and, therefore, are not reported in the funds.		4,978,072
Contributions paid related to pension plan are expenditures in the governmental funds, but the contributions are deferred outflows of resources related to the pension plan in the statement of net position.		12,048,636
Changes in projected and actual pension investment earnings and changes between employer contributions and proportionate share of contributions.		(23,679,312)
Net pension liability is not due and payable in the current period, therefore, it is not reported as a liability in the governmental funds.		(137,958,036)
Internal service funds are used by management to charge the costs of certain activities, such as printing and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>1,990,973</u>
<b>Total net position - governmental activities</b>		<b><u>\$ (63,279,007)</u></b>

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**Year Ended June 30, 2015**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Intergovernmental					
From City of Portsmouth	\$ 52,400,000	\$ -	\$ -	\$ -	\$ 52,400,000
From Commonwealth of Virginia	85,303,195	5,062,421	87,795	998,199	91,451,610
From federal government	563,849	10,593,952	5,424,966	-	16,582,767
Donated commodities	-	-	322,654	-	322,654
Total intergovernmental	138,267,044	15,656,373	5,835,415	998,199	160,757,031
Charges for services	14,228,080	-	552,766	-	14,780,846
Interest	223	-	240	-	463
Miscellaneous	1,110,826	236,183	836,990	7,474	2,191,473
<b>Total revenues</b>	<b>153,606,173</b>	<b>15,892,556</b>	<b>7,225,411</b>	<b>1,005,673</b>	<b>177,729,813</b>
<b>Expenditures</b>					
Current					
Education					
Instruction	98,365,863	14,192,850	-	1,237,968	113,796,681
Administration, attendance, and health	7,301,138	1,302,039	-	-	8,603,177
Pupil transportation	6,616,479	258,468	-	-	6,874,947
Operation and maintenance	15,365,735	34,446	-	-	15,400,181
Information technology	5,137,666	1,799,682	-	-	6,937,348
Food services	-	-	7,857,325	-	7,857,325
Debt service					
Principal	1,870,027	-	-	-	1,870,027
Interest	113,167	-	-	-	113,167
Self-insured health	9,073,104	-	-	-	9,073,104
<b>Total expenditures</b>	<b>143,843,179</b>	<b>17,587,485</b>	<b>7,857,325</b>	<b>1,237,968</b>	<b>170,525,957</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>9,762,994</b>	<b>(1,694,929)</b>	<b>(631,914)</b>	<b>(232,295)</b>	<b>7,203,856</b>
<b>Other financing sources (uses)</b>					
Transfers in	608,720	1,170,456	13,682	365,088	2,157,946
Transfers out	(1,549,226)	(382,872)	(218,756)	(7,092)	(2,157,946)
<b>Total other financing sources (uses)</b>	<b>(940,506)</b>	<b>787,584</b>	<b>(205,074)</b>	<b>357,996</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>8,822,488</b>	<b>(907,345)</b>	<b>(836,988)</b>	<b>125,701</b>	<b>7,203,856</b>
<b>Fund balances - beginning of year</b>	<b>4,874,061</b>	<b>1,192,291</b>	<b>1,734,366</b>	<b>862,997</b>	<b>8,663,715</b>
<b>Fund balances - end of year</b>	<b>\$ 13,696,549</b>	<b>\$ 284,946</b>	<b>\$ 897,378</b>	<b>\$ 988,698</b>	<b>\$ 15,867,571</b>

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

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**Year Ended June 30, 2015**

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

**Net change in fund balances - total governmental funds** **\$ 7,203,856**

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlay as expenditures. However, in the statements of activities the cost of these assets is allocated over their estimated useful lives and reported estimated useful lives and reported amount by which capital outlay exceeded depreciation.

Capital acquisitions	\$ 1,256,267	
Capital disposals	(39,460)	
Depreciation of general government assets, net of amount reported in internal service funds	<u>(4,007,452)</u>	(2,790,645)

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

134,949

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add debt repayment		1,870,027
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Some expenses, such as compensated absences and net pension obligation, 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 and net pension obligation, net of amount reported in internal service funds	985,641	
Change in net OPEB asset	<u>(416,350)</u>	569,291

Contributions paid related to pension plan are expenditures in the governmental funds, but the contributions are deferred outflows of resources related to the pension plan in the statement of net position.

12,048,636

Pension expense does not require the use of current financials resources, therefore, it is not reported as an expenditure in governmental funds

(10,343,525)

Internal service funds are used by management to charge the cost of certain activities, such as printing and insurance, to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

526,739

**Change in net position of governmental activities** **\$ 9,219,328**

The accompanying notes are an integral part of the basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit V**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2015**

<b>ASSETS</b>		<b>Governmental Activities - Internal Service Funds</b>
<b>Current assets</b>		
Cash and temporary investments		\$ 3,792,028
Accounts receivable		28,557
Inventories		178
<b>Total current assets</b>		<b>3,820,763</b>
<b>Noncurrent assets</b>		
Capital assets		
Machinery and equipment		16,943
Less - accumulated depreciation		(16,943)
<b>Total noncurrent assets</b>		<b>-</b>
<b>Total assets</b>		<b>\$ 3,820,763</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Claims payable - current portion		\$ 574,891
Accounts payable and accrued expenses		3,141
<b>Total current liabilities</b>		<b>578,032</b>
<b>Noncurrent liabilities</b>		
Claims payable - net of current portion		1,239,664
Compensated absences		12,094
<b>Total noncurrent liabilities</b>		<b>1,251,758</b>
<b>Total liabilities</b>		<b>1,829,790</b>
<b>Net position</b>		
Unrestricted		1,990,973
<b>Total net position</b>		<b>1,990,973</b>
<b>Total liabilities and net position</b>		<b>\$ 3,820,763</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit VI**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 PROPRIETARY FUNDS**

**Year Ended June 30, 2015**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues</b>	
Insurance recoveries	\$ 13,108
Charges for services	1,285,892
<b>Total operating revenues</b>	<u>1,299,000</u>
<b>Operating expenses</b>	
Personnel services	221,805
Insurance claims and expenses	232,788
Contractual services	189,839
Other supplies and expenses	83,093
Bad debt expense	23,928
Depreciation and amortization	1,247
<b>Total operating expenses</b>	<u>752,700</u>
<b>Net operating revenues</b>	<u>546,300</u>
<b>Nonoperating revenues(expenses)</b>	
Other revenue	12,921
Loss on sale of property, plant, and equipment	(32,482)
<b>Total Nonoperating expenses</b>	<u>(19,561)</u>
<b>Change in net position</b>	526,739
<b>Total net position - beginning of year</b>	<u>1,464,234</u>
<b>Total net position - end of year</b>	<u>\$ 1,990,973</u>

The accompanying notes are an integral part of the basic financial statements.



**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit VII**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**Year Ended June 30, 2015**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 1,283,277
Insurance recovery	13,108
Payments to suppliers for goods and services	(687,069)
Payments to employees	(236,524)
<b>Net cash provided by operating activities</b>	<b>372,792</b>
<b>Cash flows from investing activities</b>	
Other revenue	12,921
<b>Net cash provided by investing activities</b>	<b>12,921</b>
<b>Net change in cash and temporary investments</b>	<b>385,713</b>
<b>Cash and temporary investments - beginning of year</b>	<b>3,406,315</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ 3,792,028</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 546,300
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	1,247
Change in assets and liabilities	
Accounts receivable	21,313
Inventories	6,747
Vouchers and accounts payable	(26,874)
Claims payable	(162,567)
Change in compensated absences	(13,374)
Total adjustments	(173,508)
<b>Net cash provided by operating activities</b>	<b>\$ 372,792</b>
<b>Supplemental information on significant non-cash transactions</b>	
Loss on disposal of capital assets	\$ 32,482

The accompanying notes are an integral part of the basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit VIII**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**June 30, 2015**

	<b>School OPEB</b>	
	<b>Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and temporary investments	\$ 250,430	\$ 771,024
Investments		
Equity mutual funds	3,233,822	-
Corporate Bond mutual funds	3,470,674	-
Government mutual funds	2,734,641	-
Fixed mutual funds	1,737,939	-
Total assets	<u>\$ 11,427,506</u>	<u>\$ 771,024</u>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Due to students	\$ -	\$ 771,024
Net position		
Held in trust for other post-employment benefits	<u>11,427,506</u>	<u>-</u>
Total liabilities and net position	<u>\$ 11,427,506</u>	<u>\$ 771,024</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit IX**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

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**Year Ended June 30, 2015**

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	<u>School OPEB Trust Fund</u>
Additions	
Investment income (loss):	
Investment earnings	\$ 231,184
Realized gain on investments	146,709
Net investment income (loss)	<u>377,893</u>
Total additions	<u>377,893</u>
Deductions	
Benefit and withdrawal payments	
Benefits - health insurance	118,337
Management fees	7,200
Unrealized loss on investments	293,534
Total benefits	<u>419,071</u>
Total deductions	<u>419,071</u>
Change in net position	(41,178)
Net position - beginning of year	<u>11,468,684</u>
Net position - end of year	<u>\$ 11,427,506</u>

The accompanying notes are an integral part of the basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**June 30, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements presented for the City of Portsmouth, Virginia School Board ("School Board") are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Board's significant accounting and reporting policies are described below.

***The Financial Reporting Entity***

The School Board is considered a component unit of the City of Portsmouth ("City"). The School Board has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the City of Portsmouth's basic financial statements because of the significance of the School Board's financial relationship with the City.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Board's policies. The members of the School Board are elected by the citizens of the City.

The School Board is responsible for elementary and secondary education for the City.

***Basis of Presentation***

The School Board's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-Wide Financial Statements*** - The statement of net position and the statement of activities display information about the School Board as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities.

The statement of net position presents the financial condition of the governmental type activities of the School Board at year-end. The School Board does not have any business-type activities. The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated

with the function or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as grants not specific to a program, and not properly included among program revenues, are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The effect of interfund services provided and used, for example, print shop services are not eliminated in the process of consolidation.

***Fund Financial Statements*** - The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

***Governmental Funds*** - Governmental Funds are those through which most governmental functions of the School Board are financed. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that, generally, only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The School Board reports the following major governmental funds:

**General Fund** - The General Fund (School Operating Fund) is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily from other governments (intergovernmental revenues).

**School Grants Fund** - The School Grants Fund is a special revenue fund which accounts for federal, state and other grants associated with school programs.

**School Food Services Fund** - The School Food Services Fund is a special revenue fund which accounts for the operations of the cafeterias operating in each school. Revenues include federal and state funds, donated commodities, charges for services, and other sales.

**School Textbook Fund** - The School Textbook Fund is a special revenue fund which accounts for state funding for the acquisition of textbooks.

