

# ***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, 2014*

**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, 2014

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, 2014**

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## ***INTRODUCTORY SECTION***





## Department of Budget and Finance

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Portsmouth, VA 23705-0998  
(757) 393-5270 • FAX (757) 393-8017

December 10, 2014

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, 2014. 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 unqualified 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 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 GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, in March 2012. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2012.

The GASB issued Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, in March 2012. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2012.

The GASB issued Statement No. 67, Financial Reporting for Pension Plans, in June 2012. This Statement amends Statement No. 25 relating to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2013.

The GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, in June 2012. This Statement amends Statements No. 27 and No. 50 relating to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2014.

The GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations in January 2013. This statement amends Statements No. 51 and 62 relating to mergers, acquisitions and transfers of operations. The requirements of the related Statements are effective for financial statements beginning after December 15, 2013.

The GASB issued Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees in April 2013. The requirements of the related Statements are effective for financial statements beginning after June 15, 2013.

The GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, in November 2013. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2014.

### **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.

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 serves 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) as prescribed by the Code of Virginia, as amended.

### **Economic Condition and Outlook**

Old Dominion University's Regional Studies Institute recently published The State of The Region - Hampton Roads 2014. According to the Institute, the "Big Three" sectors in the economy of Hampton Roads are defense spending, the Port of Virginia, and hotels/tourism. Of these three, defense spending has been the key driving force for the region's economy.

The region expects defense spending to be 42.2% of the economy in 2014 (this is below the 46.6% experienced in 2011). The sequestration cuts experienced in FY14 were less severe than was originally anticipated, however, in future years, key factors will likely cause defense spending reductions, i.e., additional small defense cuts still in the pipeline, decreased active duty military personnel, reduced U.S. Navy active ships, increased costs of building and producing major defense assets, and increased military conflicts which require non-traditional military assets (i.e. cyber warfare). With additional small cuts still in the pipeline, decreased active duty military personnel, reduced U.S. Navy active ships, increased costs of building and producing major defense assets, and increased military conflicts which require non-traditional military assets (i.e. cyber warfare), defense spending within the region will likely experience some reductions in future years.

The Port of Virginia is anticipated to continue to have a favorable impact on the Region's economy. Despite reports of the Port losing money, cargo tonnage handled by the Port continues to increase year over year. With the geographical location of the Port, the Port is the largest deepwater port on the East Coast, and the Port's relationships with major rail companies, the Port appears to be in a good position to experience positive growth in future years. Hotels/tourism continues to experience slow economic growth since the last recession.

Hampton Roads experienced economic growth of 1.54% (before inflation) from the previous year. While economic growth was positive, there has not been overall significant job growth. The rate of job growth in Hampton Roads is below 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. While overall job growth has been slow in the Region, Health Care and Social Assistance and Professional and Business Services have experienced the most significant job growth in the region.

As evidenced within the "Big Three" sectors, the Region's economy continues to improve, although it is at a slower pace than desired.

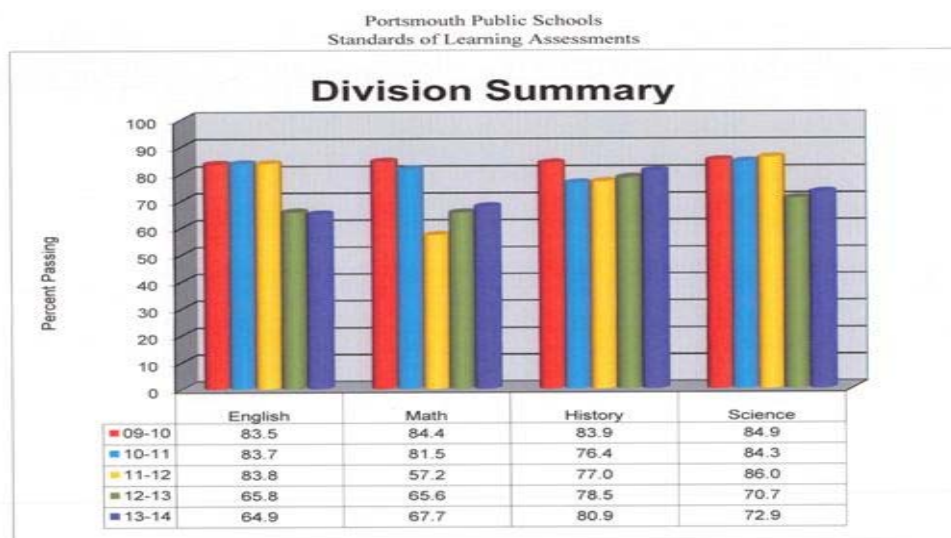
According to 2013 statistics, Portsmouth has a population of 96,205 of which 53.5% is African-American, 41.9% is white, and 4.6% is other. Major Portsmouth employers include Norfolk Naval Shipyard, Portsmouth Naval Medical Center, U.S. Fifth District Coast Guard Command, City of Portsmouth, and Portsmouth Public Schools. Within PPS, there are approximately 2,058 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, an alternative school, adult learning center, and Career and Technical office at Tidewater Community College, Portsmouth campus. Projected enrollment for FY2014-15 is estimated to be 14,948. Besides regular education, PPS serves special education needs. School-wide, 11% of all students received special education. The average age of school buildings within the district is 44 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 8 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 and City funding for FY2013-14 were below the funding levels experienced pre-recession. The outlook for FY2014-15 shows improvement with City funding increasing to amounts greater than pre-recession funding levels and state funds increasing slightly from FY2013-14 (but still below pre-recession state funding levels). Beyond the FY2014-15, the economic outlook for PPS may include some challenges due to potential decreases in state funding likely to be experienced beginning FY2015-16. 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

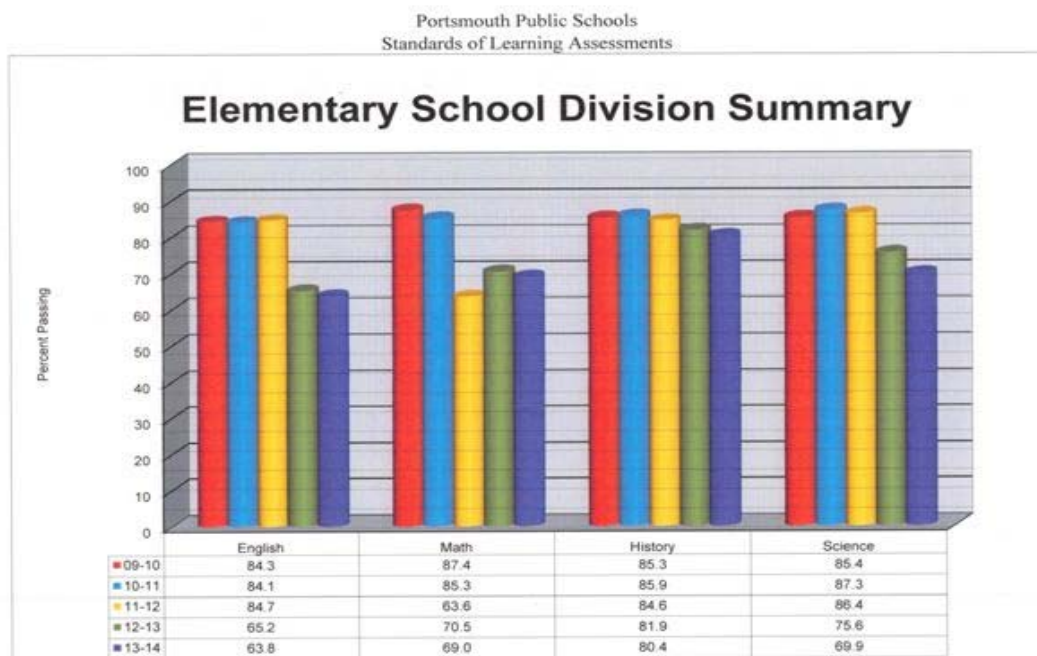
### Division Summary Portsmouth Public Schools Standards of Learning Assessments



Office of Research and Evaluation  
Updated July 2014

Data Source: Pearson Educational Measurements

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



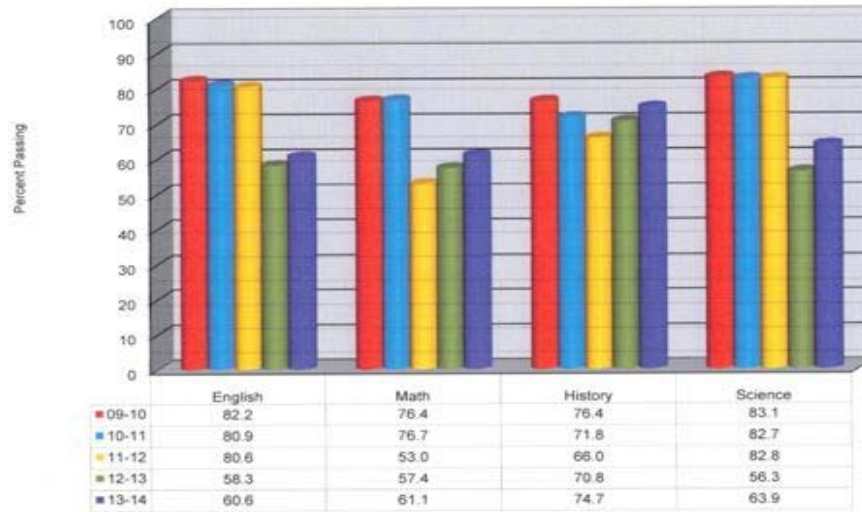
Office of Research and Evaluation  
Updated July 2014

Data Source: Pearson Educational Measurements

Middle Schools Summary  
Portsmouth Public Schools  
Standards of Learning Assessments

Portsmouth Public Schools  
Standards of Learning Assessments

### Middle School Division Summary



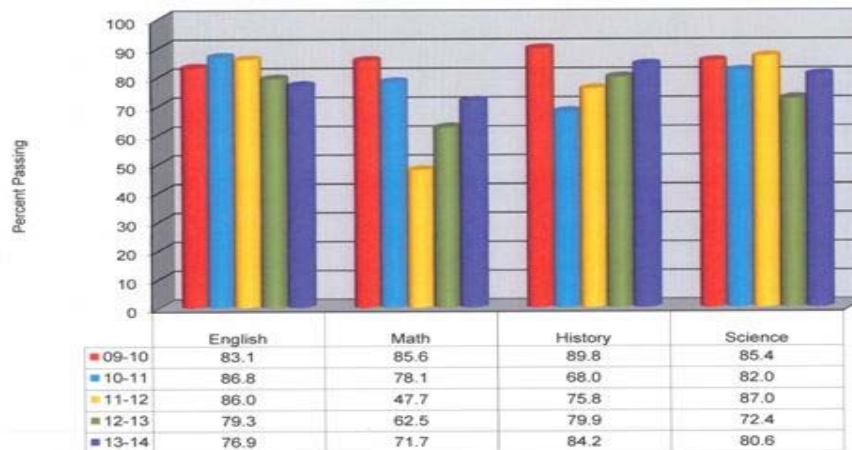
Office of Research and Evaluation  
Updated July 2014

Data Source: Pearson Educational Corporation

High Schools Summary  
Portsmouth Public Schools  
Standards of Learning Assessments

Portsmouth Public Schools  
Standards of Learning Assessments

### High School Division Summary



Office of Research and Evaluation  
Updated July 2014

Data Source: Pearson Educational Measurements

## **Major Initiatives and Recognition**

### **Special Education**

In collaboration with the Virginia Department for Aging and Rehabilitative Services (DARS), Portsmouth Public Schools (PPS) implemented the second year of the School-to-Work (STW) program.

Nine students participated in the STW program. After graduation, all of these students continued an open case with DARS; six are participating in various forms of Supported Employment and Job Development with Employment Specialists contracted by DARS, two moved on to Work Adjustment Training before pursuing competitive employment, and one went on to successful competitive employment (full-time job with benefits) and is volunteering at a local high school, helping with the school-based work experience.

