



## **Comprehensive Annual Financial Report**



**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, 2016

Prepared by the Department of Finance

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Chief Financial Officer

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2016**

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Transmittal Letter .....		v-xvi
Members of the School Board and School Board Officials .....		xvii-xviii
Mission Statement .....		xix-xx
Certificate of Excellence in Financial Reporting - Association of School Business Officials International.....		xxi
Award of Financial Reporting Achievement - The Government Finance Officers Association of the United States and Canada .....		xxii
Organizational Chart .....		xxiii
<b>FINANCIAL SECTION</b>		
Report of Independent Auditor.....		1-2
Management's Discussion and Analysis (Unaudited) .....		3-11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position - Governmental Activities .....	I	12
Statement of Activities - Governmental Activities.....	II	13
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	III	14-15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	IV	16-17

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2016**

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<b><i>FINANCIAL SECTION (continued)</i></b>		
Basic Financial Statements: <i>(continued)</i>		
Fund Financial Statements: <i>(continued)</i>		
Proprietary Funds Financial Statements:		
Statement of Net Position - Proprietary Funds .....	V .....	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	VI .....	19
Statement of Cash Flows - Proprietary Funds .....	VII .....	20
Fiduciary Fund Financial Statements:		
Statement of Net Position - Fiduciary Funds .....	VIII .....	21
Statement of Changes in Net Position - Fiduciary Funds .....	IX .....	22
Notes to Basic Financial Statements .....	X .....	23-60
Required Supplementary Information Other Than Management's Discussion and Analysis (Unaudited):		
Budgetary Comparison Schedules:		
General Fund .....	XI .....	61
School Grants Fund .....	XII .....	62
School Food Services Fund .....	XIII .....	63
School Textbook Fund .....	XIV .....	64

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2016**

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<b><i>FINANCIAL SECTION (continued)</i></b>		
Schedule of Funding Progress for Other Postemployment Benefit Plan .....	XV	65
Schedule of Employer's Share of Net Pension Liability and Related Ratios – Nonprofessional Employees.....	XVI .....	66
Schedule of Employer's Share of Net Pension Liability - Teacher Retirement Plan .....	XVII .....	67
Schedule of Employer Contributions.....	XVIII .....	68
Notes to Required Supplementary Information.....	XIX .....	69-70
	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Internal Service Funds:		
Combining Statement of Net Position - Internal Service Funds .....	1 .....	71
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds.....	2 .....	72
Combining Statement of Cash Flows - Internal Service Funds.....	3 .....	73
Agency Fund - Student Activities:		
Statement of Changes in Assets and Liabilities - Agency Fund.....	4 .....	74

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2016**

**TABLE OF CONTENTS**

	<u>Table</u>	<u>Page</u>
<b>STATISTICAL SECTION (Unaudited)</b>		
Net Position by Component .....	1 .....	75
Changes in Net Position/Net Assets .....	2 .....	76
Fund Balances, Governmental Funds .....	3 .....	77
Changes in Fund Balances, Governmental Funds .....	4 .....	78
Operating Indicators - Own-Source Revenue .....	5 .....	79
Capital Leases .....	6 .....	80
Demographic and Economic Statistics .....	7 .....	81
Principal Employers .....	8 .....	82
Employees by Class Code .....	9 .....	83
Teachers - Total Number, Average Age, Average Salary .....	10 .....	84
Capital Assets Statistics .....	11 .....	85
School Building Information .....	12 .....	86-88
Operating Statistics .....	13 .....	89
<b>COMPLIANCE SECTION</b>		
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....		90-91

## ***INTRODUCTORY SECTION***

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December 5, 2016

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, 2016. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School Board. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

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

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

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

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

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

In accordance with the requirements of the Governmental Accounting Standards, the financial reporting entity consists of a primary government (the City of Portsmouth), and its component units, which are legally separate organizations. The School Board is considered a component unit of the City and the financial position and results of operations of the School Board are also presented in the City's CAFR. The School Board has no component units for financial reporting purposes. The School Board is fiscally dependent, i.e., it does not have taxing and borrowing authority. It derives most of its funding from the City and the Commonwealth of Virginia allocations.

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

## **Economic Condition and Outlook**

Old Dominion University's Regional Studies Institute (the Institute) recently published the State of The Region - Hampton Roads 2016 report. According to the Institute, the economy within Hampton Roads (which includes the City of Portsmouth) continues to lag behind the state and the nation in terms of growth. The real gross regional product growth rate for Hampton Roads was 1.20% in 2016 (in 2015 the rate was 1.14%). The study estimates there are still 10,000 jobs that have not been recovered since the recession. Job growth was estimated at 2 percent for Hampton Roads as compared to the estimated 7 percent experienced nationally. Unemployment rates have dropped, in the area, to 4.9 percent but the number of people actively seeking a job has decreased. Within the City of Portsmouth, the latest unemployment rate is 6.2%.

Defense spending and the Port of Virginia continue to be the major sectors in the Hampton Roads economy.