Additionally, the School Board reports the following fund types:

**Internal Service Funds** - The Internal Service Funds account for the financing of services provided by one fund to other funds of the School Board. The Risk Management Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. The Print Shop Fund accounts for print shop services provided to other departments of the School Board or other governments on a cost reimbursement basis. Operating revenues include charges for services. Operating expenses include cost of services. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the funds are allocated to the appropriate functional activity.

**Fiduciary Funds** - Fiduciary Funds are used to account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the School Board are the Student Activities Fund and the School OPEB Trust Fund. The Agency Fund accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The School Board also has a trust fund that holds the assets contributed for the costs of the School Board's other post-employment benefits for employees. Fiduciary Funds are not included in the government-wide financial statements.

### ***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The School Board generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The government-wide statement of net position and statement of activities and all proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position.

The statement of net position, statement of activities and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The principal operating revenues and expenses of the proprietary funds are charges for services to customers, administrative expenses, and depreciation expense of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Governmental Fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, including grants, charges for services and interest income, are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally revenues collected within forty-five days of year-end are recognized. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Fiduciary Funds are reported using the accrual basis of accounting. However, agency funds included in fiduciary funds do not involve the measurement of results of operations as they are custodial in nature.

### ***Receivables and Due from Other Governments***

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from the Federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Board. All amounts should be collected within one year.

### ***Inventory***

Inventory is valued at cost (first-in, first-out). Inventory consists of consumable materials and supplies held for future consumption. Under the purchase method of accounting, the cost is recorded as an expenditure in the General Fund at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance designation which indicates the inventories do not constitute "available spendable resources."

### ***Capital Assets***

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Board's capitalization threshold of \$5,000 is met.

Depreciation and amortization is recorded on general capital assets on a government-wide basis using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 50 years
Equipment	5 - 30 years
Intangible assets	5 years

To the extent the School Board's capitalization threshold of \$5,000 is met, capital outlays of the Internal Service Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful life:

Equipment	5 - 8 years
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All capital assets are capitalized at cost (or estimated historical cost) at the completion of each project and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy in common with the City, if the City has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of \$85,133,801 will be carried on the City's financial statements until the outstanding debt is repaid.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

### ***Deferred outflows/inflows of resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until then. The School Board has one item, arising from the pension, which qualifies for reporting in this category. Accordingly, the item, deferred outflows related to pension, is reported in the statement of net position.

In addition to liabilities, the statement of net 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 two items, which qualify for reporting in this category. One arises under the modified accrual basis of accounting. The other arises from the pension. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, deferred inflows related to pension, is reported in the statement of net position.

### ***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 Virginia Retirement System (“VRS”) Teacher (Professional) Retirement Plan and the School Board Non-Professional Retirement Plan and the additions to/deductions from the VRS Teacher (Professional) Retirement Plan’s and School Board Non-Professional Retirement Plan’s net fiduciary position, have been determined on the same basis as they were reported by 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.

### ***Compensated Absences***

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death may be compensated as salary related payments for certain amounts at their then current rates of pay. After five consecutive years of service, employees, upon retirement, termination or death may be compensated at a daily rate of \$20 for each unused sick leave day earned provided that the funds have been included in the approved annual budget.

### ***Fund Balances/Net Position***

Fund balance is categorized within one of the five classifications listed below based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of resources in the governmental funds.

- The *non-spendable fund balance* category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.



- The *restricted fund balance* is reported as restricted when constraints are placed on the use of resources either externally by creditors, grantors, contributors, laws and regulations or through enabling legislation.
- The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School Board – the highest level of authority and requires a similar formal action to remove the commitment.
- The *assigned fund balance* classification is intended to be used by the School Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by School Board or the delegate – an authority delegated by appropriate action such as a resolution.
- The *unassigned fund balance* is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

A fund balance of the School Board may be committed for a specific purpose, by formal action of the School Board, e.g., the School Board approving a contract for construction of a school facility would commit that fund balance for construction of the specific school. When it is appropriate for a fund balance to be assigned, the School Board has delegated the authority to the Superintendent or his designee to assign the fund balance. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Net position in government-wide financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through state statute.

### ***Minimum Fund Balance Policy***

The School Board does not have a minimum fund balance policy.

### ***Statement of Cash Flows***

For purposes of the statement of cash flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments and are considered cash equivalents.

### ***Use of Estimates***

Management of the School Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Board's reporting of its financial position.

## NOTE 2. DEPOSITS AND INVESTMENTS

The School Board maintains individual segregated bank accounts for the School Grants, School Food Services, and Print Shop funds. The General, Textbook, and Risk Management funds share a pooled cash account.

### ***Deposits***

At year-end, the carrying value of the School Board's deposits with banks and savings institutions was \$29,106,805 and the bank balance was \$30,385,594. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act ("Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured.

### **Summary of Deposits and Investments**

Cash and cash equivalents	\$ 28,085,351
Fiduciary fund cash and temporary investments	1,021,454
	<u>\$ 29,106,805</u>

### ***Investments***

State statutes authorize the City to invest in obligations of the United States or agencies thereof, securities unconditionally guaranteed by 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, bankers acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension trust funds are also authorized to invest in common stocks and marketable debt securities which mature within twenty years with credit ratings no lower than Baa or BBB as measured by Moody's, Standard and Poor's, or Fitch IBCA's rating services.

### ***Investment policy***

The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk. The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board. The policy specifically states that the City shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.1-359 through 2.1-370 and Investment of Public Funds as in Sec. 2.1-327 through 2.1-329, Code of Virginia.

The City Treasury is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the City to concentrate its investment efforts to banks located in the State of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The City's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, or by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed five (5) percent of the total portfolio.

The School Board has \$11,427,506 in cash and investments for the School OPEB Trust Fund. These investments include:

		<b>Rating</b>	<b>Maturity Dates</b>
Cash and money market funds	\$ 250,430	Unavailable	N/A
Equity mutual funds	3,233,822	Unavailable	Various
Corporate Bond mutual funds	3,470,674	Unavailable	Various
Government mutual funds	2,734,641	Unavailable	Various
Fixed mutual funds	1,737,939	Unavailable	Various
	<u>\$ 11,427,506</u>		

### NOTE 3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2015, follows:

	<b>Balance June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 6,125,204	\$ -	\$ 39,497	\$ 6,085,707
<b>Total capital assets - not being depreciated</b>	<b>6,125,204</b>	<b>-</b>	<b>39,497</b>	<b>6,085,707</b>
Capital assets being depreciated/amortized				
Buildings and improvements	94,028,205	-	492,457	93,535,748
Equipment	25,807,839	1,256,267	947,112	26,116,994
Intangible assets	422,270	-	-	422,270
<b>Total capital assets - being depreciated/amortized</b>	<b>120,258,314</b>	<b>1,256,267</b>	<b>1,439,569</b>	<b>120,075,012</b>
Less accumulated depreciation/amortization				
Buildings	37,050,131	2,847,543	492,494	39,405,180
Equipment	17,537,855	1,128,029	914,629	17,751,255
Intangible assets	389,143	33,127	-	422,270
<b>Total accumulated depreciation/amortization</b>	<b>54,977,129</b>	<b>4,008,699</b>	<b>1,407,123</b>	<b>57,578,705</b>
<b>Other capital assets - being depreciated/amortized - net</b>	<b>65,281,185</b>	<b>(2,752,432)</b>	<b>32,446.00</b>	<b>62,496,307</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 71,406,389</b>	<b>\$ (2,752,432)</b>	<b>\$ 71,943</b>	<b>\$ 68,582,014</b>

Depreciation and amortization expense was charged to functions as follows:

<b>Government activities:</b>	
Instruction	\$ 3,414,190
Administration, attendance and health services	16,313
Pupil transportation	308,666
Operations and maintenance	79,227
Information technology	84,818
Internal service	1,247
Food services	104,238
<b>Total governmental activities depreciation expense</b>	<b>\$ 4,008,699</b>

#### NOTE 4. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund or the applicable Internal Service Fund.

	Amounts Payable at Beginning of Year, restated	Increase in Liabilities	Decrease in Liabilities	Amounts Payable at End of Year	Amounts Due Within One year
Capital leases	\$ 2,871,034	\$ -	\$ (1,870,027)	\$ 1,001,007	\$ -
Accrued vacation pay	3,636,665	1,245,001	(2,205,022)	2,676,644	963,600
Accrued sick leave	1,754,220	395,700	(434,694)	1,715,226	480,300
Claims payable	1,977,122	70,221	(232,788)	1,814,555	574,891
Net pension Liability	151,166,604	-	(13,208,568)	137,958,036	-
Total	\$ 161,405,645	\$ 1,710,922	\$ (17,951,099)	\$ 145,165,468	\$ 2,018,791

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 in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net position. Compensated absences are generally liquidated by General, Grants, Food services and Print Shop funds. Claims are generally liquidated by the General Fund.

The future payments by year of accrued vacation pay, accrued sick leave, and claims payable are not determinable.

#### Leases

A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2015, is as follows:

<u>Fiscal year</u>	
2016	\$ -
2017	-
2018	1,040,463
Total minimum payments	1,040,463
Less - amount representing interest	(39,456)
Present value of principal	<u>\$ 1,001,007</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 8,764,869
Less accumulated depreciation	(2,213,124)
	<u>\$ 6,551,745</u>

## NOTE 5. DEFINED BENEFIT PENSION PLANS

### *Plan Description*

All full-time, salaried permanent (professional) employees are automatically covered by the VRS Teacher Retirement Plan, a cost-sharing multiple-employer defined benefit plan, upon employment. All full-time, salaried permanent (non-professional) employees are automatically covered by the VRS Retirement Plan, an agent multiple-employer defined benefit plan, upon employment. Both plans are 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 are 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 in the VRS Teacher Retirement Plan – 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 on the following pages.

## RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> 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.</p> <p>Employees are eligible for Plan 1 if their membership date is on or after July 1, 2010, or they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> 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.</p> <p>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.</p>	<p><b>About Hybrid Retirement Plan</b> 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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> 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.</p> <p><b>Hybrid Opt-In Election</b> 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• School division employees</li> <li>• 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</li> </ul>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p> <p>Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> <p>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.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p> <p>Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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.</p> <p>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.</p>



PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> 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.</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p><b><u>Defined Contributions Component:</u></b></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul> <p>After three years, a member is 75% vested and may withdraw 75% of employer contributions.</p> <ul style="list-style-type: none"> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> <li>• Distribution is not required by law until age 70½.</li> </ul>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit</b> 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.</p> <p>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.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1</p> <p><u><b>Defined Contribution Component:</b></u> 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.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p>

<b>Normal Retirement Age</b> Age 65.	<b>Normal Retirement Age</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.  <u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	<b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.  <u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> Age  Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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%.</p> <p><u><b>Eligibility:</b></u>  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.</p> <p>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.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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%.</p> <p><u><b>Eligibility:</b></u>  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u>  Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u>  Not applicable.</p> <p><u><b>Eligibility:</b></u>  Same as Plan 1 and Plan 2.</p>

<p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2.</p>
<p><b>Disability Coverage</b>  N/A</p>	<p><b>Disability Coverage</b>  N/A</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>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.</p>

<p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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 on-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>
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### **Virginia Retirement System (VRS) Teacher (Professional) Retirement Plan**

#### **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 provided to school divisions 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% 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. 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%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee 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 division were \$11,317,000 and \$9,191,479 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 \$130,368,000 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 1.07879% as compared to 1.10100% 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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	19,358,000
Changes in proportion and difference between Employer contributions and proportionate share of contributions	-	2,506,000
Employer contributions subsequent to the measurement date	11,317,000	-
Total	<b><u>\$ 11,317,000</u></b>	<b><u>\$ 21,864,000</u></b>



\$11,317,000 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:

<b>Fiscal Year Ended</b>	<b>Deferred</b>
<b>June 30</b>	<b>Amounts</b>
2016	\$ (5,391,000)
2017	(5,391,000)
2018	(5,391,000)
2019	(5,391,000)
2020	(300,000)
Total	<u>\$ (21,864,000)</u>

### ***Virginia Retirement System (VRS) Non-Professional Retirement Plan***

#### ***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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	331
Inactive members:	
Vested inactive members	42
Non-vested inactive members	131
Inactive members active elsewhere in VRS	<u>68</u>
Total inactive members	241
Active members	<u>401</u>
Total covered employees	<u>973</u>

#### ***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 contractually required contribution rate for the year ended June 30, 2015 was 10.42% 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 plan was 13.03%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$731,636 and \$649,001 for the years ended June 30, 2015 and June 30, 2014, respectively.

### ***Net Pension Liability***

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was 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.

### ***Changes in Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2013	\$ 35,854,243	\$ 26,386,043	\$ 9,468,200
Change for the year:			
Service Cost	743,215	-	743,215
Interest	2,434,509	-	2,434,509
Differences between expected and actual experience	-	-	-
Contributions - employer	-	648,377	(648,377)
Contributions - employee	-	354,802	(354,802)
Net investment income	-	4,075,199	(4,075,199)
Benefit payments, including refunds of employee contributions	(2,151,081)	(2,151,081)	-
Administrative expenses		(22,705)	22,705
Other changes	-	215	(215)
Net changes	1,026,643	2,904,807	(1,878,164)
Balance at June 30, 2014	\$ 36,880,886	\$ 29,290,850	\$ 7,590,036

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$585,525. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,815,312
Employer contributions subsequent to the measurement date	731,636	-
Total	<u>\$ 731,636</u>	<u>\$ 1,815,312</u>

\$731,636 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:

<b>Fiscal Year Ended June 30</b>	<b>Deferred Amounts</b>
2016	\$ (453,828)
2017	(453,828)
2018	(453,828)
2019	(453,828)
Total	<u>\$ (1,815,312)</u>

### ***Actuarial Assumptions - VRS Teacher Retirement Plan***

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 were 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 were 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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year 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

### ***Actuarial Assumptions – VRS Non-Professional Retirement Plan***

The total pension liability for General Employees in the Non-professional 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 were set back 2 years.

Post-Retirement:

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

Post-Disablement:

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

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 were set back 2 years.

Post-Retirement:

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

Post-Disablement:

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

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

***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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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%
<b>Total</b>			<b>5.83%</b>
<b>Inflation</b>			<b>2.50%</b>
<b>* Expected arithmetic nominal return</b>			<b>8.33%</b>

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

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's proportionate share of the VRS Teacher (Professional) Employee Retirement Plan Net Pension Liability	\$191,433,000	\$130,368,000	\$80,092,000
School division's Non-Professional Employee Retirement Plan Net Pension Liability	\$11,816,161	\$7,590,036	\$4,028,680

### ***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.

### ***Payables to the Pension Plans***

At June 30, 2015, the School Division reported a liability of \$1,559,637 for legally required contributions to the pension plans.

## **NOTE 6. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES**

### ***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 is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$500,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability, automobile, school security, and cyber risk are fully insured through the Virginia Association of Counties Group Self Insurance Risk Pool (VACORP). This insurance coverage is substantially the same as in the prior fiscal year. There were no settlements within the past three years which exceeded coverage.

The Risk Management Fund services all claims of risk of loss to which the School Board is exposed, including workers' compensation, automobile and general liability. All funds of the School Board participate in the Risk Management Fund.

A loss analysis was conducted by Glicksman Consulting, LLC on this fund. The total actuarially computed liability as of June 30, 2015 was determined to be \$1,814,555 (undiscounted) and recorded in the internal service fund and the government-wide statements, accordingly.

Changes in the fund's claim liability amount for fiscal years ended June 30 were:

	<b>2015</b>	<b>2014</b>
Claims payable - beginning of year	\$ 1,977,122	\$ 2,387,438
Claims and changes in estimates	70,221	(1,309)
Claims payments	(232,788)	(409,007)
Claims payable - end of year	<u>\$ 1,814,555</u>	<u>\$ 1,977,122</u>

### ***Self-Insured Health Care Benefits Plan***

Effective January 1, 2015, the School Board established a Self-Insured Health Care Benefits Plan (Self-Insured Health Plan) for all School Board employees and retirees. The Self-Insured Health Plan policy year is based on a calendar year. The Self-Insured Health Plan is accounted for within the General Fund with employer and employee premiums, medical claims, administrative costs, wellness program costs, and other health plan costs recorded in the



General Fund. Expenditures charged to various School Board departments are based on expected claims liability and administrative costs for a full calendar year as provided by the third party health care benefit consultant. Medical claim expenses paid, on behalf of each individual employee covered during a single policy year, are covered by excess loss insurance with a specific stop loss limit of \$150,000. The Self-Insured Health Plan also has aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

Claims processing and payments for all health care claims are made through a third party administrator. The School Board uses information provided by the third party administrator and health care benefit consultant to aid in the determination of health self-insurance liabilities. The computed liability as of June 30, 2015 is \$912,670 (undiscounted), as follows:

	<b>Balance as of July 1</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance as of June 30</b>
<b>Medical Claims</b>				
2014-2015	\$ -	\$ 7,976,046	\$ 7,063,376	\$ 912,670

### ***Litigation***

The School Board is involved in lawsuits arising in the ordinary course of operations. It is the opinion of the School Board's management, based on the advice of the School Board's attorney, that any losses incurred as a result of claims existing as of June 30, 2015 will not be material to the financial statements.

### ***Grants***

The School Board received grant funds, principally from the State and Federal governments, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. Based on prior experience, School Board management believes such refunds, if any, will not be significant.

### ***Encumbrances***

The School Board has outstanding purchase orders representing goods or services not received as of June 30, 2015. These amounts are encumbrances of fiscal year 2014-2015 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

	<b>Amounts</b>
General Fund	\$ 6,686,571
School Grants Fund	332,976
School Food Services Fund	17,917
School Textbook Fund	96,451
	<b>\$ 7,133,915</b>

## NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2015, which are considered short-term in nature, are as follows:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 1,723,941	\$ 42,310
School Grants Fund	90,064	1,214,822
School Food Services	13,682	509,119
Textbook Fund	-	61,436
	<u>\$ 1,827,687</u>	<u>\$ 1,827,687</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

	<b>Transfers From Other Funds</b>	<b>Transfers To Other Funds</b>
General Fund	\$ 608,720	\$ 1,549,226
School Grants Fund	1,170,456	382,872
School Textbook Fund	365,088	7,092
School Food Services Fund	13,682	218,756
	<u>\$ 2,157,946</u>	<u>\$ 2,157,946</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) account for excess charges for services to self-health insurance account over actual self-health insurance expenditures.

## NOTE 8. POST-EMPLOYMENT HEALTH CARE BENEFITS

### ***Plan Description***

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the school's personnel policies and procedures. Plan membership, as of the July 1, 2014 valuation date, consisted of 2,033 active service participants and 49 retirees and beneficiaries currently receiving benefits. A Trust was established for the purpose of accumulating and investing assets to fund other post-employment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocable and must be used solely to discharge the School Board's obligations for other post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

### ***Significant Accounting Policies***

The OPEB Trust is a fiduciary-type fund of the School Board. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on quoted market prices.

### ***Funding Policy***

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For the year ending June 30, 2015, the School Board made no further contributions to the plan to pay current benefits and to prefund benefits.

### ***Annual OPEB Cost and Net OPEB Obligation***

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters established in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities, or funding excess, over a period not to exceed thirty years.

The following table shows the components of the School Board's annual OPEB cost for the year and the amount actually contributed to the plan, as well as the changes in the School Board's net OPEB obligation.

#### **OPEB Calculation Based on Projected Unit Cost and Level Percentage of Pay Amortization**

Annual required contribution	\$ 497,355
Interest on net OPEB obligation	(377,610)
Adjustment to annual required contribution	<u>296,605</u>
Annual OPEB cost (expense)	416,350
Contributions made	<u>-</u>
Decrease in net OPEB asset	416,350
Net OPEB asset - beginning of year	<u>(5,394,422)</u>
Net OPEB asset - end of year	<u>\$ (4,978,072)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2015 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
June 30, 2015	\$ 416,350	\$ -	0%	\$ (4,978,072)
June 30, 2014	\$ 379,064	\$ -	0%	\$ (5,394,422)
June 30, 2013	\$ 766,102	\$ -	0%	\$ (5,773,486)

### ***Funded Status and Funding Progress***

Based on the most recent actuarial valuation report for the fiscal year ended June 30, 2015, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 11,273,969
Actuarial value of plan assets	11,468,684
Overfunded actuarial accrued liability (UAAL)	<u>\$ (194,715)</u>
Funded ratio (actuarial value of plan assets/AAL)	102%
Covered payroll (active plan participants)	\$ 91,342,343
UAAL as a percentage of covered payroll	-0.2%

### ***Actuarial Methods and Assumptions***

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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of July 1, 2014. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method and level percentage amortization method was used. The actuarial assumptions included a 7% investment rate of return (discount rate) and amortization of the School Board's unfunded actuarial accrued liabilities (UAAL) over a period of twenty years as a level percent of payroll, which closely

matches the cash flow duration. Healthcare cost trend rates ranged from 7.5% initially to an ultimate rate of 5% for the 2015 fiscal year. Payroll is projected to increase at 3.5%. The inflation rate is implicitly included in other assumptions, such as the discount rate, and the medical trend rates, as it is just one component among many components that comprise the makeup of those assumptions. Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. Payments are made from the Wells Fargo Advantage Treasury Plus Money Market Fund.