PPS had 3 students, in one of our alternative programs, participate in a job readiness program through Project Search. Students have been hired/offered full time employment with Bon Secours/Maryview Hospital in the following positions:

- Portsmouth Intern: Hired by Bon Secours Maryview Medical Center as an Inpatient Pharmacy Aide
- Portsmouth Intern: Hired by Bon Secours Maryview Medical Center as an Patient Care Associate
- Portsmouth Intern: Offered a position by Bon Secours Maryview Medical Center as an Environmental Services Aide

Marcy Pronovost, Special Education Chairperson at Churchland High, was selected for the Leadership Academy for Virginia for school year 2013-2014. This is a competitive academy, run by VDOE, with applicants across the state.

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

The following are the Portsmouth Public Schools Science/STEM Program Highlights for 2013-2014:

#### **PreK-12**

The Office of Science adopted textbooks and digital resources for grades PreK through high school following the division's Curriculum Management Plan. Professional development was held throughout the summer for teachers and administrators.

The annual STEM EXPO on March 28, 2014 showcased the STEM Pathway Program for 1200 parents and students in attendance. This event was supported by thirty-plus partners from higher education, military, nonprofits, and businesses.

All Science Program Specialists received training at the America Association for the Advancement of Science (AAAS) in writing rigorous assessments and the Next Generation Science Standards. They are VISTA (Virginia Initiative for Science Teaching and Achievement) trained science leaders. VISTA is a federal grant. Two of the specialists have UTEACH training.

Portsmouth Public Schools participates in Virginia Department of Education (VDOE) Mathematics Institutes, which are designed to provide teachers with professional development focused on fostering students' abilities to make mathematical connections and use effective and appropriate representations in mathematics.

Portsmouth Public Schools teamed up with the Virginia Sports Hall of Fame and Museum to host "Math Mondays" to teach math to elementary children by using sports as a tool. Museum educators will continue this program through the 2015 school year.

The Director of Mathematics served as President for the Virginia Council for Mathematics Supervision.

## Elementary

CHROME (Cooperating Hampton Roads Organization for Minorities in Engineering) elementary clubs (13) participated in the first annual LEGO WEDO robotics competition on May 1, 2014. The Ocean Explorers project is aligned to Science SOL 5.6: The student will investigate and understand characteristics of the ocean environment. Key concepts included geographical characteristics, physical characteristics, and ecological characteristics. Total students: 250

Sustained Professional Learning Communities for each elementary grade band – K-6 - continued through face-to-face workshops and communication via Edmodo. Best practices were shared during these interactive sessions.

All Pre-K students planted trees at Paradise Creek Nature Park and each school library received a copy of the Dr. Seuss book, *The Lorax*. All PreK students also participated in field trips to the Elizabeth River Project's Learning Barge. This was made possible through a partnership grant with the Elizabeth River Project through the generosity of the Portsmouth General Hospital Foundation.

A new, LEGO WEDO summer camp was added at STARBASE Victory for rising fourth graders. Seventy-five students were served over three, four-day sessions – twenty-five students per week. The jungle-themed camp focused on an introduction to robot design and programming.

## Middle

Twenty rising 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> grade students attended the first Maker summer camp hosted on-site at 757Maker in Norfolk, VA. Participants designed their own Android apps for use on cell phones and tablets. They formed faux digital design corporations to fulfill media contracts with science education companies.

Ten students from Waters Middle School participated in the Wheelabrator Technologies Environmental Symposium in Sunrise, Florida. They continued their oyster study in the Elizabeth River.

## High School

PPS hosted two (2) VEX Robotics regional competitions at Norcom High School. Fifty-four teams from Virginia competed for the coveted slots to the inaugural Virginia state competition. PPS had three teams, one team representing each high school, qualify and compete at the state championship.

Twenty-four students from the AP Biology and Biotechnology classes attended monthly Medical Explorers club meetings at Eastern Virginia Medical Center (EVMS). Students explored the diverse laboratories at EVMS and listened as research-scientists explained their ground-breaking research.

Eighteen PPS high school students participated in Project Launch a partnership program with Opportunity Inc., Virginia Modeling, Analysis, and Simulation Center (VMASC), ODU, and PPS that included field experiences to universities and businesses/industries, lectures, summer camps, and internships with local engineering firms.

All PPS Ecology and Oceanography students participated in the first annual unit of study at Paradise Creek Nature Park.

The Director of Science gave presentations to:

- Virginia Association of Science Teachers:
  - Project SEARCH is an elementary engineering design summer camp during which participants design, build, and test a buoy. The buoy is authentic as it collects Tier One data shared with the division's STEM programs.
  - Project Biofuels Apprenticeship is a high school program that places eight (8) rising 10<sup>th</sup> and 11<sup>th</sup> grade students in authentic biofuels research laboratories at Old Dominion University.

- Serves on the MONARCH TEACH Advisory Board – ODU; function is to bring University of Austin's critically acclaimed UTEACH program to ODU. UTEACH was designed to promote mathematics and science teaching skills. The goal of the NEW MONARCH TEACH program is to recruit potential mathematics and science teachers with a 21<sup>st</sup> Century approach.
- Served on the committee that framed VA House Bill 930 that resulted in decreasing the number of elementary Standards of Learning Assessments.

### **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, consisting of 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 2013-14, CTE continued its recent trend of increased enrollment to 5,992 students. The office of CTE offered 1,587 certifications this year. Types of certifications offered were Greenhouse Operations, Microsoft Specialists, Customer Service, Workplace Readiness, Hospitality Management, and Adobe.

Students involved in CTE clubs, such as DECA (Marketing), FBLA (Business), FCCLA (Family and Consumer Science), TSA (Technology Education), Skills USA (Trade and Industry), and FHA (Agriculture), participated in district, state, and national competitions throughout the school year.

One student placed 2<sup>nd</sup> in the FBLA State Competition and will compete at the National Competition in Nashville, Tennessee. Five teams placed first in the level one FCCLA Competition after receiving the highest combined score on the written assessment and received an automatic bid to Nationals in San Antonio, Texas. PPS' Knowledge Bowl team is 4<sup>th</sup> in the nation. One student received a bronze medal in Advocacy for Domestic Violence and another student received a bronze medal in Fashion Design.

A total of \$63,844 in scholarships were awarded to three students who competed in the CCAP Scholarship Competition held at Stratford University.

A total of \$435,900 in AJROTC Senior scholarships were awarded to 11 students in the district.

### **Social Studies**

Portsmouth Public Schools had three teachers complete training through the Hampton University Leadership Academy in May 2014. As a result, each teacher received Master's degrees in education administration. This program was a fully funded grant to develop leadership in urban school districts.

### **Human Resources**

The Instructional Personnel Verification Report (IPAL) is an annual report required by the State Department of Education that reflects the school division's data on teacher licensing. The instructional personnel survey data, supply and demand report for the 2013-2014 School Year reported the percentage of highly qualified teachers at 98.82%.

Portsmouth Public Schools currently has three Nationally Board Certified teachers. National Board Certification is a voluntary, advanced teaching credential that goes beyond state licensure. Completion of National Board Certification signifies that teachers have developed and demonstrated the skills required of an accomplished education professional.

To attract highly qualified teachers to Portsmouth Public Schools, recruitment fairs were attended on both the local and state levels.



The ODU-Teacher Immersion Residency Program (ODU-TIR) is a 12-month teacher-training program that concludes with the participant receiving a Master's of Science in Secondary Education. At the conclusion of the internship, participants are eligible to teach dual enrollment course offerings in their major. For the 2013-2014 School Year, we were successful in placing two residents from this program.

The United Way Campaign for Portsmouth Public Schools was coordinated by the Department of Human Resources. A total of \$48,450 was raised by students and employees.

## **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 re-appropriated and carried forward to the next fiscal year. The School Board has adopted budgets for the following funds - General, Text Books, Grants, Food Services, Capital Projects, Printshop, 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 VACorp. For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$450,000. Workers Compensation claims are handled by PMA Management Corp, 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, 2013. The Certificate of Excellence is valid for a period of one year only. This is the eighth 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, 2013. This is the seventh 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 the fiscal year 2014-15. 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.

### **Academics**

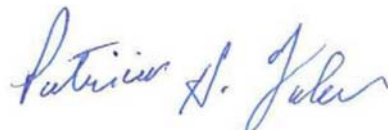
The First College program has grown from 19 students in 2006 to 167 scholars this school year. Twenty of the students earned all As. This session, the students achieved a C or better in 84% of the courses they attempted and will be able to transfer the courses as college credit to 4-year universities.

Of the 911 members of the Class of 2014, 287 received Advanced Studies Diplomas and 272 graduated with Honors. Merit-based scholarships were awarded in the amount of \$3,247,007.

### **Acknowledgements**

We would like to express our sincere gratitude to the personnel in the Department of Budget and 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, reading "Patricia H. Fisher".

Patricia H. Fisher, Ph.D.  
Interim Division Superintendent

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2014**

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

**School Board**

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

Dr. Elizabeth Daniels (member from 1996 - April, 2014) ..... Vice Chairman

Ms. Laural J. Armstrong (term started June 1, 2014)

Rev. Joseph A. Fleming

Mr. Ted J. Lamb

Mr. B. Keith Nance, Sr.

Mr. Claude C. Parent

Ms. Linda Ridenour (term started August 2013)

Dr. Mark M. Whitaker

Mrs. Costella Williams

**Officials**

Dr. Patricia H. Fisher ..... Interim Division Superintendent

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

Dr. Elizabeth Daniels  
*School Board Vice-Chair*  
Member of the School Board 1996-April 2014  
Former Educator, Medical Chemist, Retired Dentist



Rev. Joseph A. Fleming  
Member since July 2012  
Current Term expires  
December 31, 2014  
Former Teacher, currently  
an Assistant Pastor



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



Mr. Claude C. Parent  
Member since 2010  
Current Term expires  
December 31, 2014  
Minister of Church  
Administration, Retired  
Educator



Ms. Laurel J. Armstrong  
Member since June 2014  
Current Term expires  
November 4, 2014  
Retired Educator



Ms. Linda D. Ridenour  
Member since 2013  
Current Term expires  
December 31, 2014  
Retired Educator



Dr. Mark M. Whitaker  
Member since 2002  
Current Term expires  
December 31, 2014  
Associate Professor,  
Assistant Pastor