Defense spending continues to be the major contributor to the Hampton Roads economy. Hampton Roads has seen defense spending continually decrease year over year. It is anticipated that federal defense spending will increase by \$3 million between September 30, 2016 and September 30, 2017, however, it is not known what direct impact that will have on Hampton Roads. Additionally, Hampton Roads has experienced a decrease in active duty military and the decrease is expected to continue. Between 2003 and 2014, the number of active duty personnel stationed in Hampton Roads decreased by 86,400. With an expected decrease in active duty personnel, this could cause increases in defense spending to be offset.

The Port of Virginia (the "Port") generated an estimated 7% of the region's economic activity. Cargo tonnage handled by the Port continues to increase year over year. Because of the geographical location of the Port, it being the largest deep water port (and third largest port) on the East Coast, and with the Port's relationships with major rail companies, the Port appears to be in a good position to experience continued positive growth in future years. However, as with any business, there are challenges facing the Port (i.e. competitors, facility and logistical constraints, etc.). The most recent departure of the United Kingdom from the European Union could have an impact on trade which in turn could impact the Port. The Port also has a new international competitor with the opening of the new, improved Panama Canal. Current national competitors continue to pose a threat to the Port as they prepare to handle larger ships.

Hotels/tourism, which is considered the third major sector in the Hampton Road's economy, has continued to show declines. It was once thought that this sector may reach pre-recession levels by 2015; that is no longer the case, as this sector is not expected to recover from the last recession. Between 2007 and 2015, the revenue earned, per available room (REVPAR), declined by 10.9% in Hampton Roads.

With the modest outlook for growth in Hampton Roads, it will be important for diversification within the economy. Since Hampton Roads makes up seven (7) cities (including Portsmouth), it will likely require a unified effort to help boost the local economy.

According to July 1, 2015 statistics from the U.S. Census Bureau, Portsmouth had a population of 96,201, of which 53.5% were African-American, 41.6% were white, and 4.9% were other nationalities. Major City employers include Norfolk Naval Shipyard, Naval Medical Center - Portsmouth, U.S. Fifth Coast Guard District Command, City of Portsmouth, and PPS. Within PPS, there are approximately 2,026 employees. PPS served 14,632 students (727 are pre-K students) in thirteen elementary schools (twelve are Title I schools), three middle schools, three high schools, four Pre-K centers, one alternative school, one adult learning center, and a Career and Technical office at Tidewater Community College, Portsmouth campus. Projected enrollment for FY2016-17 is estimated to be 13,959. Along with general education, PPS serves special education needs. School-wide, approximately 10.4% of all students received special education services.

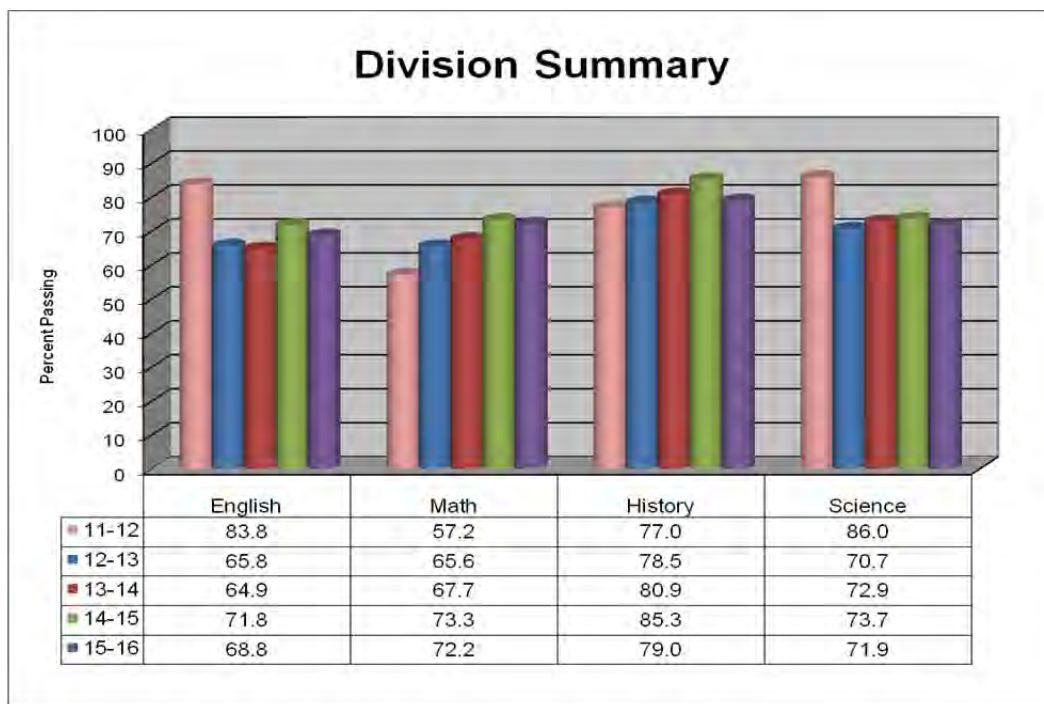
The average age of school buildings, within the district, is 48 years. Numerous school building additions and improvements have been completed subsequent to the initial construction of school buildings. The average school building addition and improvement is 10 years.

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 the school division's 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.