## NOTE 9. FUND BALANCES

Fund balances are classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the School Board is bound to observe constraints upon the use of the resources in the governmental funds. The constraints placed on fund balance for the governmental funds are presented below:

	General	School Grants	School Food Services	School Textbook	Total
Nonspendable					
Inventory	\$ 196,573	\$ -	\$ 25,787	\$ -	\$ 222,360
Prepaid	77,612	-	-	-	77,612
	<u>274,185</u>	<u>-</u>	<u>25,787</u>	<u>-</u>	<u>299,972</u>
Restricted					
Federal	-	306,845	-	-	306,845
State	-	26,089	-	-	26,089
Other	-	42	-	-	42
Elementary schools	-	-	505,776	573,445	1,079,221
Middle schools	-	-	130,266	148,305	278,571
High schools	-	-	235,549	266,948	502,497
	<u>-</u>	<u>332,976</u>	<u>871,591</u>	<u>988,698</u>	<u>2,193,265</u>
Assigned					
Instruction	661,449	-	-	-	661,449
Administration, attendance, and health	12,739	-	-	-	12,739
Pupil transportation	-	-	-	-	-
Operations	1,819,883	-	-	-	1,819,883
Information technology	4,192,500	-	-	-	4,192,500
Self Insurance - health	5,763,696	-	-	-	5,763,696
	<u>12,450,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,450,267</u>
Unassigned	<u>972,097</u>	<u>(48,030)</u>	<u>-</u>	<u>-</u>	<u>924,067</u>
Total fund balances	<u>\$ 13,696,549</u>	<u>\$ 284,946</u>	<u>\$ 897,378</u>	<u>\$ 988,698</u>	<u>\$ 15,867,571</u>

**NOTE 10. RESTATEMENT OF NET POSITION**

Due to implementation of GASB 68 and 71, beginning net position was restated as follows:

Net position, beginning of year, as previously stated	\$ 78,678,469
Increase resulting for the removal of the net pension obligation determined under GASB 27.	117,019
Decrease due to addition of the net pension liability determined under GASB 68	<u>(151,293,823)</u>
Net position, beginning of year, as restated	<u>\$ (72,498,335)</u>

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***REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)***



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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XI**

**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

**Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental				
From City of Portsmouth	\$ 52,400,000	\$ 54,761,295	\$ 54,761,295	\$ -
From Commonwealth of Virginia	85,202,675	85,616,291	85,303,195	(313,096)
From federal government	700,000	700,000	563,849	(136,151)
Interest	26,461	26,461	223	(26,238)
Miscellaneous	1,209,267	1,425,197	2,484,826	1,059,629
Charges for Services	-	-	14,228,080	14,228,080
<b>Total revenues</b>	<b>139,538,403</b>	<b>142,529,244</b>	<b>157,341,468</b>	<b>14,812,224</b>
<b>Expenditures</b>				
Education				
Instruction	103,064,521	99,394,179	99,301,582	92,597
Administration, attendance, and health services	6,476,471	6,890,571	6,849,495	41,076
Pupil transportation	6,352,637	6,606,056	6,585,838	20,218
Operations and maintenance	15,551,234	16,388,526	16,264,536	123,990
Information technology	4,516,578	8,596,237	8,587,214	9,023
Total education	135,961,441	137,875,569	137,588,665	286,904
Self insured health	-	-	9,073,104	(9,073,104)
Debt service	985,609	2,060,806	2,060,806	-
<b>Total expenditures</b>	<b>136,947,050</b>	<b>139,936,375</b>	<b>148,722,575</b>	<b>(8,786,200)</b>
<b>Excess of revenues over expenditures</b>	<b>2,591,353</b>	<b>2,592,869</b>	<b>8,618,893</b>	<b>6,026,024</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	608,720	608,720
Transfers out	(2,591,353)	(2,592,869)	(2,491,820)	101,049
<b>Total other financing sources (uses)</b>	<b>(2,591,353)</b>	<b>(2,592,869)</b>	<b>(1,883,100)</b>	<b>709,769</b>
<b>Excess of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,735,793</b>	<b>\$ 6,735,793</b>
Fund balance - beginning of year			4,874,061	
Less: Prior year unassigned fund balance reappropriated to current year			(2,361,295)	
Add: Prepaid interest			77,612	
Increase in encumbrances			4,326,658	
Increase in inventory			43,720	
Fund balance - end of year			<b>\$ 13,696,549</b>	

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XII**

**SCHOOL GRANTS FUND**  
**BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

**Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental				
From Commonwealth of Virginia	\$ 4,271,899	\$ 4,271,899	\$ 5,062,421	\$ 790,522
From federal government	10,888,345	10,888,345	10,593,952	(294,393)
Miscellaneous	367,657	445,643	236,183	(209,460)
<b>Total revenues</b>	<b>15,527,901</b>	<b>15,605,887</b>	<b>15,892,556</b>	<b>286,669</b>
<b>Expenditures</b>				
Education				
Instruction	13,980,787	14,010,617	14,192,850	(182,233)
Administration, attendance, and health	623,301	623,301	1,302,039	(678,738)
Pupil transportation	199,294	219,294	258,468	(39,174)
Technology	1,825,925	1,825,925	1,799,682	26,243
Operation and maintenance	-	28,156	34,446	(6,290)
<b>Total expenditures</b>	<b>16,629,307</b>	<b>16,707,293</b>	<b>17,587,485</b>	<b>(880,192)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,101,406)</b>	<b>(1,101,406)</b>	<b>(1,694,929)</b>	<b>(593,523)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,101,406	1,101,406	1,170,456	69,050
Transfers out	-	-	(382,872)	(382,872)
<b>Total other financing sources (uses)</b>	<b>1,101,406</b>	<b>1,101,406</b>	<b>787,584</b>	<b>(313,822)</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(907,345)</b>	<b>\$ (907,345)</b>
Fund balance - beginning of year			1,192,291	
Fund balance - end of year			<b>\$ 284,946</b>	

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XIII**

**SCHOOL FOOD SERVICES FUND**  
**BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

**Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive Negative</b>
<b>Revenues</b>				
Intergovernmental				
From Commonwealth of Virginia	\$ 125,000	\$ 125,000	\$ 87,795	\$ (37,205)
From federal government	5,901,000	5,901,000	5,424,966	(476,034)
Donated commodities from the federal government	400,000	400,000	322,654	(77,346)
Charges for services	1,050,000	1,050,000	552,766	(497,234)
Interest	1,000	1,000	240	(760)
Miscellaneous	1,000,000	1,000,000	836,990	(163,010)
<b>Total revenues</b>	<b>8,477,000</b>	<b>8,477,000</b>	<b>7,225,411</b>	<b>(1,251,589)</b>
<b>Expenditures</b>				
Food services	8,477,000	8,477,000	7,839,457	637,543
<b>Total expenditures</b>	<b>8,477,000</b>	<b>8,477,000</b>	<b>7,839,457</b>	<b>637,543</b>
<b>Excess (deficiency) of revenues over expenditures</b>				
<b>revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(614,046)</b>	<b>(614,046)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	13,682	13,682
Transfers out	-	-	(218,756)	(218,756)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(205,074)</b>	<b>(205,074)</b>
<b>Excess (deficiency) of revenues over expenditures</b>				
<b>and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(819,120)</b>	<b>\$ (819,120)</b>
Fund balance - beginning of year			1,734,366	
Decrease in inventory			(17,868)	
Fund balance - end of year			<b>\$ 897,378</b>	

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XIV**

**SCHOOL TEXTBOOK FUND**  
**BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

**Year Ended June 30, 2015**

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental				
From Commonwealth of Virginia	\$ 986,467	\$ 986,467	\$ 998,199	\$ 11,732
Miscellaneous	-	-	7,474	7,474
<b>Total revenues</b>	<u>986,467</u>	<u>986,467</u>	<u>1,005,673</u>	<u>19,206</u>
<b>Expenditures</b>				
Instruction	1,347,080	1,347,080	1,237,968	109,112
<b>Total expenditures</b>	<u>1,347,080</u>	<u>1,347,080</u>	<u>1,237,968</u>	<u>109,112</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(360,613)</u>	<u>(360,613)</u>	<u>(232,295)</u>	<u>128,318</u>
<b>Other financing sources (uses)</b>				
Transfers in	360,613	360,613	365,088	4,475
Transfers out	-	-	(7,092)	(7,092)
<b>Total other financing sources (uses)</b>	<u>360,613</u>	<u>360,613</u>	<u>357,996</u>	<u>(2,617)</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>				
<b>sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>125,701</u>	<u>\$ 125,701</u>
Fund balance - beginning of year			<u>862,997</u>	
Fund balance - end of year			<u>\$ 988,698</u>	

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XV**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**(UNAUDITED)**

**Year Ended June 30, 2015**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Projected Unit</b>	<b>Unfunded AAL (UAAL) (Funding Excess)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL (Funding Excess) as a % of Payroll</b>
June 30, 2015	\$ 11,468,684	\$ 11,273,969	\$ 194,715	101.73%	\$ 91,342,343	-0.21%
June 30, 2014	10,652,405	10,468,165	184,240	101.76%	92,083,073	-0.20%
June 30, 2013	10,241,149	12,204,795	(1,963,646)	83.91%	89,605,502	2.19%

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Amount Contributed</b>	<b>Actual Amount Contributed as a Percent</b>
June 30, 2015	\$ 416,350	\$ -	0.00%
June 30, 2014	379,064	-	0.00%
June 30, 2013	766,102	-	0.00%

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XVI**

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS -  
NONPROFESSIONAL EMPLOYEES (UNAUDITED)**

**Year Ended June 30, 2015**

	<b>Nonprofessional</b>
<b>Total Pension Liability</b>	
Service cost	\$ 743,215
Interest	2,434,509
Benefit payments	(2,151,081)
Refunds of contributions	-
Net change in total pension liability	1,026,643
Total pension liability - beginning	35,854,243
Total pension liability - ending	<u>\$ 36,880,886</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 648,377
Contributions - employee	354,802
Net investment income	4,075,199
Benefit payments	(2,151,081)
Refunds of contributions	-
Administrative expenses	(22,705)
Other changes	215
Net change in plan fiduciary net position	2,904,807
Plan fiduciary net position - beginning	26,386,043
Plan fiduciary net position - ending	<u>\$ 29,290,850</u>
Net pension liability (asset)	<u>\$ 7,590,036</u>
Plan fiduciary net position as a percentage of total pension liability	<u>79.42%</u>
Covered-employee payroll	<u>\$ 8,517,527</u>
Net pension liability as a percentage of covered employee payroll	<u>89.11%</u>

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data, prior to 2014 is available. However, additional years will be included as they become available.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Exhibit XVII**

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY -  
TEACHER RETIREMENT PLAN (UNAUDITED)**

**Year Ended June 30, 2015**

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	<b>2015</b>
Employer's Proportion of the Net Pension Liability (Asset)	1.08%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 130,368,000
Employer's Covered-Employee Payroll	\$ 80,447,384
Employer's Proportionate Share of the Net Pension Liability (Asset) as percentage of is covered-employee payroll	162%
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, prior to 2014 is available. However, additional years will be included as they become available.



**SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)**

**Year Ended June 30, 2015**

<b>Date</b>	<b>(a) Contractually Required Contributions</b>	<b>(b) Contributions in Relation to Contractually Required Contributions</b>	<b>(c) Contribution Deficiency (Excess) (a) - (b)</b>	<b>(d) Employer's Covered Employee Payroll</b>	<b>(e) Contributions as a Percentage of Covered Employee Payroll (b) / (d)</b>
<b>Professional</b>					
June 30, 2015	\$ 11,664,871	\$ 11,317,000	\$ 347,871	\$ 80,447,384	14.07%
June 30, 2014	\$ 9,400,098	\$ 9,191,479	\$ 208,619	\$ 80,618,333	11.40%
<b>Non - Professional</b>					
June 30, 2015	\$ 887,526	\$ 731,636	\$ 155,890	\$ 8,517,527	8.59%
June 30, 2014	\$ 835,828	\$ 649,001	\$ 186,827	\$ 9,154,744	7.09%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data prior to 2014 is available. However, additional years will be included as they become available

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**Year Ended June 30, 2015**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

The budget data reflected in the financial statements was created by the School Board using the procedures which follow:

- 1) The School Board submits to the City Council of the City a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year by April 1. The legal level of budgetary control rests at the fund level for the General and Special Revenue Funds. Management control is exercised over the budgets at the budgetary line item level.
- 2) The budgets are legally enacted through passage of an ordinance by the City Council forty-five days prior to the end of the current fiscal year.
- 3) The School Board is authorized to make transfers between budgetary line items; however, revisions that alter the total expenditures of the total budget must be approved by the City Council.
- 4) The General Fund and Special Revenue Fund have a legally adopted annual budget. The General Fund and Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for the recognition of encumbrances and inventory as expenditures. Budgets related to the School Construction Fund are adopted on a project basis.
- 5) The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City of Portsmouth, Virginia Code, unexpended, unencumbered appropriations lapse at the end of the year.
- 6) For the year ended June 30, 2015, expenditures exceeded appropriations in the Grants Fund for Instruction, Administration, attendance and health, Pupil Transportation, and Operations and maintenance. Excess funding from prior year grants which were reported as fund balance covered the shortfall in the aforementioned functional area.

## 2. VIRGINIA RETIREMENT SYSTEMS (VRS) DEFINED BENEFIT PLANS

**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 (Professional Retirement Plan)** – 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:

- 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

**Changes of assumptions (Non-professional Retirement Plan)** – 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

## ***SUPPLEMENTARY INFORMATION***

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Schedule 1**

**COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS**

**June 30, 2015**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and temporary investments	\$ 306,497	\$ 3,485,531	\$ 3,792,028
Accounts receivable	28,557	-	28,557
Inventories	178	-	178
<b>Total current assets</b>	<b>335,232</b>	<b>3,485,531</b>	<b>3,820,763</b>
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Machinery and equipment	16,943	-	16,943
Less - accumulated depreciation	(16,943)	-	(16,943)
<b>Total capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 335,232</b>	<b>\$ 3,485,531</b>	<b>\$ 3,820,763</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Claims payable - current portion	\$ -	\$ 574,891	\$ 574,891
Salaries payable	2,233	-	2,233
Accounts payable	149	-	149
Due to other funds	759	-	759
<b>Total current liabilities</b>	<b>3,141</b>	<b>574,891</b>	<b>578,032</b>
<b>Noncurrent liabilities</b>			
Claims payable - less current portion	-	1,239,664	1,239,664
Compensated absences	12,094	-	12,094
<b>Total long-term liabilities</b>	<b>12,094</b>	<b>1,239,664</b>	<b>1,251,758</b>
<b>Total liabilities</b>	<b>15,235</b>	<b>1,814,555</b>	<b>1,829,790</b>
<b>NET POSITION</b>			
Unrestricted	319,997	1,670,976	1,990,973
<b>Total net position</b>	<b>319,997</b>	<b>1,670,976</b>	<b>1,990,973</b>
<b>Total liabilities and net position</b>	<b>\$ 335,232</b>	<b>\$ 3,485,531</b>	<b>\$ 3,820,763</b>

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Schedule 2**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - INTERNAL SERVICE FUNDS**

**Year Ended June 30, 2015**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Operating revenues</b>			
Insurance recovery	\$ -	\$ 13,108	\$ 13,108
Charges for services	343,298	942,594	1,285,892
<b>Total operating revenues</b>	<b>343,298</b>	<b>955,702</b>	<b>1,299,000</b>
<b>Operating expenses</b>			
Personnel services	221,805	-	221,805
Insurance claims and expenses	-	232,788	232,788
Contractual services	189,839	-	189,839
Other supplies and expenses	83,093	-	83,093
Bad debt expense	23,928	-	23,928
Depreciation and amortization	1,247	-	1,247
<b>Total operating expenses</b>	<b>519,912</b>	<b>232,788</b>	<b>752,700</b>
<b>Net operating revenues (expenses)</b>	<b>(176,614)</b>	<b>722,914</b>	<b>546,300</b>
<b>Nonoperating revenues/(expenses)</b>			
Other revenue	12,921	-	12,921
Loss on sale of property, plant, and equipment	(32,482)	-	(32,482)
<b>Total Nonoperating expenses</b>	<b>(19,561)</b>	<b>-</b>	<b>(19,561)</b>
<b>Change in net position</b>	<b>(196,175)</b>	<b>722,914</b>	<b>526,739</b>
<b>Net position - beginning of year</b>	<b>516,172</b>	<b>948,062</b>	<b>1,464,234</b>
<b>Net position - end of year</b>	<b>\$ 319,997</b>	<b>\$ 1,670,976</b>	<b>\$ 1,990,973</b>

**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**

**Year Ended June 30, 2015**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Received from customers and users	\$ 340,683	\$ 942,594	\$ 1,283,277
Insurance recovery	-	13,108	13,108
Payments to suppliers for goods and services	(291,714)	(395,355)	(687,069)
Payments to employees	(236,524)	-	(236,524)
<b>Net cash provided (used) by operating activities</b>	<b>(187,555)</b>	<b>560,347</b>	<b>372,792</b>
<b>Cash flows from investing activities</b>			
Other revenue	12,921	-	12,921
<b>Net cash provided by investing activities</b>	<b>12,921</b>	<b>-</b>	<b>12,921</b>
<b>Net change in cash and temporary investments</b>	<b>(174,634)</b>	<b>560,347</b>	<b>385,713</b>
<b>Cash and temporary investments - beginning of year</b>	<b>481,131</b>	<b>2,925,184</b>	<b>3,406,315</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ 306,497</b>	<b>\$ 3,485,531</b>	<b>\$ 3,792,028</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	<b>\$ 306,497</b>	<b>\$ 3,485,531</b>	<b>\$ 3,792,028</b>
Operating income (loss)	\$ (176,614)	\$ 722,914	\$ 546,300
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	1,247	-	1,247
Change in assets and liabilities			
Accounts receivable	21,313	-	21,313
Inventories	6,747	-	6,747
Vouchers and accounts payable	(26,874)	-	(26,874)
Claims payable	-	(162,567)	(162,567)
Change in compensated absences	(13,374)	-	(13,374)
Total adjustments	(10,941)	(162,567)	(173,508)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (187,555)</b>	<b>\$ 560,347</b>	<b>\$ 372,792</b>
<b>Supplemental information on significant non-cash transactions</b>			
Loss on disposal of capital assets	\$ 32,482		



**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Schedule 4**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITIES**

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**Year Ended June 30, 2015**

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	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2015</b>
<b>ASSETS</b>				
Cash and temporary investments	\$ 943,856	\$ 1,454,839	\$ 1,627,671	\$ 771,024
<b>LIABILITIES</b>				
Due to students	\$ 943,856	\$ 1,454,839	\$ 1,627,671	\$ 771,024

## **STATISTICAL SECTION**

(Unaudited)

This part of the City of Portsmouth, Virginia School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health as shown on pages 49 through 63.

### ***Financial Trends***

These schedules contain trend information to help the reader comprehend how the government's financial performance and well-being have changed over time.

### ***Revenue Capacity***

These schedules contain information to help the reader assess the government's most significant local revenue source, food service sales.

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 1**

**NET POSITION BY COMPONENT (UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	2015	2014*	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 67,581,007	\$ 68,535,355	\$ 77,294,681	\$ 86,269,945	\$ 70,253,415	\$ 62,781,638	\$ 52,248,227	\$ 49,912,031	\$ 44,931,980	\$ 36,504,731
Restricted:										
Grant compliance	528,276	611,099	1,103,582	577,712	-	-	-	-	347,430	1,654,671
Capital projects	-	-	-	505,998	509,246	532,666	829,897	4,203,589	4,384,612	-
School food services	893,933	1,710,238	1,804,974	2,036,930	-	-	-	-	-	-
Textbook	988,698	862,997	843,673	375,765	-	-	-	-	-	-
Unrestricted	(133,270,921)	(144,218,024)	3,316,274	18,945,239	31,113,169	30,063,956	24,772,621	16,157,850	9,034,546	9,057,344
Total governmental activities net position	<u>\$ (63,279,007)</u>	<u>\$ (72,498,335)</u>	<u>\$ 84,363,184</u>	<u>\$ 108,711,589</u>	<u>\$ 101,875,830</u>	<u>\$ 93,378,260</u>	<u>\$ 77,850,745</u>	<u>\$ 70,273,470</u>	<u>\$ 58,698,568</u>	<u>\$ 47,216,746</u>