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, 2013*

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



Terrie S. Simmons, RSBA, CSBO  
President

John D. Musso, CAE, RSBA  
Executive Director





Government Finance Officers Association

**Certificate of  
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Presented to

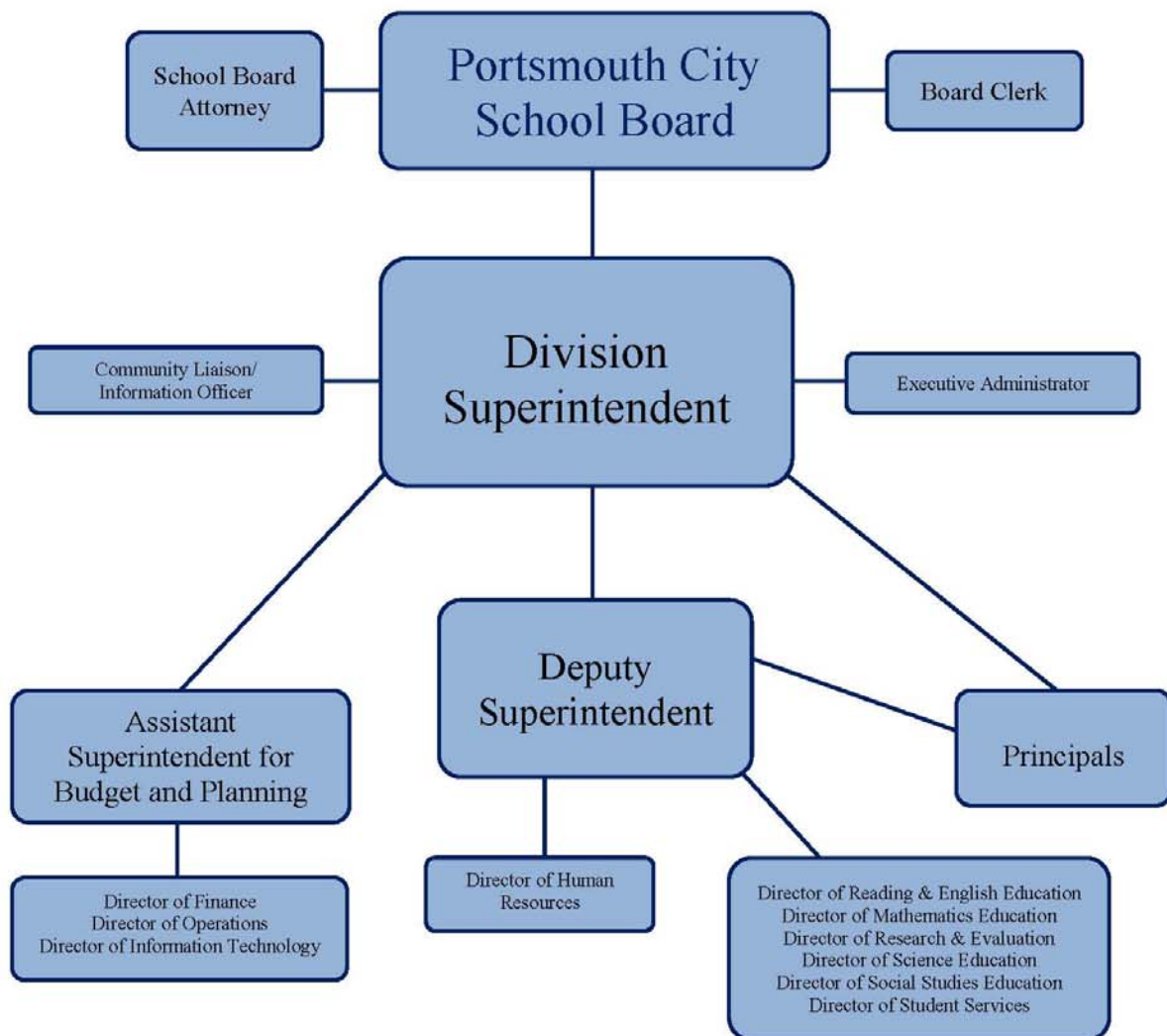
**City of Portsmouth, Virginia  
School Board**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# DIVISION ORGANIZATIONAL CHART 2013-14



Rev. 07/13

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## ***FINANCIAL SECTION***

## **Report of Independent Auditor**

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 City of Portsmouth, Virginia School Board ("School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Board'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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, 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 City of Portsmouth, Virginia School Board, as of June 30, 2014, 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**

As described in Note 10 to the financial statements, the School Board restated beginning net position to correct an overstatement of long-term debt and net position invested in capital assets. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

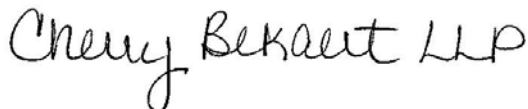
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth, Virginia School Board's basic financial statements. The introductory section, combining internal service fund financial statements, statement of changes in assets and liabilities-agency fund 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 statement of changes in assets and liabilities-agency fund 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 fund 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 10, 2014, on our consideration of the City of Portsmouth, Virginia School Board'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 cursive script that reads "Cheryl Bekaert LLP".

Virginia Beach, Virginia  
December 10, 2014

**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, 2014**

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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 ended June 30, 2014. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights for Fiscal Year Ended June 30, 2014 (FY13-14)**

PPS' financial status, as reflected in total net position, decreased 7% to \$78.7 million.

On the Statement of Net Position – Governmental Activities, total liabilities at June 30, 2014 totaled \$26.5 million. The bulk of the current liabilities of \$16.2 million are related to accrued payroll and accounts payable while the majority of the non-current liabilities are related to compensated absences and capital leases.

On the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, total fund balance increased from \$5.0 million at June 30, 2013 to \$8.7 million at June 30, 2014. The General Fund, Grants Fund, and Textbook Fund experienced an increase in fund balance. The Food Services and Construction Funds experienced a decrease in fund balance.

Total revenue was \$159.7 million. Of that, \$50.3 million was from the City of Portsmouth (City), \$88 million was State aid from the Commonwealth of Virginia, and \$17.9 million was from the Federal government. Interest and other charges were \$3.5 million, including \$6 thousand in interest and \$799 thousand in charges for services.

**Operational Highlights for Fiscal Year 2014**

Portsmouth Public Schools (PPS) was a sub-recipient of Project D'n'A: Building Blocks for Middle School Science Literacy grant in the amount of \$30,231. Old Dominion University Research Foundation was the prime recipient of the two-year grant awarded by Virginia Department of Education to develop and deliver middle school science units, assessments and a professional development model.

PPS was a sub-recipient of a \$26,000 Safe Routes to School Division Coordinator Program grant. Virginia Department of Transportation was the prime recipient of the funds awarded by the U.S. Department of Transportation to create and fill a temporary part-time position within the school division to encourage and coordinate Safe Routes to School efforts division-wide.

Virginia Department of Education (VDOE) awarded PPS \$72,340 for the Strategic Compensation Grants Initiative Program. The grant was intended to award school divisions funding to design and implement compensation systems for teachers which provided incentives based on each participating school division's strategic goals and objectives. The incentives targeted Master Mathematics Teachers, Partner Mathematics Teachers and Partner Special Education Teachers.

VDOE awarded PPS \$99,960 for the 2013-14 School Security Equipment Grant Program. The funds provided specifically for two preschools, six elementary schools and three middle schools to receive metal detectors, visitor information systems, or class connection intercom systems. As a condition of the grant terms, a 25% local match was required.

VDOE awarded PPS \$60,000 supplemental funds for the Students with Disabilities Program Improvement Plan grant. The grant provided additional Individuals with Disabilities Education Act, Part B Section 611 funds to secondary schools that did not meet the Annual Measurable Objectives (AMOs) for students with disabilities. Churchland, Cradock and Waters Middle Schools and Churchland, Norcom and Wilson High Schools were each awarded \$10,000 to assist with the requirements of school improvement.

## **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 assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of changes in net assets (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	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
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 and liabilities, 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 and liabilities, 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, additional non-financial factors should be considered, 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 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 June 30, 2014 were \$78.7 million, which were composed of \$7 million in unrestricted net position, \$3.2 million in restricted for other purposes, and \$68.5 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.

### Net Position June 30, (in thousands of dollars)

	<u>2014</u>	<u>2013, restated</u>
Current and other assets	\$ 33,801	\$ 42,279
Capital assets	<u>71,406</u>	<u>80,840</u>
Total assets	<u>105,207</u>	<u>123,119</u>
Current liabilities	16,173	8,279
Other liabilities	<u>10,356</u>	<u>30,477</u>
Total liabilities	<u>26,529</u>	<u>38,756</u>
Net position:		
Net investment in capital assets	68,535	76,350
Restricted		
Grants	611	1,104
School food services	1,710	1,805
Textbook	863	844
Unrestricted	<u>6,959</u>	<u>4,260</u>
Total net position	<u>\$ 78,678</u>	<u>\$ 84,363</u>

## Changes in Net Position

The breakdown of program revenue is as follows: 92% comes from operating contributions, while the remaining program revenue is from charges for services. Total general revenues for FY13-14 were \$126 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 40% 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)

Revenues:	2014	2013, restated
Program revenues:		
Charges for services	\$ 2,510	\$ 2,249
Operating grants and contributions	30,530	29,854
General revenues:		
Interest and investment earnings	6	30
Grants and contributions not restricted	125,366	120,975
Miscellaneous	597	889
Total revenues	159,009	153,997
Program expenses:		
Instruction	117,951	123,563
Administration	4,671	3,923
Attendance and health services	3,032	3,138
Pupil transportation	6,567	5,967
Operations and maintenance	15,372	19,969
Information technology	4,160	4,691
Food services	8,016	7,916
Interest on long-term debt	146	179
Total program expenses	159,915	169,346
Special Item - Abandonment of CIP Assets	4,779	-
Change in net position	(5,685)	(15,349)
Beginning net position, as previously stated	84,363	98,768
Correction of prior year overstatement of liabilities	-	944
Beginning net position, as restated	84,363	99,712
Ending net position	\$ 78,678	\$ 84,363

Operating contributions in the program revenues section, increased slightly by \$.7 million over the previous fiscal year. Special education tuition experienced the largest increase in contributions.

Grants and contributions not restricted, in the general revenues section, increased by \$4.4 million over the previous fiscal year. This increase is the net result of reduced Federal funding and increased funding from the City of Portsmouth.

Total program expenses decreased by \$9.4 million from the previous fiscal year. Most of this decrease is due to less monies transferred back to the City of Portsmouth. All other expenses remained fairly consistent with the previous year.

## Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$8.7 million for fiscal year ended June 30, 2014. The current year compared to last year is as follows:

### Fund Balance Comparison

Years Ended June 30,  
(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Fund:		
General	\$ 4,874	\$ 697
Grants	1,192	421
Food Services	1,734	1,899
Textbook	863	844
Construction	-	1,156
Total combined fund balance	<u>\$ 8,663</u>	<u>\$ 5,017</u>

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

- The increase in fund balance in the General Fund is related to the increase in funding from the City of Portsmouth as compared to FY13 and the timing of expenditures incurred using FY13-14 appropriations.
- The increase in the fund balance in the Grant Fund is due to decreased instructional expenditures reimbursed from Title I funding.
- The decrease in fund balance in the Food Services Fund is due to a decline in charges for services because of a decrease in enrollment.
- The increase in fund balance in the Textbook Fund is due to the return of previous year funding from the City of Portsmouth and increased purchases of new textbook adoptions.
- The decrease in fund balance in the Construction Fund is due to the transfer of the Construction fund and all open projects at the end of FY13 to the City.

## General Fund Budgetary Highlights

Throughout FY13-14, the School Board monitors its total budget; however, the School Board delegates' authority to the superintendent to move budget amounts between line items and organizational units to meet the changing needs of the School Board. The School Board's administration manages actual spending to revenue received.

### General Fund Fiscal Year 2014 (in thousands of dollars)

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Original Budget versus Amended Budget Variance	Amended Budget versus Actual Variance
Revenues:					
Intergovernmental	\$ 132,687	\$ 133,566	\$ 131,999	1%	-1%
Other	1,625	1,625	1,161	0%	-29%
Total	134,312	135,191	133,160	1%	-2%
Expenditures and transfers:					
Expenditures	131,745	132,616	129,192	1%	-3%
Transfers	2,567	2,575	1,607	0%	-38%
Total	134,312	135,191	130,799	1%	-3%
Change in fund balance	\$ -	\$ -	\$ 2,361	0%	0%

Actual other revenues were less than the amended budget for other revenues by \$.4 million or 29%. This is primarily due to fewer reimbursements for indirect grant costs.

Actual transfers were \$.9 million below the amended budget for transfers due to the reclassification of transfers to the risk management fund to General fund expenditures.

## Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2014, the School Board had \$71.4 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 As of June 30, (Net of depreciation, in thousands of dollars)

	2014	2013
Land	\$ 6,125	\$ 6,125
Buildings and improvements	56,978	49,552
Equipment	8,270	8,969
Intangibles	33	118
Construction in progress	-	16,076
Total	\$ 71,406	\$ 80,840

Construction in progress decreased due to the capitalization of completed projects and the write-off projects that were either cancelled or transferred to the City of Portsmouth. The Capital Projects Fund was closed during the year, therefore, no new construction projects were started. Additionally, PPS changed the capitalization policy to capitalize projects as of the date each project is complete rather than at the end of each fiscal year. As a result additional depreciation expense was recorded. Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

### **Long-Term Liabilities**

Long-term liabilities as of fiscal year end were \$10.4 million, with \$8.0 million due in greater than one year and the remaining \$2.4 million due within one year.

The significant portions of long-term liabilities were \$5.4 million in vacation and sick leave, \$2.9 million in energy lease obligations and \$1.9 million in claims payable related to potential workman's compensation claims.