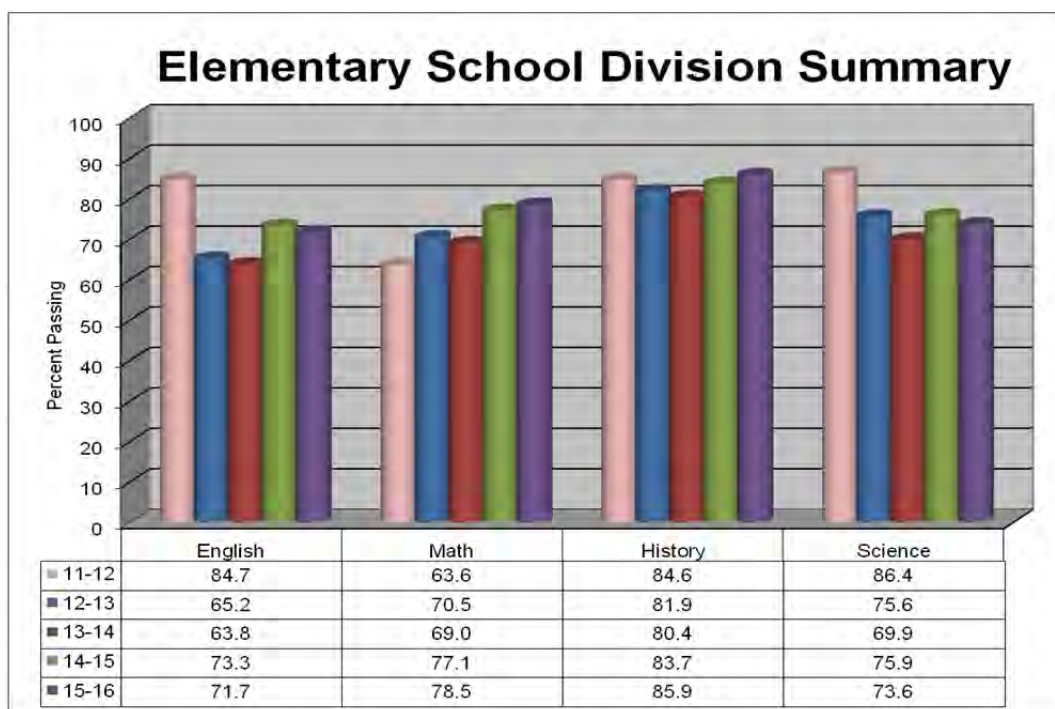
The most recent recession and slow recovery of the region's and state's economy continues to have an effect on the funding of the school division. State funding for FY2015-16 was below the funding levels experienced pre-recession. The outlook for FY2016-17 shows an increase in City funding (to the level funding experienced in FY2014-15) and an increase in state funds (but still below pre-recession state funding levels). Beyond FY2016-17, the economic outlook for PPS continues to pose challenges, however, PPS is committed and continues to be fiscally responsible in providing quality education to the students in the City of Portsmouth.

## SOL Passing Rates Comparison

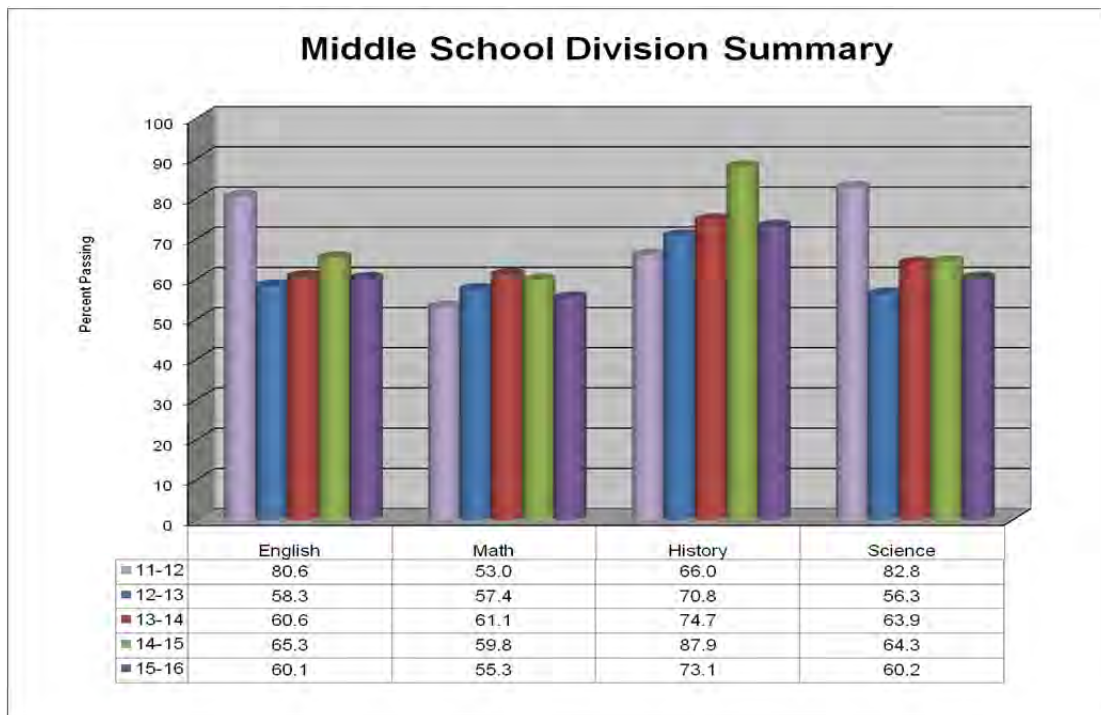
### Division Summary Portsmouth Public Schools Standards of Learning Assessments