Source: Comprehensive Annual Financial Report for the relevant year

\*restated for GASB68

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 2**

**CHANGES IN NET POSITION (UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental activities										
Administration, attendance, and health services	\$ 8,468,372	7,702,994	\$ 7,060,682	\$ 7,482,355	\$ 8,171,430	\$ 8,860,166	\$ 9,258,278	\$ 8,493,316	\$ 7,022,098	\$ 6,664,588
Instruction	114,823,655	117,950,884	123,563,193	110,997,918	116,243,716	116,857,035	126,005,907	118,518,877	115,070,507	103,745,706
Pupil transportation	7,062,852	6,567,662	5,967,101	6,994,723	6,396,152	6,577,674	7,273,274	7,359,321	6,605,055	6,332,823
Operations and maintenance	14,485,401	15,372,087	16,218,996	14,288,609	15,072,405	15,820,741	18,619,097	15,492,941	14,914,931	16,498,396
Information technology	6,900,309	4,159,832	4,691,124	3,917,235	3,179,565	3,493,477	5,703,015	5,998,593	4,756,984	4,949,187
Food service	7,718,574	8,015,665	7,916,123	7,173,854	7,011,115	6,453,576	7,258,248	6,940,737	6,704,880	6,657,855
Self insured health	9,073,104	-	-	-	-	-	-	-	-	-
Interest on long-term debt	113,167	146,251	178,945	210,763	233,957	254,075	258,233	296,789	297,069	371,917
Total primary government	<u>\$ 168,645,434</u>	<u>\$ 159,915,375</u>	<u>\$ 165,596,164</u>	<u>\$ 151,065,457</u>	<u>\$ 156,308,340</u>	<u>\$ 158,316,744</u>	<u>\$ 174,376,052</u>	<u>\$ 163,100,574</u>	<u>\$ 155,371,524</u>	<u>\$ 145,220,472</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Food services	\$ 1,625,939	1,948,098	\$ 1,852,675	\$ 1,793,828	\$ 1,748,890	\$ 2,273,341	\$ 2,338,403	\$ 1,731,977	\$ 1,878,133	\$ 2,084,713
Pupil transportation	89,795	90,012	17,412	101,135	235,094	214,243	499,889	496,259	491,238	196,116
Self insured health	14,228,080	-	-	-	-	-	-	-	-	-
Other	788,541	472,193	378,526	170,489	276,896	328,609	451,267	399,121	408,874	496,585
Operating grants and contributions										
Instruction	23,666,175	25,061,820	24,326,281	21,395,573	42,216,751	49,136,211	46,544,936	51,935,625	46,477,689	40,985,761
Food services	5,424,966	5,467,899	5,528,135	5,444,996	5,178,450	4,951,631	4,951,412	4,891,034	4,874,151	4,782,084
Capital grants and contributions	-	-	-	-	-	-	1,455,056	1,879,933	1,688,185	1,912,088
Total governmental activities program revenue	<u>\$ 45,823,496</u>	<u>\$ 33,040,022</u>	<u>\$ 32,103,029</u>	<u>\$ 28,906,021</u>	<u>\$ 49,656,081</u>	<u>\$ 56,904,035</u>	<u>\$ 56,240,963</u>	<u>\$ 61,333,949</u>	<u>\$ 55,818,270</u>	<u>\$ 50,457,347</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	<u>\$ (122,821,938)</u>	<u>\$ (126,875,353)</u>	<u>\$ (133,493,135)</u>	<u>\$ (122,159,436)</u>	<u>\$ (106,652,259)</u>	<u>\$ (101,412,709)</u>	<u>\$ (118,135,089)</u>	<u>\$ (101,766,625)</u>	<u>\$ (99,553,254)</u>	<u>\$ (94,763,125)</u>
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental activities										
Unrestricted grants and contributions	\$ 131,800,839	125,366,580	\$ 120,974,979	\$ 137,776,964	\$ 113,833,393	\$ 115,161,547	\$ 123,606,569	\$ 111,806,654	\$ 110,786,754	\$ 96,768,950
Investment earnings	463	6,345	30,439	25,317	55,597	270,797	498,527	945,002	793,744	630,641
Miscellaneous	239,964	596,709	888,601	1,136,711	1,260,839	1,507,880	1,607,268	589,871	209,103	27,774
Special Item	-	(4,778,996)	-	-	-	-	-	-	-	(784,133)
Total governmental activities	<u>\$ 132,041,266</u>	<u>\$ 121,190,638</u>	<u>\$ 121,894,019</u>	<u>\$ 138,938,992</u>	<u>\$ 115,149,829</u>	<u>\$ 116,940,224</u>	<u>\$ 125,712,364</u>	<u>\$ 113,341,527</u>	<u>\$ 111,789,601</u>	<u>\$ 96,643,232</u>
<b>Transfer to City of Portsmouth</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,750,269</u>	<u>\$ 9,943,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Net Position</b>										
Governmental activities	<u>\$ 9,219,328</u>	<u>\$ (5,684,715)</u>	<u>\$ (15,349,385)</u>	<u>\$ 6,835,759</u>	<u>\$ 8,497,570</u>	<u>\$ 15,527,515</u>	<u>\$ 7,577,275</u>	<u>\$ 11,574,902</u>	<u>\$ 12,236,347</u>	<u>\$ 1,880,107</u>

Source: Comprehensive Annual Financial Report for the relevant year

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 3**

**FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831	\$ 4,725,734
Nonspendable	274,185	152,853	300,259	135,575	559,924	-	-	-	-	-
Assigned	12,450,267	2,359,913	397,077	8,582,212	6,370,824	-	-	-	-	-
Unassigned	972,097	2,361,295	-	-	-	-	-	-	-	-
Total General Fund	\$ 13,696,549	\$ 4,874,061	\$ 697,336	\$ 8,717,787	\$ 6,930,748	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831	\$ 4,725,734
<b>All Other Governmental Funds</b>										
Reserved										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,430	\$ 1,654,671
Food Services	-	-	-	-	-	733,982	153,171	76,521	36,728	38,237
Capital Projects	-	-	-	-	-	19,866,538	7,489,787	9,527,957	5,916,981	-
Textbook	-	-	-	-	-	193,393	297,614	330,263	308,882	-
Unreserved, reported in										
Grants	-	-	-	-	-	438,124	(2,087,325)	(3,155,944)	(993,945)	(470,375)
Food Services	-	-	-	-	-	1,559,686	1,471,298	1,933,852	2,317,143	2,319,131
Capital Projects	-	-	-	-	-	(1,618,469)	10,893,729	2,877,337	2,882,639	7,140,000
Textbook	-	-	-	-	-	1,448,082	1,833,731	665,597	104,804	-
Nonspendable										
Food Services	25,787	43,656	94,404	38,325	41,708	-	-	-	-	-
Textbook	-	-	346	61,027	144,567	-	-	-	-	-
Restricted										
Grants	332,976	526,847	296,628	527,586	449,844	-	-	-	-	-
Food Services	871,591	1,690,710	1,804,974	2,036,930	2,146,211	-	-	-	-	-
Textbook	988,698	862,997	843,673	375,765	1,181,316	-	-	-	-	-
Capital Projects	-	-	-	505,998	509,246	-	-	-	-	-
Committed										
Textbook	-	-	-	1,038,858	-	-	-	-	-	-
Capital Projects	-	-	1,156,185	6,778,417	11,368,937	-	-	-	-	-
Assigned										
Grants	-	665,444	124,215	244,606	-	-	-	-	-	-
Capital Projects	-	-	-	36,707	9,943,797	-	-	-	-	-
Unassigned										
Grants	(48,030)	-	-	-	(585,465)	-	-	-	-	-
Total all other governmental funds	\$ 2,171,022	\$ 3,789,654	\$ 4,320,425	\$ 11,644,219	\$ 25,200,161	\$ 22,621,336	\$ 20,052,005	\$ 12,255,583	\$ 10,920,662	\$ 10,681,664

Source: Comprehensive Annual Financial Report for the relevant year

Note: The change in the classification of fund balance in 2011 is due to the implementation of GASB 54 in FY11.

See Management's Discussion and Analysis for explanation of the differences in current year fund balance from the prior year.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 4**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Intergovernmental										
Federal grants	\$ 16,582,767	\$ 17,886,311	\$ 17,765,296	\$ 27,939,844	\$ 27,996,547	\$ 31,427,769	\$ 18,168,051	\$ 15,003,073	\$ 18,013,124	\$ 18,255,075
Federal donated commodities	322,654	435,202	431,169	355,290	-	420,343	386,720	-	-	-
State grants and other	91,451,610	87,987,549	87,867,810	86,894,924	85,452,502	91,264,467	109,377,771	102,341,706	101,872,969	89,004,492
City of Portsmouth	52,400,000	50,257,282	44,008,292	49,571,413	48,171,651	48,171,651	49,862,858	50,002,154	42,936,433	36,939,444
Local										
Charges for services	14,780,846	799,064	913,852	1,137,316	1,149,376	1,243,708	1,316,139	1,255,369	1,408,694	1,425,495
Interest	463	6,345	30,439	25,317	48,237	244,345	388,622	822,311	759,818	557,804
Miscellaneous	2,191,473	2,307,948	2,223,363	2,064,847	2,370,760	3,079,234	3,497,614	2,256,972	1,984,185	1,761,915
<b>Total Revenues</b>	<b>177,729,813</b>	<b>159,679,701</b>	<b>153,240,221</b>	<b>167,988,951</b>	<b>165,189,073</b>	<b>175,851,517</b>	<b>182,997,775</b>	<b>171,681,585</b>	<b>166,975,223</b>	<b>147,944,225</b>
<b>Expenditures</b>										
Education										
Instruction	113,796,681	113,842,163	115,226,720	119,373,035	110,480,833	115,612,999	116,852,905	115,371,028	116,186,858	101,365,515
Administration, attendance, and health services	8,603,177	7,662,399	6,986,774	7,676,234	8,085,983	8,923,826	9,243,279	8,540,819	7,112,255	6,637,717
Pupil transportation	6,874,947	6,256,064	5,619,907	6,853,967	5,888,145	6,255,707	6,937,753	7,110,037	5,873,848	5,899,213
Operation and maintenance	15,400,181	15,303,513	15,901,140	14,647,181	14,903,276	15,903,972	18,479,476	15,506,446	14,850,521	16,374,494
Information technology	6,937,348	4,076,650	4,623,016	4,023,227	3,145,672	3,515,259	5,670,499	6,011,697	4,741,880	4,858,538
Food services	7,857,325	7,907,351	7,775,261	7,302,658	6,897,865	6,459,186	7,196,433	6,833,774	6,751,691	6,579,699
Debt service										
Principal	1,870,027	839,356	723,518	670,048	619,364	571,338	525,848	482,776	388,469	-
Interest	113,167	146,251	205,511	231,923	256,335	278,856	297,266	296,789	366,769	-
Self insured health	9,073,104	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	7,772,350	11,135,784	12,656,098	12,952,449	11,383,697	8,862,849	10,688,837	9,853,137
<b>Total Expenditures</b>	<b>170,525,957</b>	<b>156,033,747</b>	<b>164,834,197</b>	<b>171,914,057</b>	<b>162,933,571</b>	<b>170,473,592</b>	<b>176,587,156</b>	<b>169,016,215</b>	<b>166,961,128</b>	<b>151,568,313</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,203,856</b>	<b>3,645,954</b>	<b>(11,593,976)</b>	<b>(3,925,106)</b>	<b>2,255,502</b>	<b>5,377,925</b>	<b>6,410,619</b>	<b>2,665,370</b>	<b>14,095</b>	<b>(3,624,088)</b>
<b>Other financing sources (uses)</b>										
To local government	-	-	(3,750,269)	(9,943,797)	-	-	-	-	-	-
From local government	-	-	-	2,100,000	-	-	-	-	-	-
Transfers in	2,157,946	1,700,474	3,371,474	4,938,382	12,341,708	8,240,115	11,720,790	7,296,159	5,971,239	3,497,412
Transfers out	(2,157,946)	(1,700,474)	(3,371,474)	(4,938,382)	(12,341,708)	(8,240,115)	(11,720,790)	(7,296,159)	(5,971,239)	(3,497,412)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(3,750,269)</b>	<b>(7,843,797)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Change in Fund Balances</b>	<b>\$ 7,203,856</b>	<b>\$ 3,645,954</b>	<b>\$ (15,344,245)</b>	<b>\$ (11,768,903)</b>	<b>\$ 2,255,502</b>	<b>\$ 5,377,925</b>	<b>\$ 6,410,619</b>	<b>\$ 2,665,370</b>	<b>\$ 14,095</b>	<b>\$ (3,624,088)</b>
<b>Ratio of debt service expenditures to noncapital expenditures</b>	1.24%	0.64%	0.60%	0.56%	0.59%	0.54%	0.50%	0.49%	0.49%	0.00%