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

### **Outlook for Fiscal Year 2015**

On July 3, 2014, the School Board approved PPS to become self-insured for employee health insurance effective January 1, 2015. The Board requested assurance from Portsmouth City Council to cover any expenses beyond PPS' reserve before stop loss insurance takes effect. On July 8, 2014, the Mayor sent a letter to the School Board Chairman stating City Council's position that the City will cover costs that exceed the School Board's budget for health insurance during the first year or two of self-funding health insurance benefits for PPS employees as the School Board transitions to this new model and builds a reserve for this expense.

January 2015 marks one year for employees hired into the Virginia Retirement Systems (VRS) Hybrid Retirement Plan and the start of potential claims through the Virginia Local Disability Plan (VLDP). This plan includes short-term and long-term disability benefits and a long-term care program. Local employers pay the costs of providing short-term disability benefits. The cost impact for PPS is unknown at this time but could be significant in future years.

Approximately 200 Promethean projectors within various classrooms will be replaced by the end of December 2014.

In FY15, students will be provided email accounts using the SharpSchool system (the same system hosting the division's web pages). The email accounts will be available beginning December 2014.

The District will transition to Google Apps for Education, including Google Classroom. Google Classroom will help teachers create and organize assignments (including paperless collection of assignments) and communicate more efficiently with students. Students will be able to communicate directly with teachers and peers and receive direct and real-time feedback on assignments.

### **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, 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, 2014**

**ASSETS**

Cash and cash equivalents	\$ 25,089,662
Due from the federal government	1,147,285
Due from the Commonwealth of Virginia	1,226,627
Receivables - net	739,228
Inventory	203,433
Capital assets not depreciated	6,125,204
Other capital assets - net	65,281,185
Net OPEB asset	5,394,422
<b>Total assets</b>	<b>\$ 105,207,046</b>

**LIABILITIES**

Accounts payable	\$ 7,999,798
Accrued payroll	7,616,102
Accrued payroll taxes	556,617
Long-term liabilities	
Due within one year	2,384,131
Due in more than one year	7,971,929
<b>Total liabilities</b>	<b>26,528,577</b>

**NET POSITION**

Net investment in capital assets	68,535,355
Restricted	
Grants	611,099
School food services	1,710,238
Textbook	862,997
Unrestricted	6,958,780
<b>Total net position</b>	<b>78,678,469</b>
<b>Total liabilities and net position</b>	<b>\$ 105,207,046</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, 2014**

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	\$ 4,670,922	\$ -	\$ -	\$ -	\$ (4,670,922)
Instruction	117,950,884	36,752	25,061,820	-	(92,852,312)
Attendance and health services	3,032,072	426,069	-	-	(2,606,003)
Pupil transportation	6,567,662	90,012	-	-	(6,477,650)
Operations and maintenance	15,372,087	9,372	-	-	(15,362,715)
Information technology	4,159,832	-	-	-	(4,159,832)
Food service	8,015,665	1,948,098	5,467,899	-	(599,668)
Interest on long-term debt	146,251	-	-	-	(146,251)
<b>Total Primary Government</b>	<b>\$ 159,915,375</b>	<b>\$ 2,510,303</b>	<b>\$ 30,529,719</b>	<b>\$ -</b>	<b>(126,875,353)</b>
<b>General revenues</b>					
From primary government					50,257,282
Unrestricted grants and contributions					75,109,298
Investment earnings					6,345
Miscellaneous					596,709
<b>Total general revenues</b>					<b>125,969,634</b>
Special Item - Loss on abandoned Construction in Progress					(4,778,996)
<b>Change in net position</b>					<b>(5,684,715)</b>
<b>Net position - beginning of year, as restated</b>					<b>84,363,184</b>
<b>Net position - end of year</b>					<b>\$ 78,678,469</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 III**  
Page 1 of 2

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2014**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>School Construction</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and temporary investments	\$ 15,185,331	\$ 616,002	\$ 2,100,304	\$ 3,781,710	\$ -	\$ 21,683,347
Receivables	602,075	67,741	19,542	-	-	689,358
Due from federal government	30,569	1,114,276	2,440	-	-	1,147,285
Due from Commonwealth of Virginia	1,204,075	22,552	-	-	-	1,226,627
Due from other funds	369,923	-	15,848	-	-	385,771
Inventory	152,853	-	43,656	-	-	196,509
<b>Total assets</b>	<b>\$ 17,544,826</b>	<b>\$ 1,820,571</b>	<b>\$ 2,181,790</b>	<b>\$ 3,781,710</b>	<b>\$ -</b>	<b>\$ 25,328,897</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 4,491,570	\$ 489,011	\$ 101,292	\$ 2,917,925	\$ -	\$ 7,999,798
Accrued payroll	7,573,601	6,892	4,806	788	-	7,586,087
Accrued payroll taxes	556,617	-	-	-	-	556,617
Due to other funds	15,848	48,125	321,798	-	-	385,771
<b>Total liabilities</b>	<b>12,637,636</b>	<b>544,028</b>	<b>427,896</b>	<b>2,918,713</b>	<b>-</b>	<b>16,528,273</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	33,129	84,252	19,528	-	-	136,909
<b>FUND BALANCES</b>						
Nonspendable	152,853	-	43,656	-	-	196,509
Restricted	-	526,847	1,690,710	862,997	-	3,080,554
Assigned	2,359,913	665,444	-	-	-	3,025,357
Unassigned	2,361,295	-	-	-	-	2,361,295
<b>Total fund balances</b>	<b>4,874,061</b>	<b>1,192,291</b>	<b>1,734,366</b>	<b>862,997</b>	<b>-</b>	<b>8,663,715</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 17,544,826</b>	<b>\$ 1,820,571</b>	<b>\$ 2,181,790</b>	<b>\$ 3,781,710</b>	<b>\$ -</b>	<b>\$ 25,328,897</b>

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

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**June 30, 2014**

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

**Total fund balances - governmental funds** **\$ 8,663,715**

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	\$ 71,406,389	
Net capital assets of internal service funds	<u>(33,730)</u>	71,372,659

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.

136,909

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	(10,356,060)	
Internal service funds - current portion	627,331	
Internal service funds - long-term portion	<u>1,375,259</u>	(8,353,470)

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.

5,394,422

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.

1,464,234

**Total net position - governmental activities** **\$ 78,678,469**

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 IV**  
Page 1 of 2

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

**Year Ended June 30, 2014**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>School Construction</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Intergovernmental						
From City of Portsmouth	\$ 48,157,282	\$ -	\$ -	\$ 2,100,000	\$ -	\$ 50,257,282
From Commonwealth of Virginia	83,090,178	3,877,280	104,848	915,243	-	87,987,549
From federal government	752,418	11,665,994	5,467,899	-	-	17,886,311
Donated commodities	-	-	435,202	-	-	435,202
Total intergovernmental	131,999,878	15,543,274	6,007,949	3,015,243	-	156,566,344
Charges for services	-	-	799,064	-	-	799,064
Interest	6,177	-	168	-	-	6,345
Miscellaneous	1,153,937	213,876	935,158	4,977	-	2,307,948
<b>Total revenues</b>	<b>133,159,992</b>	<b>15,757,150</b>	<b>7,742,339</b>	<b>3,020,220</b>	<b>-</b>	<b>159,679,701</b>
<b>Expenditures</b>						
Current						
Education						
Instruction	95,323,495	15,169,394	-	3,349,274	-	113,842,163
Administration	4,290,962	340,507	-	-	-	4,631,469
Attendance and health services	2,563,947	466,983	-	-	-	3,030,930
Pupil transportation	6,027,898	228,166	-	-	-	6,256,064
Operation and maintenance	14,156,470	37,543	-	-	1,109,500	15,303,513
Information technology	4,027,784	48,866	-	-	-	4,076,650
Food services	-	-	7,907,351	-	-	7,907,351
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	839,356	-	-	-	-	839,356
Interest	146,251	-	-	-	-	146,251
<b>Total expenditures</b>	<b>127,376,163</b>	<b>16,291,459</b>	<b>7,907,351</b>	<b>3,349,274</b>	<b>1,109,500</b>	<b>156,033,747</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>5,783,829</b>	<b>(534,309)</b>	<b>(165,012)</b>	<b>(329,054)</b>	<b>(1,109,500)</b>	<b>3,645,954</b>
<b>Other financing sources (uses)</b>						
Transfers in	46,685	1,305,757	-	348,032	-	1,700,474
Transfers out	(1,653,789)	-	-	-	(46,685)	(1,700,474)
<b>Total other financing     sources (uses)</b>	<b>(1,607,104)</b>	<b>1,305,757</b>	<b>-</b>	<b>348,032</b>	<b>(46,685)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>4,176,725</b>	<b>771,448</b>	<b>(165,012)</b>	<b>18,978</b>	<b>(1,156,185)</b>	<b>3,645,954</b>
<b>Fund balances - beginning of year</b>	<b>697,336</b>	<b>420,843</b>	<b>1,899,378</b>	<b>844,019</b>	<b>1,156,185</b>	<b>5,017,761</b>
<b>Fund balances - end of year</b>	<b>\$ 4,874,061</b>	<b>\$ 1,192,291</b>	<b>\$ 1,734,366</b>	<b>\$ 862,997</b>	<b>\$ -</b>	<b>\$ 8,663,715</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, 2014**

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

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 3,645,954</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.		
Items not capitalized	\$ (4,301,404)	
Depreciation of general government assets, net of amount reported in internal service funds	<u>(5,140,136)</u>	(9,441,540)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(670,045)
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		839,356
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	(82,125)	
Change in net OPEB asset	<u>(379,064)</u>	(461,189)
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.		<u>402,749</u>
<b>Change in net position of governmental activities</b>		<b>\$ (5,684,715)</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 V**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2014**

		<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and temporary investments		\$ 3,406,315
Accounts receivable		49,870
Inventories		6,924
<b>Total current assets</b>		<b>3,463,109</b>
<b>Noncurrent assets</b>		
Capital assets		
Machinery and equipment		964,055
Less - accumulated depreciation		(930,325)
<b>Total noncurrent assets</b>		<b>33,730</b>
<b>Total assets</b>		<b>\$ 3,496,839</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Claims payable - current portion		\$ 627,331
Accounts payable and accrued expenses		30,015
<b>Total current liabilities</b>		<b>657,346</b>
<b>Noncurrent liabilities</b>		
Claims payable - net of current portion		1,349,791
Compensated absences		25,468
<b>Total noncurrent liabilities</b>		<b>1,375,259</b>
<b>Total liabilities</b>		<b>2,032,605</b>
<b>Net position</b>		
Net investment in capital assets		33,730
Unrestricted		1,430,504
<b>Total net position</b>		<b>1,464,234</b>
<b>Total liabilities and net position</b>		<b>\$ 3,496,839</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, 2014**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues</b>	
Insurance recoveries	\$ 33,808
Charges for services	1,348,475
<b>Total operating revenues</b>	<b>1,382,283</b>
<b>Operating expenses</b>	
Personnel services	303,034
Insurance claims and expenses	409,007
Contractual services	119,993
Other supplies and expenses	142,756
Depreciation and amortization	4,744
<b>Total operating expenses</b>	<b>979,534</b>
<b>Change in net position</b>	<b>402,749</b>
<b>Total net position - beginning of year</b>	<b>1,061,485</b>
<b>Total net position - end of year</b>	<b>\$ 1,464,234</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 VII**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**Year Ended June 30, 2014**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 1,367,443
Insurance recovery	33,808
Payments to suppliers for goods and services	(1,056,676)
Payments to employees	(333,717)
<b>Net cash provided by operating activities</b>	<b>10,858</b>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(12,473)
<b>Net cash used in capital and related financing activities</b>	<b>(12,473)</b>
<b>Net change in cash and temporary investments</b>	<b>(1,615)</b>
<b>Cash and temporary investments - beginning of year</b>	<b>3,407,930</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ 3,406,315</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 402,749
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	4,744
Change in assets and liabilities	
Accounts receivable	8,968
Inventories	8,959
Vouchers and accounts payable	26,460
Claims payable	(410,316)
Change in compensated absences	(30,706)
Total adjustments	(391,891)
<b>Net cash provided by operating activities</b>	<b>\$ 10,858</b>
<b>Supplemental information on significant non-cash transactions</b>	
There were no significant non-cash transactions.	