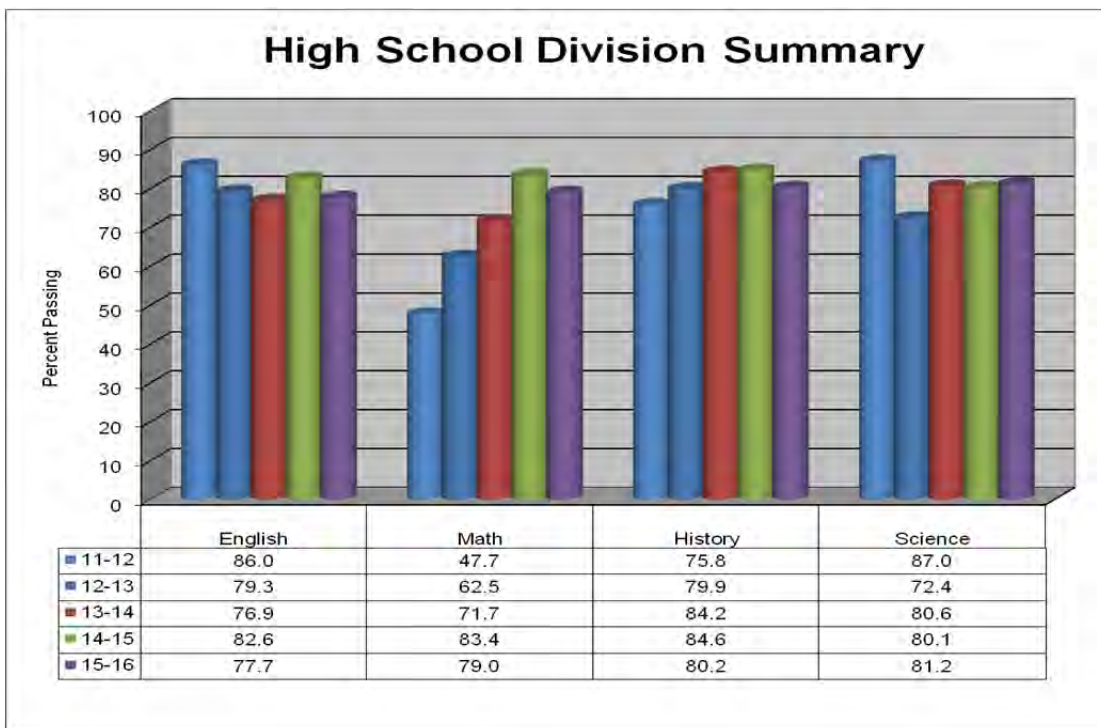
### Elementary Schools Summary Portsmouth Public Schools Standards of Learning Assessments



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



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



## **Major Initiatives and Recognition**

### **Special Education**

The Special Education and Related Services Department welcomed new leadership in 2016. The department adopted the following new vision and mission: the PPS Special Education Department, in conjunction with the school staffs, parents, and community members, supports, mentors, monitors and motivates for the most inclusive specialized education of all students with disabilities, while focusing on excellence for all students. The values of the Special Education office include integrity, loyalty, teamwork, and professionalism.

During the 2015-16 school year, the special education program served over 1,600 students each with a current IEP using 146 teachers. Fourteen (14) full-time and 4 part-time Speech Pathologists serviced 677 students in preschool centers, elementary, middle and high schools. Two hundred eighty-one (281) students were evaluated for possible speech delays. All kindergarten students, new to the system, were screened for potential speech delays, as well as screening their sensory/hearing levels.

Seven (7) special education high school students are participating in the Postsecondary Education Rehabilitation Transition (PERT) Summer Program, a highly effective school-to-work initiative supported by the Virginia Department of Education (VDOE) and administered through Virginia (VA) Department of Aging and Rehabilitative Services at the Wilson Workforce and Rehabilitation Center (WWRC) campus in Fishersville, VA.

A literacy intervention web-based program was implemented to address tier 2 and tier 3 students in 4 of our schools. Language! Live is being instructed at Churchland High, Churchland Middle, Cradock Middle and I.C. Norcom High. Ninety-five (95) special education students participated in this program for the entire 2015-2016 school year. Twenty-nine (29) of these students made very significant gains. This will be expanded in PPS schools to bridge the gap in literacy performance.

The Reverse Inclusion program provided free, half day preschool sessions and meals to 32 general education three-year-olds, who served as role models to two and three-year-old children with disabilities served in the early childhood special education classrooms.