Source: Comprehensive Annual Financial Report for relevant year

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 5**

**OPERATING INDICATORS (UNAUDITED)**  
**OWN SOURCE REVENUE**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Enrollment										
Level										
Elementary	8293	8,284	8,329	8,397	8,322	8,444	8,321	8,193	8,538	8,575
Middle	2107	2,082	2,112	2,133	1,985	1,908	2,080	2,031	2,034	2,350
High	3690	3,710	3,689	3,716	3,740	3,916	4,020	3,982	4,191	4,510
Special Centers	719	733	833	883	862	783	666	697	483	591
School Lunches										
Full	\$ 83,872	\$ 96,420	\$ 95,870	\$ 101,059	\$ 103,859	\$ 116,604	\$ 122,420	\$ 637,770	\$ 642,493	\$ 635,614
Reduced	106,442	228,263	261,196	244,129	293,913	295,092	313,566	140,030	151,055	150,229
Free	1,597,406	3,195,004	3,278,722	3,194,494	3,038,131	2,868,045	2,511,373	972,755	993,511	1,030,888
Total	<u>\$ 1,787,720</u>	<u>\$ 3,519,687</u>	<u>\$ 3,635,788</u>	<u>\$ 3,539,682</u>	<u>\$ 3,435,903</u>	<u>\$ 3,279,741</u>	<u>\$ 2,947,359</u>	<u>\$ 1,750,555</u>	<u>\$ 1,787,059</u>	<u>\$ 1,816,731</u>
School Breakfasts										
Full	\$ 86,640	\$ 88,996	\$ 96,489	\$ 106,502	\$ 111,361	\$ 106,848	\$ 99,421	\$ 430,486	\$ 475,673	\$ 482,397
Reduced	221,597	110,241	118,272	146,186	166,965	159,261	141,497	107,301	122,279	119,640
Free	3,180,389	1,552,544	1,560,571	1,551,953	1,394,510	1,343,457	1,174,088	730,901	784,313	800,387
Total	<u>\$ 3,488,626</u>	<u>\$ 1,751,781</u>	<u>\$ 1,775,332</u>	<u>\$ 1,804,641</u>	<u>\$ 1,672,836</u>	<u>\$ 1,609,566</u>	<u>\$ 1,415,006</u>	<u>\$ 1,268,688</u>	<u>\$ 1,382,265</u>	<u>\$ 1,402,424</u>
Meal Prices										
Breakfast										
Elementary	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Middle	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
High	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Adult Ed	A la carte	A la carte	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.60	\$ 0.60	\$ 0.60
Lunches										
Elementary	\$ 1.45	\$ 1.45	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 0.85	\$ 0.85
Middle	1.45	1.45	1.35	1.35	1.35	1.25	1.25	1.25	0.95	0.95
High	1.45	1.45	1.35	1.35	1.35	1.25	1.25	1.25	0.95	0.95
Reduced	0.40	0.40	0.40	0.40	0.40	0.30	0.30	0.30	0.30	0.30
Adult Ed	2.85	2.85	2.75	2.75	2.75	2.75	2.75	2.75	2.00	2.00

Source: Portsmouth Public Schools - Food Services Division



**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 6**

**CAPITAL LEASES (UNAUDITED)**

	1		2		1÷2	Total Percentage of Guaranteed Savings	Percent of Personal Income*	Per Capita*
Year	Principal	Interest	Total Payment	Guaranteed Savings per Year	Percentage of Guaranteed Savings per Year			
2006	\$ -	\$ -	\$ -	\$ -				
2007	388,469	389,578	778,047	781,438	99.57%	10.25%		
2008	482,776	318,612	801,388	804,882	99.57%	10.55%		
2009	525,848	299,583	825,431	829,028	99.57%	10.87%		
2010	571,338	278,856	850,194	853,899	99.57%	11.20%		
2011	619,364	256,335	875,699	879,516	99.57%	11.53%		
2012	1,393,566	437,433	1,830,999	1,838,979	99.57%	24.11%		
2013	779,908	176,992	956,900	961,071	99.57%	12.60%		
2014	839,356	146,251	985,607	989,903	99.57%	12.98%		
2015	1,870,027	190,779	2,060,806	2,069,788	99.57%	27.14%		
	<u>\$ 7,470,652</u>	<u>\$ 2,494,419</u>	<u>\$ 9,965,071</u>	<u>\$ 7,593,156</u>			0.27%	\$ 103.80

Source: Personal income figure for total debt as % of per personal income is the latest available figure as of 2013 from the Bureau of Economic Analysis.

Source: Population figure for total debt per capita is the latest 2013 estimate from the U.S. Census Bureau.

Source: Citimortgage Master Lease Rental Payment Schedule

Source : Personal income and Per Capita figures based on latest information available

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 7**

**DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population (1)</b>	<b>Personal Income (thousands if dollars) (3)</b>	<b>Per Capita Personal Income (3)</b>	<b>Median Age (1)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (4)</b>
2015	*	*	*	*	14,809	6.70%
2014	96,004	*	*	34.9	14,809	6.90%
2013	96,205	\$ 3,756,474	\$ 39,047	34.9	14,215	7.80%
2012	96,470	3,701,589	38,333	34.9	14,256	8.60%
2011	95,684	3,596,088	37,583	35.2	14,103	8.70%
2010	95,535	3,515,478	36,762	34.5	14,224	9.30%
2009	99,321	3,340,905	33,637	34.4	14,331	9.00%
2008	99,542	3,327,167	33,425	34.9	14,287	5.10%
2007	101,377	3,260,359	32,161	34.8	14,990	4.20%
2006	102,346	3,112,645	30,413	34.8	15,243	4.40%

\* Information not available at this time

(1) Source: Bureau of Economic Analysis and United States Census Bureau

(2) Source: Average Daily Membership submitted to the Virginia Department of Education by the Portsmouth Public School System

(3) Source: Bureau of Economic Analysis.

(4) Source: Virginia Employment Commission-Labor Market Information

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 8**

**PRINCIPAL EMPLOYERS (UNAUDITED)**  
**CURRENT YEAR AND NINE YEARS AGO**

Employer	2015		2006	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Norfolk Naval Shipyard	9,000	21.17%	7,600	16.85%
Naval Medical Center - Portsmouth	5,400	12.70%	5,463	12.11%
City of Portsmouth	2,409	5.67%	2,542	5.64%
Portsmouth Public Schools	2,278	5.36%	2,500	5.54%
US Coast Guard Command - Portsmouth	2,233	5.25%	1,500	3.33%
Bon Secours Maryview Medical Center	2,000	4.70%	2,200	4.88%
Virginia International Gateway	711	1.67%	-	-
Tidewater Community College	520	1.22%	-	-
Walmart Supercenter	390	0.92%	-	-
Hampton Roads Regional Jail	375	0.88%	-	-
Alternative Behavior Services (FHC)	-	-	800	1.77%
Southeastern Public Service Authority	-	-	473	1.05%
Gwaltney of Smithfield	-	-	440	0.98%
General Dynamics - NASSCO (Earl Industries)	-	-	414	1.00%
	25,316	59.54%	23,932	53.15%

Source: City of Portsmouth Comprehensive Annual Financial Report

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 9**

**EMPLOYEES BY CLASS CODE (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	Employee Count									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
School board members	9	9	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1	1
Assistant superintendents	2	2	1	1	2	2	2	2	2	2
Directors	11	8	12	13	12	12	11	10	10	10
Coordinators	5	6	7	7	8	8	8	8	11	12
Education specialists	18	18	17	17	15	14	14	17	6	5
Supervisors	27	27	29	30	32	32	38	40	38	35
Principals	25	25	25	25	25	25	25	25	25	25
Assistant principals	28	29	29	29	31	31	34	34	33	31
Teachers	1,002	982	1,016	1,014	1,015	1,019	1,144	1,094	1,131	1,149
Guidance and other										
counselors	36	36	35	36	38	42	47	47	46	47
Librarians	19	20	21	22	24	22	26	25	23	25
Speech therapists	19	19	18	18	19	19	27	24	26	-
School social workers	8	8	8	8	9	9	9	9	8	8
Home school liaisons	2	2	2	2	2	2	2	2	4	10
Medical staff	27	29	30	30	30	31	32	33	31	31
Psychologists	10	10	10	10	10	11	11	11	11	10
Secretaries	132	128	137	142	139	145	164	156	168	160
Instructional assistants	207	202	210	211	205	241	270	258	268	298
Bus drivers and monitors	147	157	167	154	153	153	173	161	170	167
Operations and maintenance										
staff	119	130	132	127	127	144	182	189	201	200
School crossing guards	27	27	28	29	32	28	44	37	36	39
In school suspension	6	7	7	6	7	7	8	8	7	8
Special police officers	-	-	-	-	-	-	23	18	18	21
Security officers	16	16	16	16	16	16	-	-	-	-
Attendance officers	3	3	3	3	3	3	-	-	-	-
Print shop personnel	1	3	4	4	4	4	5	4	5	4
Cafeteria staff	118	117	117	119	114	122	137	136	147	161
Purchasing personnel	2	2	2	2	2	2	2	1	1	5
Technology personnel	20	19	20	20	21	22	-	-	-	-
Other	14	16	17	17	16	14	34	7	10	-
	<u>2,061</u>	<u>2,058</u>	<u>2,130</u>	<u>2,122</u>	<u>2,121</u>	<u>2,190</u>	<u>2,482</u>	<u>2,366</u>	<u>2,446</u>	<u>2,473</u>

Source: Portsmouth Public Schools - Budget and Planning Department (2004 - 2007)  
Portsmouth Public Schools - Finance Department (2008 - present)