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, 2014**

ASSETS	School OPEB	
	Trust Fund	Agency Fund
Cash and temporary investments	\$ 375,940	\$ 943,856
Investments		
Bond mutual funds	3,169,319	-
Equity mutual funds	7,923,425	-
<b>Total assets</b>	<b>\$ 11,468,684</b>	<b>\$ 943,856</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
Due to students	\$ -	\$ 943,856
<b>Net position</b>		
Held in trust for other post-employment benefits	11,468,684	-
<b>Total liabilities and net position</b>	<b>\$ 11,468,684</b>	<b>\$ 943,856</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 IX**

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

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**Year Ended June 30, 2014**

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	<b>School OPEB Trust Fund</b>
<b>Additions</b>	
Investment earnings	\$ 170,936
Realized gains on investments	178,973
Unrealized gains on investments	606,999
Total additions	<u>956,908</u>
<b>Deductions</b>	
Benefits - health insurance	139,379
Management fees	1,250
Total deductions	<u>140,629</u>
<b>Change in net position</b>	816,279
<b>Net position - beginning of year</b>	<u>10,652,405</u>
<b>Net position - end of year</b>	<u>\$ 11,468,684</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**June 30, 2014**

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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 of Portsmouth.

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

***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, 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.

**School Construction Fund** - The School Construction Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The School Construction Fund was closed in September 2014. All monies within the construction fund were transferred to the City.

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, deferred inflows of resources 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 assets.

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 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.

### ***Investments***

Investments are stated at fair value.

### ***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 Proprietary 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

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 \$87,455,258 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 does not have any items that qualify for reporting in this category.

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 one item, which arises under the modified accrual basis of accounting, which qualifies for reporting in this category. 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.

#### ***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 Portsmouth School Board; e.g., the School Board by 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 represent 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.

## **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, School Construction 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 \$26,409,458 and the bank balance was \$26,505,582. 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	\$ 25,089,662
Fiduciary fund cash and temporary investments	1,319,796
	<u>\$ 26,409,458</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 the 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 \$11,468,684 in investments for the School OPEB Trust Fund. These investments include:

		<b>Rating</b>
Cash and money market funds	\$ 375,940	Unavailable
Equity mutual funds	3,169,319	Unavailable
Bond mutual funds	7,923,425	Unavailable
	<u>\$ 11,468,684</u>	

**NOTE 3. CAPITAL ASSETS – NET**

A summary of changes in capital assets for the year ended June 30, 2014, follows:

	<b>Balance June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 6,125,204	\$ -	\$ -	\$ 6,125,204
Construction in progress	16,075,473	-	16,075,473	-
<b>Total capital assets - not being depreciated</b>	<b>22,200,677</b>	<b>-</b>	<b>16,075,473</b>	<b>6,125,204</b>
Capital assets being depreciated/amortized				
Buildings and improvements	82,731,728	11,296,477	-	94,028,205
Equipment	25,247,354	490,065	15,000	25,722,419
Intangible assets	422,270	-	-	422,270
<b>Total capital assets - being depreciated/amortized</b>	<b>108,401,352</b>	<b>11,786,542</b>	<b>15,000</b>	<b>120,172,894</b>
Less accumulated depreciation/amortization				
Buildings	33,179,273	3,870,858	-	37,050,131
Equipment	16,277,867	1,189,568	15,000	17,452,435
Intangible assets	304,689	84,454	-	389,143
<b>Total accumulated depreciation/amortization</b>	<b>49,761,829</b>	<b>5,144,880</b>	<b>15,000</b>	<b>54,891,709</b>
<b>Other capital assets - being depreciated/amortized - net</b>	<b>58,639,523</b>	<b>6,641,662</b>	<b>-</b>	<b>65,281,185</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 80,840,200</b>	<b>\$ 6,641,662</b>	<b>\$ 16,075,473</b>	<b>\$ 71,406,389</b>

Depreciation and amortization expense was charged to functions as follows:

<b>Government activities:</b>	
Instruction	\$ 4,548,148
Administration, attendance and health services	37,707
Pupil transportation	309,240
Operations and maintenance	62,806
Information technology	81,645
Food services	105,334
<b>Total governmental activities depreciation expense</b>	<b>\$ 5,144,880</b>

#### NOTE 4. LONG-TERM LIABILITIES

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

	<b>Net Pension Obligation</b>	<b>Capital Leases, as restated</b>	<b>Accrued Vacation Pay</b>	<b>Accrued Sick Leave</b>	<b>Claims Payable</b>	<b>Total</b>
Amounts payable at beginning of year	\$ 115,393	\$ 3,710,390	\$ 3,546,496	\$ 1,794,596	\$ 2,387,438	\$ 11,554,313
Increase in liabilities	8,077	-	1,353,133	453,563	317,832	2,132,605
Decrease in liabilities	(6,451)	(839,356)	(1,262,964)	(493,939)	(728,148)	(3,330,858)
Amounts payable at end of year	<u>\$ 117,019</u>	<u>\$ 2,871,034</u>	<u>\$ 3,636,665</u>	<u>\$ 1,754,220</u>	<u>\$ 1,977,122</u>	<u>\$ 10,356,060</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,262,900</u>	<u>\$ 493,900</u>	<u>\$ 627,331</u>	<u>\$ 2,384,131</u>

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 the net pension obligation, accrued vacation pay and 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, 2014, is as follows:

<b><u>Fiscal year</u></b>	
2015	\$ -
2016	1,015,175
2017	1,045,631
2018	<u>1,040,463</u>
Total minimum payments	3,101,269
Less - amount representing interest	<u>(230,235)</u>
Present value of principal	<u>\$ 2,871,034</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 8,764,869
Less accumulated depreciation	<u>(1,709,145)</u>
	<u>\$ 7,055,724</u>

## NOTE 5. DEFINED BENEFIT PENSION PLANS

### Virginia Retirement System (VRS)

#### **Plan Description**

Name of plan: Virginia Retirement System

Identification of plan: Agent and Cost Sharing, Multiple-Employer Pension Plan

Administering entity: Virginia Retirement System (System)

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

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

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About VRS Plan 1</b> VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About VRS Plan 2</b> VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the 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 VRS Plan 1 and VRS 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</li></ul>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		<p>those contributions.</p> <ul style="list-style-type: none"> <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>
<p><b>Eligible Members</b> Employees are in VRS 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 non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS 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>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS 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>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</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>• State employees*</li> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Judges appointed or elected to an original term on or after January 1, 2014</li> <li>• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the State Police Officers' Retirement System (SPORS)</li> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.
<p><b>Retirement Contributions</b> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Same as VRS Plan 1.</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. 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>
<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</p>	<p><b>Creditable Service</b> Same as VRS Plan 1.</p>	<p><b>Creditable Service</b> <b>Defined Benefit Component:</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</p>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p>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>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>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 VRS Plan 1.</p>	<p><b>Vesting</b> <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. (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b> 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>



<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		<ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<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 VRS Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under VRS Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> 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 VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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 non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> Same as VRS Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to</p>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
	creditable service.	restrictions.
<p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b><u>Defined Contribution Component:</u></b> 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><b><u>Eligibility:</u></b> 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><b><u>Eligibility:</u></b> Same as VRS Plan 1.</p> <p><b><u>Exceptions to COLA</u></b> <b><u>Effective Dates:</u></b> Same as VRS Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as VRS Plan 1 and VRS Plan 2.</p> <p><b><u>Exceptions to COLA</u></b> <b><u>Effective Dates:</u></b> Same as VRS Plan 1 and VRS Plan 2.</p>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>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 retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</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>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia</p>	<p><b>Disability Coverage</b></p> <p>Eligible political subdivision and school division (including VRS Plan 1 and VRS 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>State employees (including</p>

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p>Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</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 VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

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

## ***Funding Policy***

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period 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. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's non-professional employee's contribution rate for the fiscal year ended June 30, 2014 was 9.13% of the annual covered payroll.

The School Board's professional employee contribution rate for the year ended June 30, 2014 was 11.66% of covered payroll.

Additionally, required contributions to the VRS' state-wide teacher pool for the current year and each of the two preceding years were as follows:

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2014	\$ 9,191,479	\$ 9,191,479	100%
2013	\$ 8,857,467	\$ 8,857,467	100%
2012	\$ 8,492,549	\$ 8,492,549	100%

## ***Annual Pension Cost***

The School Board's annual pension cost and net pension obligation to VRS for non-professional employees for the current year were as follows:

Annual required contribution	\$ 1,004,423
Interest on net pension obligation	8,078
Adjustment to annual required contribution	<u>(6,452)</u>
Annual pension cost	1,006,049
Contributions made	<u>1,004,423</u>
Increase in net pension obligation	1,626
Net pension obligation - beginning of year	<u>115,393</u>
Net pension obligation - end of year	<u>\$ 117,019</u>

For the fiscal year ended June 30, 2014, the School Board annual pension cost of \$1,006,049 for VRS was not equal to the required and actual contributions of \$1,004,423.

<b>Trend Information for the School Board</b>			
<b>Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2014	\$ 1,006,049	99.84%	\$ 117,019
2013	\$ 999,782	100.00%	\$ 115,393
2012	\$ 938,596	100.00%	\$ 113,673

The FY 2014 required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2013 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.35% per year for local general government employees, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the unfunded actuarial accrued liability (UAAL) was 30 years.

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

As of June 30, 2013, the most recent actuarial valuation date, the plan was 69.97% funded. The actuarial accrued liability for benefits was \$35,854,243, and the actuarial value of assets was \$25,087,356, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,766,887. The covered payroll (annual payroll of active employees covered by the plan) was \$7,127,249, and the ratio of the UAAL to the covered payroll was 151.07%.

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2013	\$ 25,087,356	\$ 35,854,243	\$(10,766,887)	69.97%	\$ 7,127,249	151.07%
June 30, 2012	\$ 24,997,565	\$ 35,749,827	\$(10,752,262)	69.92%	\$ 6,749,363	159.31%
June 30, 2011	\$ 25,829,515	\$ 35,671,426	\$ (9,841,911)	72.41%	\$ 6,989,874	140.80%

## 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 \$450,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability is fully insured. This insurance coverage is substantially the same as in prior fiscal years. There were no settlements within the past three years which exceeded coverage.