The Special Education office provided 8 Professional Development sessions to PPS Leaders during the spring of 2016 and 15 during the summer of 2016. Two (2) Early Childhood Education teachers participated in the James Madison University (JMU) Content Teaching Academy, "Early Childhood Special Education Curriculum Framework," in June 2016 to help provide more inclusive services to children with disabilities in the Virginia Preschool Initiative (VPI) program.

In collaboration with the Virginia Department for Aging and Rehabilitation Services (DARS), and Virginia Commonwealth University (VCU), PPS Southeastern Cooperative Educational Programs (SECEP) had one student who participated in a job readiness program through Project Search. The student was hired for full time employment with Bon Secours/Maryview Hospital on May 16, 2016.

On June 2-3, 2016, PPS hosted its first Special Olympics event since the 1970s. Over the course of 2 days, 700 students (which included 125 with disabilities) participated in Young Athletes Day promoting social inclusiveness through sports. In addition, there were over 250 volunteers and community partners helping with the event, to include representatives from Head Start, CMS Mortgage Solutions, the Buffalo Soldiers, Portsmouth Children First Lion's Club, Lebanon Lodge, Portsmouth Police Department, Portsmouth Sheriff's Department, and students from Wilson High School. Portsmouth Parks and Recreation donated the use of Portsmouth City Park for the event and Portsmouth Schools Food Services and Operations helped set up and take down audio equipment and deliver coolers and ice. Kroger Midtown donated 800 bottles of water for the children, and the mascot from Panda Express Suffolk passed out coupons and fortune cookies.

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

### Elementary

STARBASE Victory, the elementary STEM Center, served 3,000+ students in the following problem based and inquiry driven programs: grade 4 SPACEBASE Atlas, grade 5 ENVIROBASE Aquarius, and grade 6 AEROBASE Atlantis.

In response to the VDOE charge to drop the Standards of Learning (SOL) Assessments for science in grade 3 and writing in grade 5, the Office of Science expanded the development and implementation of Performance Based Assessments (PBA). These assessments integrate the writing process into science content. The practice of PBAs was extended to grades 4, 6, and 7. Training for teachers and principals were held throughout the year with division-wide scoring events as well.

Elementary CHROME (Cooperating Hampton Roads Organization for Minorities in Engineering) Clubs participated in Waste Wise competition using LEGO WEDO robots. During this school year, Portsmouth CHROME Club students began a new chapter in their LEGO Robotics experience by engaging in a year-long investigation of the purposeful use of simple machines in efforts to be *Waste Wise!* Modeled after the new Jr LEGO League event, the Portsmouth CHROME Waste Wise Competition is a showcase of constructed models of machines for use in recycling, reusing, or repurposing waste. The model machines were designed and constructed using our LEGO WeDo Robotics Kits. Students were charged to program robotic versions of simple and complex machines, and to create a poster display of research they conducted on the design, construction, and use of machines in efforts to be “waste wise.”

A Mathematics-Science Partnership grant titled *Bridges*, with Old Dominion University (ODU), offered grades 4 and 5 teachers professional development opportunities to improve content knowledge and instructional capabilities through the practice of argument-driven inquiry (ADI).

### Middle

Select middle school teachers participated in a Mathematics and Science Partnership (MSP) grant opportunity titled *SAIL – Scientific Argumentation and Inquiry for Learning*. Teachers gained insight into ADI from Victor Sampson, a national leader in this field of study. The eighty-hour (84) summer institute and school year sessions (through partnership with ODU and Tidewater Community College(TCC) focused on increasing content knowledge and instructional capabilities in the focus areas of scientific investigation, nature of science, argument-drive inquiry(ADI), and performance-based assessment.

Another Mathematics and Science Partnership (MSP) grant opportunity titled *KEYS – Knowledge through Experience in Science* with ODU was also provided to focus on improving content knowledge and instructional capabilities through ADI-based lesson development.

### High

PPS hosted two VEX Robotics Regional Competition. One PPS team qualified for the STATE Competition.

The PPS FIRST (For Inspiration and Recognition in Science and Technology) Robotics Team placed first at the FIRST Chesapeake District Central Virginia Event held in Doswell, VA on March 24-26, 2016. The PPS ROYAL ROBOTICS TEAM #3359 competed with over 60 teams that included teams from Norfolk, Virginia Beach, Chesapeake, Suffolk, the Peninsula, Governor's schools, private schools, and homeschoolers.

Eight (8) students from Churchland High School, I.C. Norcom High School, and Wilson High School qualified to present their research papers at the annual meeting of the Virginia Junior Academy of Science at The University of Mary Washington in Fredericksburg, Virginia.

A VDOE CyberCamp grant afforded 30 students a hands-on, project-driven opportunity to collaborate with Norfolk State University's Department of Computer Science while focused on cybersecurity.

## Division

The State Council of Higher Education for VA (SCHEV) grant titled, *Remote Sensing: Eyes on the Critical Zone*, afforded 28 secondary teachers the opportunity to obtain, analyze, and visualize data via place-based field experiences while honing research-based instructional strategies, particularly in literacy.

The Annual STEM EXPO attracted over 1,100 PPS students and their parents for a morning that highlighted the STEM Pathways Program. Twenty-nine STEM partners shared interactive sessions from 3-D printing to Makerspaces. Eighty (80) teachers, as well as science program specialists, organized and presented in this information.