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 10**

**TEACHERS - TOTAL NUMBER, AVERAGE AGE, AVERAGE SALARY (UNAUDITED)**

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
<b>2015</b>							
Elementary	510	44.8	\$ 50,007	211	261	35	3
Middle	151	42.4	48,336	80	63	6	2
High	262	46.4	51,681	141	103	16	2
Other	84	48.8	50,090	40	38	5	1
<b>2014</b>							
Elementary	517	43.5	\$ 51,552	217	265	33	2
Middle	141	42.7	49,479	56	62	4	3
High	259	45	52,700	135	106	15	3
Other	90	49.5	53,369	44	37	6	3
<b>2013</b>							
Elementary	510	43.3	\$ 51,618	181	294	33	2
Middle	144	41.8	50,269	65	69	9	1
High	265	46.8	53,259	125	118	19	3
Other	87	48	53,894	20	47	15	5
<b>2012</b>							
Elementary	509	43.9	\$ 51,198	184	297	27	1
Middle	140	43.3	49,802	66	66	7	1
High	255	46.1	52,669	113	122	18	2
Other	89	47.6	53,304	23	49	14	3
<b>2011</b>							
Elementary	518	43.6	\$ 46,304	215	278	25	-
Middle	139	44.3	45,426	72	60	7	-
High	266	46.2	48,384	140	110	14	2
Other	90	47.9	49,439	40	44	5	1
<b>2010</b>							
Elementary	558	43.7	\$ 48,381	299	234	24	1
Middle	145	44.0	47,453	95	43	7	-
High	266	46.6	50,732	156	97	11	2
Other	93	46.8	49,111	44	44	4	1
<b>2009</b>							
Elementary	577	44.0	\$ 47,740	238	314	24	1
Middle	159	45.0	47,503	36	115	8	-
High	268	47.0	50,656	202	52	12	2
Other	105	46.0	46,513	1	83	17	4
<b>2008</b>							
Elementary	625	43.4	\$ 47,149	317	285	22	1
Middle	169	45.9	47,720	102	63	4	-
High	286	46.7	49,210	164	107	13	2
Other	68	48.2	54,040	27	26	13	2
<b>2007</b>							
Elementary	534	42.8	\$ 45,376	197	324	11	2
Middle	202	44.9	45,100	123	76	2	1
High	287	46.4	45,128	157	119	7	4
Other	22	46.9	49,637	7	4	10	1
<b>2006</b>							
Elementary	622	42.5	\$ 44,048	368	244	8	2
Middle	194	44.3	44,675	133	58	2	1
High	285	45.9	45,941	185	92	5	3
Other	25	45.8	49,934	14	10	1	-

Note: Information for years prior to 2006 is not available - records not converted to new database.

Source: Portsmouth Public Schools - Human Resource Department

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 11**

**CAPITAL ASSETS STATISTICS (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Building										
Elementary	13	13	13	13	14	14	14	17	17	17
Middle	3	3	3	3	3	3	3	3	3	4
High	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	4	4	4	4	3	3	3
Fleet										
School Buses	143	138	147	147	149	149	141	132	144	130
Other	82	69	71	71	67	62	71	69	59	65
Athletics										
Football Fields	3	3	3	3	3	3	3	3	2	2
Running Tracks	3	3	3	3	3	3	3	3	2	3
Baseball/Softball	9	9	9	9	9	9	9	9	3	3
Playgrounds	17	17	16	16	17	17	17	17	15	17

Source: Portsmouth Public Schools - Transportation Division  
 Portsmouth Public Schools - Athletics Department  
 Portsmouth Public Schools - Operations Division

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 12**  
Page 1 of 3

**SCHOOL BUILDING INFORMATION (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Elementary Schools:</b>										
Brighton										
Square feet	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566
Capacity (Students)	650	650	650	650	650	650	650	650	650	650
Enrollment	504	553	501	487	542	612	598	669	701	660
Churchland Academy										
Square feet	83,000	83,000	83,000	83,000	83,000	96,000	96,000	96,000	96,000	96,000
Capacity (Students)	732	732	732	732	732	914	914	914	914	914
Enrollment	724	712	695	681	692	913	947	999	1,042	1,033
Churchland Elementary										
Square feet	76,734	76,734	76,734	76,734	66,586	66,586	66,586	66,586	66,586	61,612
Capacity (Students)	715	715	715	715	715	715	715	715	634	634
Enrollment	829	845	830	823	808	784	657	710	721	644
Churchland Primary										
Square feet	74,050	74,050	74,050	74,050	74,050	63,800	63,800	63,800	63,800	63,800
Capacity (Students)	600	600	600	600	600	600	600	600	608	608
Enrollment	576	562	606	620	637	542	529	514	598	606
Douglass Park										
Square feet	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,398
Capacity (Students)	800	800	800	800	800	800	800	800	703	906
Enrollment	784	771	707	680	584	613	520	697	679	774
Hodges Manor										
Square feet	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	47,633
Capacity (Students)	600	600	600	600	600	600	600	600	477	477
Enrollment	561	548	558	584	612	572	520	582	526	485
James Hurst										
Square feet	75,105	75,105	75,105	75,105	75,105	63,525	63,525	63,525	63,525	63,525
Capacity (Students)	775	775	775	775	775	775	775	775	605	605
Enrollment	715	707	706	736	666	615	635	734	755	791
John Tyler										
Square feet	61,040	61,040	61,040	61,040	106,749	106,749	106,749	106,749	106,749	106,749
Capacity (Students)	700	700	700	700	700	700	700	700	581	597
Enrollment	664	692	679	711	741	702	687	641	660	689
Lakeview										
Square feet	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	54,349
Capacity (Students)	660	660	660	660	660	660	660	660	605	572
Enrollment	514	526	541	546	544	590	592	623	664	641
Olive Branch										
Square feet	-	-	-	-	32,700	32,700	32,700	32,700	32,700	30,700
Capacity (Students)	-	-	-	-	455	455	455	455	311	311
Enrollment	-	-	-	-	367	367	347	430	464	428
Park View										
Square feet	79,998	79,998	79,998	79,998	79,998	79,998	79,998	31,748	31,748	26,548
Capacity (Students)	762	762	762	762	762	762	762	500	302	302
Enrollment	589	606	649	614	613	636	676	409	398	394

**SCHOOL BUILDING INFORMATION (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Elementary Schools (continued):</b>										
Simonsdale										
Square feet	81,165	81,165	81,165	81,165	33,300	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	700	700	700	700	325	325	325	325	317	317
Enrollment	726	721	751	757	292	307	260	311	284	286
Victory Elementary										
Square feet	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	51,613
Capacity (Students)	540	540	540	540	540	540	540	540	744	492
Enrollment	538	495	561	571	622	640	533	264	347	-
Westhaven										
Square feet	65,077	65,077	65,077	61,040	61,040	65,077	65,077	65,077	65,077	64,671
Capacity (Students)	670	670	670	670	670	670	670	670	620	797
Enrollment	569	546	545	587	602	551	538	610	598	646
Port Norfolk										
Square feet	-	-	-	-	-	28,700	28,700	28,700	28,700	28,700
Capacity (Students)	-	-	-	-	-	-	-	-	273	273
Enrollment	-	-	-	-	-	-	-	-	-	-
Clarke Academy										
Square feet	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200
Capacity (Students)	-	-	-	-	-	-	-	-	1,030	1,030
Enrollment	-	-	-	-	-	-	-	-	-	498
<b>Middle Schools:</b>										
Churchland										
Square feet	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937
Capacity (Students)	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141
Enrollment	908	893	912	921	841	861	949	889	888	967
Cradock										
Square feet	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	103,420
Capacity (Students)	885	885	885	885	885	885	885	885	885	885
Enrollment	589	607	612	616	599	525	521	590	584	719
William E. Waters										
Square feet	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601
Capacity (Students)	872	872	872	872	872	872	872	872	872	872
Enrollment	610	582	588	596	545	522	582	552	562	664
Hunt/Mapp										
Square feet	-	-	-	-	-	235,946	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-



**SCHOOL BUILDING INFORMATION (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>High Schools:</b>										
Churchland										
Square feet	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,152
Capacity (Students)	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
Enrollment	1,304	1,300	1,318	1,308	1,375	1,477	1,546	1,562	1,639	1,859
I. C. Norcom										
Square feet	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,000
Capacity (Students)	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Enrollment	1,117	1,112	1,086	1,187	1,238	1,269	1,271	1,300	1,402	1,319
Woodrow Wilson										
Square feet	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,655
Capacity (Students)	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869
Enrollment	1,269	1,298	1,285	1,221	1,127	1,170	1,129	1,120	1,150	1,332
Enrollment - Excel Campus	164	179	186	162	143	143	100	113	101	80
<b>Centers:</b>										
Churchland Preschool										
Square feet	13,000	13,000	13,000	13,000	13,000	-	-	-	-	-
Capacity (Students)	182	182	182	182	182	-	-	-	-	-
Enrollment	181	184	174	175	172	-	-	-	-	-
DAC Preschool										
Square feet	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Capacity (Students)	96	96	96	96	96	96	96	96	96	96
Enrollment	-	-	-	-	67	95	90	76	101	115
Emily Spong										
Square feet	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206
Capacity (Students)	288	288	288	288	288	288	288	288	288	288
Enrollment	154	125	245	250	263	265	263	236	182	179
Mt. Hermon										
Square feet	36,317	36,317	36,317	47,349	47,349	47,349	47,349	47,349	47,349	47,349
Capacity (Students)	451	451	451	451	451	451	451	451	451	451
Enrollment	180	226	213	278	258	287	248	272	260	252
Olive Branch Preschool										
Square feet	32,700	32,700	32,700	32,700	-	-	-	-	-	-
Capacity (Students)	455	455	455	455	-	-	-	-	-	-
Enrollment	204	198	201	180	-	-	-	-	-	-

Source: SASI student information database  
Portsmouth Public Schools - Operations Division

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**Component Unit of the City of Portsmouth, Virginia**

**Table 13**

**OPERATING STATISTICS (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

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<b>Year</b>	<b>Expenditures</b>	<b>Enrollment</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Pupil/ Teacher Ratio</b>
2015	\$ 170,525,957	14,809	\$ 11,515	2.96%	1,002	14.78
2014	154,924,247	14,809	10,461	-6.46%	982	15.08
2013	158,984,466	14,215	11,184	-2.38%	1,016	13.99
2012	163,335,746	14,256	11,457	4.77%	1,014	14.06
2011	154,222,462	14,103	10,935	-3.90%	1,015	13.89
2010	161,856,233	14,224	11,379	-3.81%	1,019	13.96
2009	169,537,657	14,331	11,830	3.74%	1,144	12.53
2008	162,921,752	14,287	11,403	7.40%	1,094	13.06
2007	159,162,386	14,990	10,618	12.23%	1,131	13.25
2006	144,216,707	15,243	9,461	6.00%	1,149	13.27

Note: Expenditures only include General and Special Revenue Funds.

Source: Portsmouth Public Schools - Human Resource and Finance Departments

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## ***COMPLIANCE SECTION***

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

The Honorable Members of the School Board  
City of Portsmouth, Virginia

We have audited, 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 Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth ("School Board") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated December 4, 2015. That report recognizes that the School Board implemented new accounting standards effective July 1, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School Board'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

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 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.

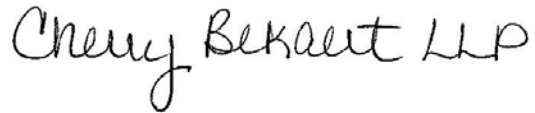
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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'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 the results of that testing, and not to provide an opinion on the effectiveness of the School Board'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's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

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

Virginia Beach, Virginia  
December 4, 2015

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