The Risk Management and Insurance 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, 2014 was determined to be \$1,977,122 (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>2014</b>	<b>2013</b>
Claims payable - beginning of year	\$ 2,387,438	\$ 2,364,402
Claims and changes in estimates	(1,309)	733,157
Claims payments	<u>(409,007)</u>	<u>(710,121)</u>
Claims payable - end of year	<u>\$ 1,977,122</u>	<u>\$ 2,387,438</u>

### ***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, 2014 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, 2014. These amounts are encumbrances of fiscal year 2013-2014 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

	<b>Amounts</b>
General Fund	\$ 2,359,913
School Grants Fund	135,889
School Food Services Fund	117,718
School Textbook Fund	847,283
School Construction Fund	-
	<hr/>
	\$ 3,460,803

### **NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivable and payable balances at June 30, 2014, which are considered short-term in nature, are as follows:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 369,923	\$ 15,848
School Grants Fund	-	48,125
School Food Services	15,848	321,798
	<hr/>	<hr/>
	\$ 385,771	\$ 385,771

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, 2014, consisted of the following:

	<b>Transfers From Other Funds</b>	<b>Transfers To Other Funds</b>
General Fund	\$ 46,685	\$ 1,653,789
School Grants Fund	1,305,757	-
School Textbook Fund	348,032	-
School Construction Fund	-	46,685
	<hr/>	<hr/>
	\$ 1,700,474	\$ 1,700,474

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, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **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 June 30, 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, 2014, 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	\$ 473,757
Interest on net OPEB obligation	(404,144)
Adjustment to annual required contribution	<u>309,451</u>
Annual OPEB cost (expense)	379,064
Contributions made	<u>-</u>
Increase in net OPEB asset	379,064
Net OPEB asset - beginning of year	<u>(5,773,486)</u>
Net OPEB asset - end of year	<u>\$ (5,394,422)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2014 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, 2014	\$ 379,064	\$ -	0%	\$ (5,394,422)
June 30, 2013	\$ 766,102	\$ -	0%	\$ (5,773,486)
June 30, 2012	\$ 1,050,365	\$ 7,002,500	667%	\$ (6,539,588)

***Funded Status and Funding Progress***

Based on the most recent actuarial valuation report for the fiscal year ended June 30, 2014, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 10,468,185
Actuarial value of plan assets	<u>10,652,405</u>
Overfunded actuarial accrued liability (UAAL)	<u>\$ (184,220)</u>
Funded ratio (actuarial value of plan assets/AAL)	102%
Covered payroll (active plan participants)	\$ 92,083,073
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 June 30, 2014. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is 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 June 30, 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 Schools' unfunded actuarial accrued liabilities (UAAL) over a period of twenty years as a level percent of payroll, which closely matches with the cash flow duration. Healthcare cost trend rates ranged from 8% initially to an ultimate rate of 5% for the 2014 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 spread over during the year. Payments are made out of 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	School Construction	Total
Nonspendable						
Inventory	\$ 152,853	\$ -	\$ 43,656	\$ -	\$ -	\$ 196,509
	<u>152,853</u>	<u>-</u>	<u>43,656</u>	<u>-</u>	<u>-</u>	<u>196,509</u>
Restricted						
Federal	-	40,387	-	-	-	40,387
State	-	379,025	-	-	-	379,025
Other	-	107,435	-	-	-	107,435
Elementary schools	-	-	984,086	500,538	-	1,484,624
Middle schools	-	-	247,816	129,450	-	377,266
High schools	-	-	458,808	233,009	-	691,817
	<u>-</u>	<u>526,847</u>	<u>1,690,710</u>	<u>862,997</u>	<u>-</u>	<u>3,080,554</u>
Committed						
Elementary schools	-	-	-	-	-	-
Middle schools	-	-	-	-	-	-
High schools	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned						
Administration	386	-	-	-	-	386
Instruction	582,769	665,444	-	-	-	1,248,213
Attendance/health	6,047	-	-	-	-	6,047
Pupil transportation	371	-	-	-	-	371
Operations	988,441	-	-	-	-	988,441
Information technology	781,899	-	-	-	-	781,899
Capital outlay	-	-	-	-	-	-
	<u>2,359,913</u>	<u>665,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,025,357</u>
Unassigned	<u>2,361,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,361,295</u>
Total fund balances	<u>\$ 4,874,061</u>	<u>\$ 1,192,291</u>	<u>\$ 1,734,366</u>	<u>\$ 862,997</u>	<u>\$ -</u>	<u>\$ 8,663,715</u>

## NOTE 10. RESTATEMENT OF NET POSITION

Net position, beginning of year, as previously stated	\$ 83,418,407
Increase resulting from capital lease principal and interest payments from prior year charged against expenses in the Statement of Activities instead of a reduction of the capital lease liability and accrued interest in the Statement of Net Position	<u>944,777</u>
Net position, beginning of year, as restated	<u>\$ 84,363,184</u>

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

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

**Exhibit XI**

**SCHEDULE OF FUNDING PROGRESS FOR DEFINED  
 BENEFIT PENSION PLAN (UNAUDITED)**

**Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 25,087,356	\$ 35,854,243	\$ (10,766,887)	69.97%	\$ 7,127,249	151.07%
June 30, 2012	24,997,565	35,749,827	(10,752,262)	69.92%	6,749,363	159.31%
June 30, 2011	25,829,515	35,671,426	(9,841,911)	72.41%	6,989,874	140.80%

**SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FOR  
 OTHER POST-EMPLOYMENT BENEFIT PLAN (UNAUDITED)**

**Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ 10,652,405	\$ 10,468,185	\$ 184,220	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%
June 30, 2012	10,241,149	12,204,795	(1,963,646)	83.91%	89,605,502	2.19%

Fiscal Year Ended	Annual OPEB Cost	Actual Amount Contributed	Actual Amount Contributed as a Percent
June 30, 2014	\$ 379,064	\$ -	0.00%
June 30, 2013	766,102	-	0.00%
June 30, 2012	1,050,365	7,002,500	666.67%

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

**Exhibit XII**

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

**Year Ended June 30, 2014**

	<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	\$ 47,300,000	\$ 48,178,935	\$ 48,157,282	\$ (21,653.00)
From Commonwealth of Virginia	84,687,293	84,687,293	83,090,178	(1,597,115)
From federal government	700,000	700,000	752,418	52,418
Interest	273,104	273,104	6,177	(266,927)
Miscellaneous	1,351,896	1,351,896	1,153,937	(197,959)
<b>Total revenues</b>	<b>134,312,293</b>	<b>135,191,228</b>	<b>133,159,992</b>	<b>(2,031,236)</b>
<b>Expenditures</b>				
Education				
Administration	3,901,440	4,161,959	4,291,398	(129,439)
Instruction	95,675,205	97,882,322	95,508,171	2,374,151
Attendance and health services	2,600,960	2,551,615	2,569,994	(18,379)
Pupil transportation	6,502,400	6,242,252	6,015,142	227,110
Operations and maintenance	16,906,240	16,068,992	15,143,494	925,498
Information technology	5,201,920	4,722,798	4,677,787	45,011
<b>Total education</b>	<b>130,788,165</b>	<b>131,629,938</b>	<b>128,205,986</b>	<b>3,423,952</b>
Debt service	956,901	985,607	985,607	-
<b>Total expenditures</b>	<b>131,745,066</b>	<b>132,615,545</b>	<b>129,191,593</b>	<b>3,423,952</b>
<b>Excess of revenues over expenditures</b>	<b>2,567,227</b>	<b>2,575,683</b>	<b>3,968,399</b>	<b>1,392,716</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	46,685	46,685
Transfers out	(2,567,227)	(2,575,683)	(1,653,789)	921,894
<b>Total other financing sources (uses)</b>	<b>(2,567,227)</b>	<b>(2,575,683)</b>	<b>(1,607,104)</b>	<b>968,579</b>
<b>Excess of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,361,295</b>	<b>\$ 2,361,295</b>
Fund balance - beginning of year			697,336	
Increase in encumbrances			1,962,836	
Decrease in inventory			(147,406)	
Fund balance- end of year			<b>\$ 4,874,061</b>	



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

**Exhibit XIII**

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

**Year Ended June 30, 2014**

	<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	\$ 4,234,328	\$ 4,437,664	\$ 3,877,280	\$ (560,384)
From federal government	11,464,468	11,524,468	11,665,994	141,526
Miscellaneous	198,889	198,889	213,876	14,987
<b>Total revenues</b>	<b>15,897,685</b>	<b>16,161,021</b>	<b>15,757,150</b>	<b>(403,871)</b>
<b>Expenditures</b>				
Education				
Administration	497,358	505,721	340,507	165,214
Instruction	14,254,930	14,494,628	15,169,394	(674,766)
Attendance and health	329,640	335,183	466,983	(131,800)
Pupil transportation	203,202	206,619	228,166	(21,547)
Technology	1,861,729	1,893,035	37,543	1,855,492
Operation and maintenance	-	-	48,866	(48,866)
<b>Total education</b>	<b>17,146,859</b>	<b>17,435,186</b>	<b>16,291,459</b>	<b>1,143,727</b>
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>17,146,859</b>	<b>17,435,186</b>	<b>16,291,459</b>	<b>1,143,727</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,249,174)</b>	<b>(1,274,165)</b>	<b>(534,309)</b>	<b>739,856</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,249,174	1,274,165	1,305,757	31,592
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>771,448</b>	<b>\$ 771,448</b>
Fund balance - beginning of year			420,843	
Fund balance - end of year			\$ 1,192,291	

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

**Exhibit XIV**

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

**Year Ended June 30, 2014**

	<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	\$ 104,848	\$ (20,152)
From federal government	5,745,014	5,745,014	5,467,899	(277,115)
Donated commodities from the federal government	400,000	400,000	435,202	35,202
Charges for services	1,120,007	1,120,007	799,064	(320,943)
Interest	500	500	168	(332)
Miscellaneous	829,983	829,983	935,158	105,175
<b>Total revenues</b>	<b>8,220,504</b>	<b>8,220,504</b>	<b>7,742,339</b>	<b>(478,165)</b>
<b>Expenditures</b>				
Food services	7,814,904	7,849,504	7,611,545	237,959
Capital outlay	405,600	371,000	245,058	125,942
<b>Total expenditures</b>	<b>8,220,504</b>	<b>8,220,504</b>	<b>7,856,603</b>	<b>363,901</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(114,264)</b>	<b>(114,264)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(114,264)</b>	<b>\$ (114,264)</b>
Fund balance - beginning of year			1,899,378	
Decrease in inventory			(50,748)	
Fund balance - end of year			<b>\$ 1,734,366</b>	

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

**Exhibit XV**

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

**Year Ended June 30, 2014**

	<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 the City of Portsmouth	\$ -	\$ 2,100,000	\$ 2,100,000	\$ -
From Commonwealth of Virginia	926,598	915,243	915,243	-
Miscellaneous	-	-	4,977	4,977
<b>Total revenues</b>	<u>926,598</u>	<u>3,015,243</u>	<u>3,020,220</u>	<u>4,977</u>
<b>Expenditures</b>				
Instruction	<u>1,278,948</u>	<u>3,363,275</u>	<u>3,348,928</u>	<u>14,347</u>
<b>Total expenditures</b>	<u>1,278,948</u>	<u>3,363,275</u>	<u>3,348,928</u>	<u>14,347</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(352,350)</u>	<u>(348,032)</u>	<u>(328,708)</u>	<u>19,324</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>352,350</u>	<u>348,032</u>	<u>348,032</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>19,324</u>	<u>\$ 19,324</u>
Fund balance - beginning of year			844,019	
Decrease in reserve for inventory			<u>(346)</u>	
Fund balance - end of year			<u>\$ 862,997</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**Year Ended June 30, 2014**

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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 by category 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 within a category; however, revisions that alter the total expenditures of the total budget or the total expenditures by category 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.