Over 500 students participated in free summer camps learning geospatial technologies, robotics, environmental stewardship, and the process of Applications Design.

## **AC 13 - Academic + Career after High School and First College**

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

During the 2015-16 school year, CTE offered the following industry certifications: Greenhouse Operations, Early Childhood Education, Food Handling, CPR, Registered Pesticide Technician, Microsoft Specialists, Customer Service/Sales, Workplace Readiness, Hospitality Management, and Adobe with a total of 693 certifications earned.

Students involved in CTE clubs, such as DECA (Marketing), FBLA (Business), and FCCLA (Family and Consumer Science), participated in local, state, and national competitions throughout the school year.

I.C. Norcom High School's DECA was recognized as a Diamond Chapter which is the highest recognition possible.

I.C. Norcom High School's FBLA received National recognition during the 2015 National Fall Leadership Conference.

One PPS advisor received the 2016 DECA Outstanding Advisor Award, while another PPS advisor received the Sharron K. Glasscock Scholarship for 2016 in the amount of \$1,000.

Woodrow Wilson High School's FCCLA received a Silver Medal in Sports Nutrition as well as a Bronze Medal in Interpersonal Communications.

The VDOE Region 2 Business and Industry Partnership Award was presented to Goodwill Industries for exceptional and extraordinary contributions in support of Career and Technical Education, Portsmouth City Public Schools on June 9, 2016.

The First College program has grown from 19 students in 2006 to 200 scholars this school year. Twenty-four students earned all A's. This session, 998 courses were taken and approximately 90% of the students had a grade point average of 2.0 or greater. Approximately 83% of the courses taken will be able to be transferred for college credit at a 4 year university.

## **Social Studies**

A Social Studies teacher and Social Studies supervisor, presented at the Virginia Social Studies Conference (VSSC) in Norfolk, Virginia. The VSSC was also attended by the Social Studies Coordinator and Program Specialist affording members of the Office of Social Studies the opportunity to participate in workshops surrounding the theme “Shifting Focus: Examining Social Studies Through Multiple Lenses.”

Middle School Department Chairpersons attended the annual Civics Summit held at the capitol building in Richmond, VA. During the Civics Summit, Civics and Economics teachers had the opportunity to acquire information related to civics education from recognized experts in the fields of education and government. Teachers were able to return to their schools and share information and activities with their department regarding the value of getting students excited to learn about how government works so that they look forward to becoming active voters in the future.

The Office of Social Studies developed and implemented Alternative (SOL) Assessments in accordance with the VDOE initiative to eliminate SOL tests for grade 3 and United States History I for grade 6 and United States History II offered in middle school. These assessments allowed teachers to use non-traditional approaches to judge students’ performance. Students demonstrated knowledge of social studies content by completing a host of creative activities to include but not limited to trading cards, poems, songs, brochures, radio broadcasts.

The Office of Social Studies led the district in its participation with the Pennies for Peace service learning program where students and teachers collected pennies and learned lessons about cultural understanding and the power of education in areas of the world where there is extreme poverty. This campaign allowed the division the opportunity to donate approximately \$760 to bring educational opportunities to children in Central Asia.

The Office of Social Studies partnered with the Foodbank of Southeastern Virginia for a district wide food drive. In our efforts to support the Foodbank’s mission to eliminate hunger in our community, PPS donated 2,500 pounds of food; making a large contribution to the millions of meals that the Foodbank distributes throughout the Tidewater region annually.

Fourth grade social studies students from all thirteen elementary schools participated in the 13<sup>th</sup> Annual History Bowl held at Woodrow Wilson High School. Teams demonstrated knowledge of the VA Social Studies curriculum in a history quiz competition. First place was awarded to Hodges Manor Elementary School and second place was awarded to Park View Elementary School.

In response to Governor McAuliffe’s proclamation to recognize a week in April as VA High School Student Registration Week, the Office of Social Studies conducted a Voter Registration Drive at New Directions and Adult Education Center to encourage young voters to begin to participate in the democratic process at an early age.

Professional development workshops were held in the Fall & Spring on both the elementary and secondary levels to promote professional learning communities where educators feel free to collaborate and share ideas for the benefit of students in the division. Training was offered to provide teachers with a variety of engaging learning experiences that can be used during daily instruction and in preparing students for SOL assessments.

Advanced Placement (AP) textbooks were purchased for AP US History. AP US History will be offered at all 3 high schools during the 2016–2017 school year which will increase opportunities for PPS students to develop college level academic skills and earn college credit while still in high school. AP teachers will attend an AP Professional development summer institute in preparation for the launch of this course initiative.

Ruth & the Green Book, a historical fiction picture book, was purchased for all 4<sup>th</sup> grade VA Social Studies teachers to enhance instruction surrounding the Jim Crow Era in American history. Professional development was provided to demonstrate best practices for implementing this resource into instruction, emphasizing the value of primary sources, use of maps, computer technology, and various hands on activities in social studies instruction.

In line with the division wide commitment to provide 21<sup>st</sup> century learning capabilities to students, the Office of Social Studies purchased licenses and incorporated Nystrom Stratalogica into World History I courses to enhance geography skills. Nystrom Stratalogica is an online resource which allows for digital access to maps, globes, atlases and geographical activity sets to teachers and students.

Other efforts to increase the use of technology in instruction included purchasing a subscription for SOL pass to provide online supplemental activities to assist teachers in preparing students for the Virginia SOL's in elementary and middle school social studies.

Flocabulary, a web based learning program, was also purchased and incorporated into social studies instruction during the school year. This program uses educational hip-hop music and activities to increase student engagement and achievement.

## **Mathematics**

The Office of Mathematics partnered with the VA Sports Hall of Fame to provide Math Day and Math Expo for elementary students. Students participated in sports based activities while “doing math.”

Each elementary school sends a team of four students to the Grade Six Math Challenge. Students solve math problems during three rounds of competition to determine the winner. Every year the Mayor of Portsmouth attends and speaks to the “mathletes” about the importance of mathematics.

In March, Middle School Math Madness made its debut. Through a Portsmouth Schools Foundations (PSF) Grant, awarded to one of the mathematics program specialists, three Wii Games were purchased to gather data as every seventh grade student in each middle school participated in math madness. Students rotated through three stations during their math class. Students gathered data through Wii Bowling and Wii Basketball and worked with fractions, decimals, and percentages. Additionally, students used iPads to model mathematics, solve problems, and used flip cameras to record themselves explaining the math models.

A total of 5,083 mathematics students in elementary, middle and high school participated in the Hour of Code in December. During math classes, students coded programs to create angles, moved characters in certain directions, and some created games. High school students created programs on the graphing calculators for math formulas.

## **Graduation Results**

Of the 935 members of the Class of 2016, 331 received Advanced Studies Diplomas and 319 graduated with Honors. The Class of 2016 earned 2,772 college credits. Merit-based scholarships were awarded in the amount of \$18,457,138.

## **Financial Information**

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

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

The School Board is "fully insured" for auto liability and for general liability through the Virginia Association of Counties Group Self Insurance Risk Pool (VACORP). For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$500,000. Workers Compensation claims are handled by VACORP, a third-party claims administrator. For health insurance, the School Board is self-insured and utilizes Optima Health as the third party claims administrator. The School Board carries excess loss insurance with a specific stop loss limit of \$150,000 and aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

The City Treasurer is the custodian of pooled cash and temporary investments, and funds held for student activity accounts and related investments with the exception of funds under the trust account for Other Post-Employment Benefits. 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, 2015. The Certificate of Excellence is valid for a period of one year only. This is the tenth 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, 2015. This is the ninth 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.

## **Distinguished Budget Presentation Award**

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Portsmouth City School Board, Virginia for its annual budget for budget for FY2016-17. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

## **Acknowledgements**

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

Respectfully submitted,

A handwritten signature in blue ink, reading "Elie Bracy, III". The signature is fluid and cursive, with the last name "Bracy" being the most prominent part.

Elie Bracy, III, Ed.D.  
Division Superintendent

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2016**

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

**School Board**

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

Mrs. Costella B. Williams ..... Vice Chairman

Mr. James E. Bridgeford

Rev. Joseph A. Fleming

Mrs. Sarah D. Hinds

Mr. Ted J. Lamb

Mr. B. Keith Nance, Sr.

Rev. Cardell C. Patillo

Dr. Ingrid P. Whitaker

**Officials**

Elie Bracy, III, Ed.D ..... Division Superintendent

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

Ms. Brittany T. Dortch, CPA ..... Director of Accounting/Interim Chief Financial Officer

Mr. Scott A. Ziegler ..... Director of Human Resources/Director of Operations

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

Mrs. Brenda Steward ..... Deputy Clerk of the School Board

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



## PORTSMOUTH CITY SCHOOL BOARD



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

Mrs. Costella B. Williams  
*School Board Vice-Chairman*  
Member of the School Board Since 2008  
Current Term expires December 31, 2016  
Retired Supervisor and Community Volunteer



Mr. James E. Bridgeford  
Member since 1990  
Current Term expires  
December 31, 2016  
Retired Systems  
Accountant and  
Federal Auditor



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



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



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



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



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



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

*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.*

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## **Mission and Vision**

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 which constituted the Board's goals for the division. Every two years the School Board reviews the plan and revises it as necessary. They added a sixth vision in December 2009. The full text is available at <http://ppsk12.us/>. (Click the "About PPS" tab; double-click "School Board" from the drop-down menu; and click the "[Comprehensive Plan](#)" link on the left side of the page.) The plan's six visions are summarized below.

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"; they will implement technology to increase the efficiency of its operation; they will implement a minority business utilization program; and they will establish a PSET commission to direct and oversee the programming and operation of the school division's television station.
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 invite parents into schools. 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 the school division and growing within it. Portsmouth Public Schools will partner with local colleges and universities to establish or enhance teacher quality programs. 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 Portsmouth Public Schools graduates will successfully complete four credits of high school English, three or more credits of high school mathematics, and three credits of high school social studies. The School Board will enhance cultural awareness and learning experiences through the arts, gifted services and foreign languages, and increase rigor, relevance, and relationships. Portsmouth Public Schools will strengthen athletic and other extracurricular programs to make PPS 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. Additionally, the emergence of violent behavior that could threaten the safety of students will be reduced.