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## ***SUPPLEMENTARY INFORMATION***

**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, 2014**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and temporary investments	\$ 481,131	\$ 2,925,184	\$ 3,406,315
Accounts receivable	49,870	-	49,870
Inventories	6,924	-	6,924
<b>Total current assets</b>	<b>537,925</b>	<b>2,925,184</b>	<b>3,463,109</b>
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Machinery and equipment	964,055	-	964,055
Less - accumulated depreciation	(930,325)	-	(930,325)
<b>Total capital assets</b>	<b>33,730</b>	<b>-</b>	<b>33,730</b>
<b>Total assets</b>	<b>\$ 571,655</b>	<b>\$ 2,925,184</b>	<b>\$ 3,496,839</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Claims payable - current portion	\$ -	\$ 627,331	\$ 627,331
Salaries payable	3,579	-	3,579
Accounts payable	26,436	-	26,436
<b>Total current liabilities</b>	<b>30,015</b>	<b>627,331</b>	<b>657,346</b>
<b>Noncurrent liabilities</b>			
Claims payable - less current portion	-	1,349,791	1,349,791
Compensated absences	25,468	-	25,468
<b>Total long-term liabilities</b>	<b>25,468</b>	<b>1,349,791</b>	<b>1,375,259</b>
<b>Total liabilities</b>	<b>55,483</b>	<b>1,977,122</b>	<b>2,032,605</b>
<b>NET POSITION</b>			
Net investment in capital assets	33,730	-	33,730
Unrestricted	482,442	948,062	1,430,504
<b>Total net position</b>	<b>516,172</b>	<b>948,062</b>	<b>1,464,234</b>
<b>Total liabilities and net position</b>	<b>\$ 571,655</b>	<b>\$ 2,925,184</b>	<b>\$ 3,496,839</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, 2014**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Operating revenues</b>			
Insurance recovery	\$ -	\$ 33,808	\$ 33,808
Charges for services	426,581	921,894	1,348,475
<b>Total operating revenues</b>	<b>426,581</b>	<b>955,702</b>	<b>1,382,283</b>
<b>Operating expenses</b>			
Personnel services	303,034	-	303,034
Insurance claims and expenses	-	409,007	409,007
Contractual services	119,993	-	119,993
Other supplies and expenses	142,756	-	142,756
Depreciation and amortization	4,744	-	4,744
<b>Total operating expenses</b>	<b>570,527</b>	<b>409,007</b>	<b>979,534</b>
<b>Change in net position</b>	<b>(143,946)</b>	<b>546,695</b>	<b>402,749</b>
<b>Net position - beginning of year</b>	<b>660,118</b>	<b>401,367</b>	<b>1,061,485</b>
<b>Net position - end of year</b>	<b>\$ 516,172</b>	<b>\$ 948,062</b>	<b>\$ 1,464,234</b>



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

**Year Ended June 30, 2014**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Received from customers and users	\$ 445,549	\$ 921,894	\$ 1,367,443
Insurance recovery	-	33,808	33,808
Payments to suppliers for goods and services	(237,353)	(819,323)	(1,056,676)
Payments to employees	(333,717)	-	(333,717)
<b>Net cash provided (used) by operating activities</b>	<b>(125,521)</b>	<b>136,379</b>	<b>10,858</b>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(12,473)	-	(12,473)
<b>Net cash used in capital and related financing activities</b>	<b>(12,473)</b>	<b>-</b>	<b>(12,473)</b>
<b>Net change in cash and temporary investments</b>	<b>(137,994)</b>	<b>136,379</b>	<b>(1,615)</b>
<b>Cash and temporary investments - beginning of year</b>	<b>619,125</b>	<b>2,788,805</b>	<b>3,407,930</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ 481,131</b>	<b>\$ 2,925,184</b>	<b>\$ 3,406,315</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (143,946)	\$ 546,695	\$ 402,749
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	4,744	-	4,744
Change in assets and liabilities			
Accounts receivable	8,968	-	8,968
Inventories	8,959	-	8,959
Vouchers and accounts payable	26,460	-	26,460
Claims payable	-	(410,316)	(410,316)
Change in compensated absences	(30,706)	-	(30,706)
Total adjustments	18,425	(410,316)	(391,891)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (125,521)</b>	<b>\$ 136,379</b>	<b>\$ 10,858</b>

**Supplemental information on significant non-cash transactions**

There were no significant non-cash transactions

**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, 2014**

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	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>ASSETS</b>				
Cash and temporary investments	<u>\$ 1,835,429</u>	<u>\$ 1,617,723</u>	<u>\$ 2,509,296</u>	<u>\$ 943,856</u>
<b>LIABILITIES</b>				
Due to students	<u>\$ 1,835,429</u>	<u>\$ 1,617,723</u>	<u>\$ 2,509,296</u>	<u>\$ 943,856</u>

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## **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 60 through 74.

### ***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.

**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)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 38,854,790
Restricted:										
Grant compliance	611,099	1,103,582	577,712	-	-	-	-	347,430	1,654,671	1,357,929
Capital projects	-	-	505,998	509,246	532,666	829,897	4,203,589	4,384,612	-	-
School food services	1,710,238	1,804,974	2,036,930	-	-	-	-	-	-	-
Textbook	862,997	843,673	375,765	-	-	-	-	-	-	-
Unrestricted	6,958,780	3,316,274	18,945,239	31,113,169	30,063,956	24,772,621	16,157,850	9,034,546	9,057,344	4,757,151
Total governmental activities net position	\$ 78,678,469	\$ 84,363,184	\$ 108,711,589	\$ 101,875,830	\$ 93,378,260	\$ 77,850,745	\$ 70,273,470	\$ 58,698,568	\$ 47,216,746	\$ 44,969,870

Source: Comprehensive Annual Financial Report for the relevant year

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities										
Administration	\$ 4,670,922	\$ 3,922,922	\$ 4,681,250	\$ 4,890,909	\$ 5,593,602	\$ 5,655,194	\$ 5,281,050	\$ 3,808,174	\$ 3,386,754	\$ 3,086,711
Instruction	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	99,863,747
Attendance and health services	3,032,072	3,137,760	2,801,105	3,280,521	3,266,564	3,603,084	3,212,266	3,213,924	3,277,834	2,836,441
Pupil transportation	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	5,429,111
Operations and maintenance	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	15,652,607
Information technology	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	3,740,252
Food service	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	6,561,790
Interest on long-term debt	146,251	178,945	210,763	233,957	254,075	258,233	296,789	297,069	371,917	11,383
Total primary government	<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>	<u>\$ 137,182,042</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Food services	\$ 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	\$ 1,843,734
Pupil transportation	90,012	17,412	101,135	235,094	214,243	499,889	496,259	491,238	196,116	322,544
Other	472,193	378,526	170,489	276,896	328,609	451,267	399,121	408,874	496,585	248,717
Operating grants and contributions										
Instruction	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	38,732,541
Food services	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	4,686,574
Other	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	1,455,056	1,879,933	1,688,185	1,912,088	2,345,261
Total governmental activities program revenue	<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>	<u>\$ 48,179,371</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	<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>	<u>\$ (89,002,671)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Unrestricted grants and contributions	\$ 125,366,580	\$ 117,224,710	\$ 127,833,167	\$ 113,833,393	\$ 115,161,547	\$ 123,606,569	\$ 111,806,654	\$ 110,786,754	\$ 96,768,950	\$ 89,873,769
Investment earnings	6,345	30,439	25,317	55,597	270,797	498,527	945,002	793,744	630,641	199,291
Miscellaneous	596,709	888,601	1,136,711	1,260,839	1,507,880	1,607,268	589,871	209,103	27,774	31,374
Special Item	(4,778,996)	-	-	-	-	-	-	-	(784,133)	-
Total governmental activities	<u>\$ 121,190,638</u>	<u>\$ 118,143,750</u>	<u>\$ 128,995,195</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>	<u>\$ 90,104,434</u>
<b>Change in Net Position</b>										
Governmental activities	<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>	<u>\$ 1,101,763</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)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831	\$ 4,725,734	\$ 5,927,212
Nonspendable	152,853	300,259	135,575	559,924	-	-	-	-	-	-
Assigned	2,359,913	397,077	8,582,212	6,370,824	-	-	-	-	-	-
Assigned	2,361,295	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 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	\$ 5,927,212
<b>All Other Governmental Funds</b>										
Reserved										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,430	\$ 1,654,671	\$ 1,357,929
Food Services	-	-	-	-	733,982	153,171	76,521	36,728	38,237	32,001
Capital Projects	-	-	-	-	19,866,538	7,489,787	9,527,957	5,916,981	-	1,129,244
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)	(159,155)
Food Services	-	-	-	-	1,559,686	1,471,298	1,933,852	2,317,143	2,319,131	2,240,739
Capital Projects	-	-	-	-	(1,618,469)	10,893,729	2,877,337	2,882,639	7,140,000	18,277
Textbook	-	-	-	-	1,448,082	1,833,731	665,597	104,804	-	-
Nonspendable										
Food Services	43,656	94,404	38,325	41,708	-	-	-	-	-	-
Textbook	-	346	61,027	144,567	-	-	-	-	-	-
Restricted										
Grants	526,847	296,628	527,586	449,844	-	-	-	-	-	-
Food Services	1,690,710	1,804,974	2,036,930	2,146,211	-	-	-	-	-	-
Textbook	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	-	-	-	(585,465)	-	-	-	-	-	-
Total all other governmental funds	\$ 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	\$ 4,619,035

Source: Comprehensive Annual Financial Report for the relevant year

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
Intergovernmental										
Federal grants	\$ 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	\$ 17,608,987
Federal donated commodities	435,202	431,169	355,290	-	420,343	386,720	-	-	-	-
State grants and other	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	86,360,715
City of Portsmouth	50,257,282	40,258,023	39,627,616	48,171,651	48,171,651	49,862,858	50,002,154	42,936,433	36,939,444	31,543,601
Local										
Charges for services	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	1,388,465
Interest	6,345	30,439	25,317	48,237	244,345	388,622	822,311	759,818	557,804	174,968
Miscellaneous	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	1,393,791
	<u>159,679,701</u>	<u>149,489,952</u>	<u>158,045,154</u>	<u>165,189,073</u>	<u>175,851,517</u>	<u>182,997,775</u>	<u>171,681,585</u>	<u>166,975,223</u>	<u>147,944,225</u>	<u>138,470,527</u>
<b>Expenditures</b>										
Education										
Instruction	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	95,286,713
Administration	4,631,469	3,865,328	4,788,359	4,824,594	5,623,747	5,643,305	5,307,991	3,851,694	3,367,420	3,077,453
Attendance and health services	3,030,930	3,121,446	2,887,875	3,261,389	3,300,079	3,599,974	3,232,828	3,260,561	3,270,297	2,838,577
Pupil transportation	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	5,017,220
Operation and maintenance	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	15,554,177
Information technology	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	3,680,937
Food services	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	6,500,155
Debt service										
Principal	839,356	723,518	670,048	619,364	571,338	525,848	482,776	388,469	-	-
Interest	146,251	205,511	231,923	256,335	278,856	297,266	296,789	366,769	-	-
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	6,955,168
<b>Total Expenditures</b>	<u>156,033,747</u>	<u>164,834,197</u>	<u>171,914,057</u>	<u>162,933,571</u>	<u>170,473,592</u>	<u>176,587,156</u>	<u>169,016,215</u>	<u>166,961,128</u>	<u>151,568,313</u>	<u>138,910,400</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,645,954</u>	<u>(15,344,245)</u>	<u>(13,868,903)</u>	<u>2,255,502</u>	<u>5,377,925</u>	<u>6,410,619</u>	<u>2,665,370</u>	<u>14,095</u>	<u>(3,624,088)</u>	<u>(439,873)</u>
<b>Other financing sources (uses)</b>										
From local government	-	-	2,100,000	-	-	-	-	-	-	-
Transfers in	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	774,354
Transfers out	(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)	(774,354)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Net Change in Fund Balances</b>	<u>\$ 3,645,954</u>	<u>\$ (15,344,245)</u>	<u>\$ (11,768,903)</u>	<u>\$ 2,255,502</u>	<u>\$ 5,377,925</u>	<u>\$ 6,410,619</u>	<u>\$ 2,665,370</u>	<u>\$ 14,095</u>	<u>\$ (3,624,088)</u>	<u>\$ (439,873)</u>
<b>Ratio of debt service expenditures to noncapital expenditures</b>	0.64%	0.60%	0.56%	0.59%	0.54%	0.50%	0.49%	0.49%	0.00%	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**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Enrollment										
Level										
Elementary	8,284	8,329	8,397	8,322	8,444	8,321	8,193	8,538	8,575	7,410
Middle	2,082	2,112	2,133	1,985	1,908	2,080	2,031	2,034	2,350	3,615
High	3,710	3,689	3,716	3,740	3,916	4,020	3,982	4,191	4,510	4,252
Special Centers	733	833	883	862	783	666	697	483	591	802
School Lunches										
Full	\$ 96,420	\$ 95,870	\$ 101,059	\$ 103,859	\$ 116,604	\$ 122,420	\$ 637,770	\$ 642,493	\$ 635,614	\$ 577,682
Reduced	228,263	261,196	244,129	293,913	295,092	313,566	140,030	151,055	150,229	155,677
Free	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	1,060,674
Total	<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>	<u>\$ 1,794,033</u>
School Breakfasts										
Full	\$ 88,996	\$ 96,489	\$ 106,502	\$ 111,361	\$ 106,848	\$ 99,421	\$ 430,486	\$ 475,673	\$ 482,397	\$ 462,233
Reduced	110,241	118,272	146,186	166,965	159,261	141,497	107,301	122,279	119,640	113,906
Free	1,552,544	1,560,571	1,551,953	1,394,510	1,343,457	1,174,088	730,901	784,313	800,387	794,766
Total	<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>	<u>\$ 1,370,905</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	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.50
Lunches										
Elementary	\$ 1.45	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 0.85	\$ 0.85	\$ 0.75
Middle	1.45	1.35	1.35	1.35	1.25	1.25	1.25	0.95	0.95	0.85
High	1.45	1.35	1.35	1.35	1.25	1.25	1.25	0.95	0.95	0.85
Reduced	0.40	0.40	0.40	0.40	0.30	0.30	0.30	0.30	0.30	0.30
Adult Ed	2.85	2.75	2.75	2.75	2.75	2.75	2.75	2.00	2.00	1.75

Source: Portsmouth Public Schools - Food Services Division

**CAPITAL LEASES (unaudited)**

			1	2	1÷2			
Year	Principal	Interest	Total Payment	Guaranteed Savings per Year	Percentage of Guaranteed Savings per Year	Total Percentage of Guaranteed Savings	Percent of Personal Income	Per Capita
2015	\$ -	\$ -	\$ -	\$ -				
2016	902,009	113,166	1,015,175	1,019,600	99.57%	32.21%		
2017	968,018	77,613	1,045,631	1,050,188	99.57%	33.18%		
2018	1,001,007	39,456	1,040,463	1,081,694	96.19%	33.02%		
	<u>\$ 2,871,034</u>	<u>\$ 230,235</u>	<u>\$ 3,101,269</u>	<u>\$ 3,151,482</u>			0.08%	\$ 32.24

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

**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>
2014	*	*	*	*	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%
2005	100,783	2,945,570	29,277	34.9	15,309	5.60%

\* 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	2014		2005	
	Percentage		Percentage	
	of		of	
	Total City		Total City	
	Employees	Employment	Employees	Employment
Norfolk Naval Shipyard	9,000	20.49%	7,600	17.80%
Naval Medical Center	5,347	12.17%	5,463	12.79%
City of Portsmouth	2,416	5.50%	2,542	5.95%
US Fifth District Coast Guard Command	2,233	5.08%	1,500	3.51%
Portsmouth Public Schools	2,055	4.68%	2,500	5.86%
Bon Secours Maryview Medical Center	1,991	4.53%	2,200	5.15%
General Dynamics - NASSCO (Earl Industries)	-	-	425	1.00%
Tidewater Community College	506	1.15%	-	-
Gwaltney of Smithfield	-	-	440	1.03%
Wal-mart Supercenter	378	0.86%	380	0.89%
Hampton Roads Regional Jail	364	0.83%	300	0.70%
Alternative Behavior Services (FHC)	-	-	800	1.87%
Southeastern Public Service Authority	-	-	473	1.11%
Fairlead Integrated	200	0.46%	-	-
	24,490	55.75%	24,623	57.66%

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	1	1	2	2	2	2	2	2	2
Directors	8	12	13	12	12	11	10	10	10	8
Coordinators	6	7	7	8	8	8	8	11	12	13
Education specialists	18	17	17	15	14	14	17	6	5	10
Supervisors	27	29	30	32	32	38	40	38	35	28
Principals	25	25	25	25	25	25	25	25	25	25
Assistant principals	29	29	29	31	31	34	34	33	31	32
Teachers	982	1,016	1,014	1,015	1,019	1,144	1,094	1,131	1,149	1,165
Guidance and other counselors	36	35	36	38	42	47	47	46	47	47
Librarians	20	21	22	24	22	26	25	23	25	26
Speech therapists	19	18	18	19	19	27	24	26	-	14
School social workers	8	8	8	9	9	9	9	8	8	8
Home school liaisons	2	2	2	2	2	2	2	4	10	3
Medical staff	29	30	30	30	31	32	33	31	31	29
Psychologists	10	10	10	10	11	11	11	11	10	9
Secretaries	128	137	142	139	145	164	156	168	160	160
Instructional assistants	202	210	211	205	241	270	258	268	298	291
Bus drivers and monitors	157	167	154	153	153	173	161	170	167	169
Operations and maintenance staff	130	132	127	127	144	182	189	201	200	201
School crossing guards	27	28	29	32	28	44	37	36	39	43
In school suspension	7	7	6	7	7	8	8	7	8	7
Special police officers	-	-	-	-	-	23	18	18	21	16
Security Officers	16	16	16	16	16	-	-	-	-	-
Attendance Officers	3	3	3	3	3	-	-	-	-	-
Print shop personnel	3	4	4	4	4	5	4	5	4	4
Cafeteria staff	117	117	119	114	122	137	136	147	161	151
Purchasing personnel	2	2	2	2	2	2	1	1	5	2
Technology personnel	19	20	20	21	22	-	-	-	-	-
Other	16	17	17	16	14	34	7	10	-	23
	<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>	<u>2,496</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, AND AVERAGE SALARY (unaudited)**

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
<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**

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	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Building										
Elementary	13	13	13	14	14	14	17	17	17	17
Middle	3	3	3	3	3	3	3	3	4	5
High	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	4	4	4	3	3	3	3
Fleet										
School Buses	138	147	147	149	149	141	132	144	130	129
Other	69	71	71	67	62	71	69	59	65	63
Athletics										
Football Fields	3	3	3	3	3	3	3	2	2	2
Running Tracks	3	3	3	3	3	3	3	2	3	3
Baseball/Softball	9	9	9	9	9	9	9	3	3	3
Playgrounds	17	16	16	17	17	17	17	15	17	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**

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<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	553	501	487	542	612	598	669	701	660	571
Churchland Academy										
Square feet	83,000	83,000	83,000	83,000	96,000	96,000	96,000	96,000	96,000	96,000
Capacity (Students)	732	732	732	732	914	914	914	914	914	914
Enrollment	712	695	681	692	913	947	999	1,042	1,033	917
Churchland Elementary										
Square feet	76,734	76,734	76,734	66,586	66,586	66,586	66,586	66,586	61,612	61,612
Capacity (Students)	715	715	715	715	715	715	715	634	634	587
Enrollment	845	830	823	808	784	657	710	721	644	543
Churchland Primary										
Square feet	74,050	74,050	74,050	74,050	63,800	63,800	63,800	63,800	63,800	63,800
Capacity (Students)	600	600	600	600	600	600	600	608	608	608
Enrollment	562	606	620	637	542	529	514	598	606	530
Douglass Park										
Square feet	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,398	73,398
Capacity (Students)	800	800	800	800	800	800	800	703	906	703
Enrollment	771	707	680	584	613	520	697	679	774	668
Hodges Manor										
Square feet	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	47,633	47,633
Capacity (Students)	600	600	600	600	600	600	600	477	477	454
Enrollment	548	558	584	612	572	520	582	526	485	401
James Hurst										
Square feet	75,105	75,105	75,105	75,105	63,525	63,525	63,525	63,525	63,525	63,525
Capacity (Students)	775	775	775	775	775	775	775	605	605	605
Enrollment	707	706	736	666	615	635	734	755	791	622
John Tyler										
Square feet	61,040	61,040	61,040	106,749	106,749	106,749	106,749	106,749	106,749	106,749
Capacity (Students)	700	700	700	700	700	700	700	581	597	546
Enrollment	692	679	711	741	702	687	641	660	689	628
Lakeview										
Square feet	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	54,349	54,349
Capacity (Students)	660	660	660	660	660	660	660	605	572	518
Enrollment	526	541	546	544	590	592	623	664	641	489
Olive Branch										
Square feet	-	-	-	32,700	32,700	32,700	32,700	32,700	30,700	30,700
Capacity (Students)	-	-	-	455	455	455	455	311	311	311
Enrollment	-	-	-	367	367	347	430	464	428	342
Park View										
Square feet	79,998	79,998	79,998	79,998	79,998	79,998	31,748	31,748	26,548	26,548
Capacity (Students)	762	762	762	762	762	762	500	302	302	302
Enrollment	606	649	614	613	636	676	409	398	394	357
Simonsdale										
Square feet	81,165	81,165	81,165	33,300	33,300	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	700	700	700	325	325	325	325	317	317	317
Enrollment	721	751	757	292	307	260	311	284	286	278



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

**Table 12**

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Elementary Schools (continued):</b>										
Victory Elementary										
Square feet	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	51,613	51,613
Capacity (Students)	540	540	540	540	540	540	540	744	492	492
Enrollment	495	561	571	622	640	533	264	347	-	-
Westhaven										
Square feet	65,077	65,077	61,040	61,040	65,077	65,077	65,077	65,077	64,671	64,671
Capacity (Students)	670	670	670	670	670	670	670	620	797	620
Enrollment	546	545	587	602	551	538	610	598	646	547
Port Norfolk										
Square feet	-	-	-	-	28,700	28,700	28,700	28,700	28,700	28,700
Capacity (Students)	-	-	-	-	-	-	-	273	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	1,030
Enrollment	-	-	-	-	-	-	-	-	498	517
<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	893	912	921	841	861	949	889	888	967	1,136
Cradock										
Square feet	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	103,420	103,420
Capacity (Students)	885	885	885	885	885	885	885	885	885	885
Enrollment	607	612	616	599	525	521	590	584	719	663
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	582	588	596	545	522	582	552	562	664	719
Hunt/Mapp										
Square feet	-	-	-	-	235,946	235,946	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	-	-	-	-	-	-	1,966
Enrollment	-	-	-	-	-	-	-	-	-	1,097
<b>High Schools:</b>										
Churchland										
Square feet	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,152	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	1,300	1,318	1,308	1,375	1,477	1,546	1,562	1,639	1,859	1,745
I. C. Norcom										
Square feet	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,000	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	1,112	1,086	1,187	1,238	1,269	1,271	1,300	1,402	1,319	1,221
Woodrow Wilson										
Square feet	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,655	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	1,298	1,285	1,221	1,127	1,170	1,129	1,120	1,150	1,332	1,286
Enrollment - Excel Campus	179	186	162	143	143	100	113	101	80	141

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

**Table 12**

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Centers:</b>										
Churchland Preschool										
Square feet	13,000	13,000	13,000	13,000	-	-	-	-	-	-
Capacity (Students)	182	182	182	182	-	-	-	-	-	-
Enrollment	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	119
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	125	245	250	263	265	263	236	182	179	186
Mt. Hermon										
Square feet	36,317	36,317	47,349	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	226	213	278	258	287	248	272	260	252	244
Olive Branch Preschool										
Square feet	32,700	32,700	32,700	-	-	-	-	-	-	-
Capacity (Students)	455	455	455	-	-	-	-	-	-	-
Enrollment	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**

<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>
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
2005	136,647,163	15,309	8,926	8.65%	1,165	13.14

Note: Expenditures only include General and Special Revenue Funds.  
Source: Portsmouth Public Schools - Human Resource and Finance Departments

## ***COMPLIANCE SECTION***

**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**

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 Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board ("School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated December 10, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and management response, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency 2014-001 in the accompanying schedule of findings and management response to be a material weakness.

## **Compliance and Other Matters**

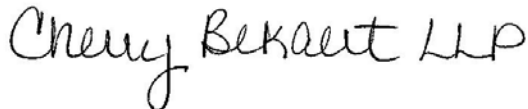
As part of obtaining reasonable assurance about whether the School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

## **City of Portsmouth, Virginia School Board's Response to Findings**

The School Board's response to the finding identified in our audit is described in the accompanying schedule of findings and management response. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

This 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 Schools 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 purpose.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Virginia Beach, Virginia  
December 10, 2014

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**

**Schedule of Findings and Management Response  
Year Ended June 30, 2014**

***Finding 2014-001***

**Criteria**

Financial statements should be fairly and accurately presented in accordance with generally accepted accounting principles.

**Condition**

For the year ended June 30, 2014, the School Board restated beginning net position and long-term debt.

**Cause**

Capital lease payments and the related accrued interest cost were inadvertently charged to expenses in the Statement of Activities of a prior year.

**Effect**

Long-term debt was overstated and net position was understated.

**Recommendation**

We recommend the School Board carefully review long-term debt activity to provide accurate financial reporting.

**Management Response**

Management agrees with this finding and is making every effort to review financial reports.

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