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 21<sup>st</sup> 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 division develops its budget to accomplish the above visions and supports implementation of the Comprehensive Plan. 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 or deleted. 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 paying supplements to curriculum writers, purchasing additional supplies, and hiring additional teaching staff. Since consistent funding cannot be identified to support this objective, it was removed from the plan when the plan was revised in December 2013.

The division began developing a new enhanced strategic plan to supersede the previous School Board strategic vision above. In spring 2016, Portsmouth Public Schools released a public survey to help the division build the next version of the strategic plan. Leveraging the public's input, the division will build an enhanced strategic and comprehensive plan to help guide all decisions of the division going forward. The division's new plan was finalized and adopted in summer 2016.



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, 2015.**

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



*Brenda R. Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

John D. Musso, CAE, RSBA  
Executive Director



Government Finance Officers Association

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

Presented to

**City of Portsmouth  
Virginia School Board**

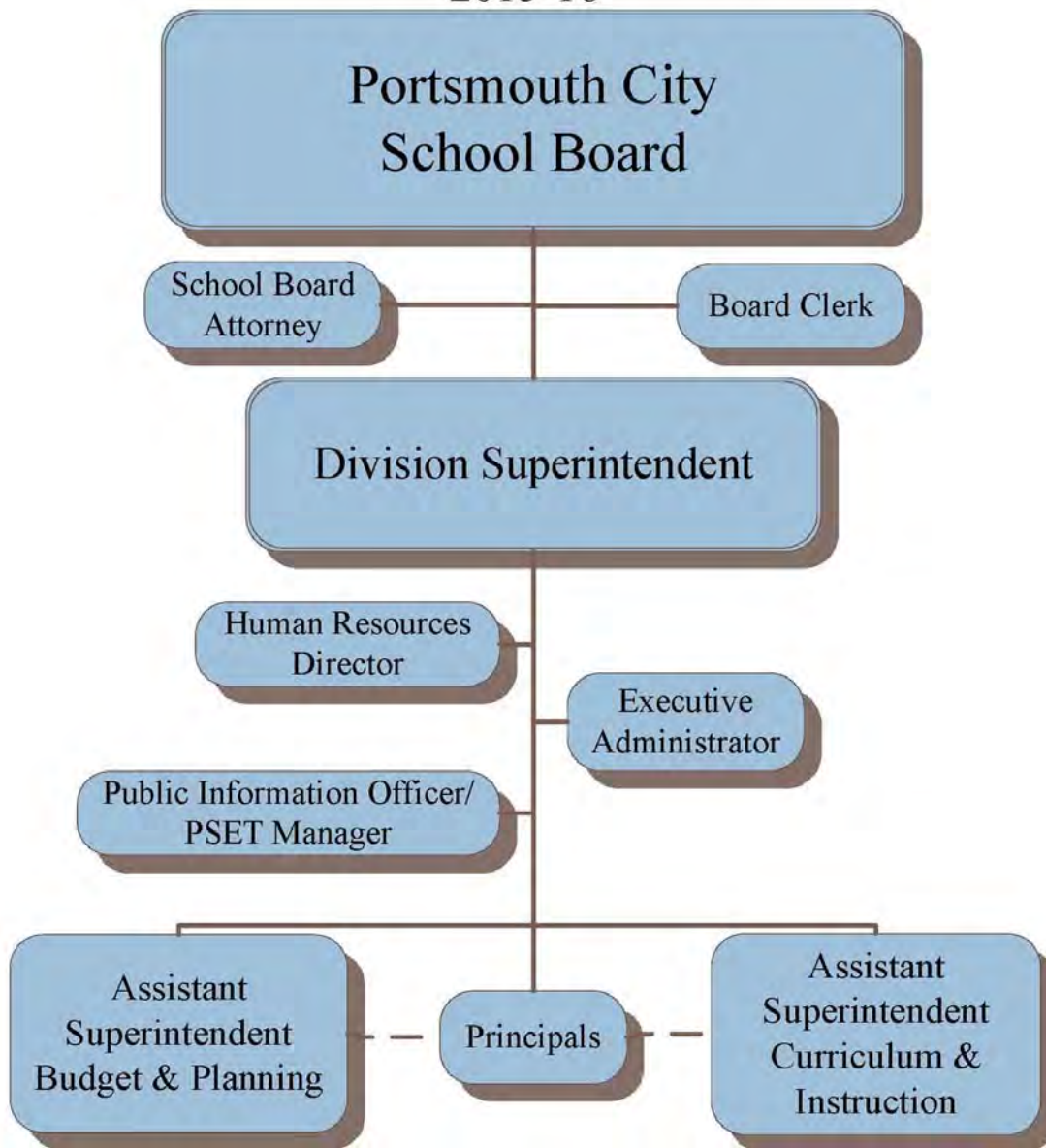
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emen", is positioned above the title of the signatory.

Executive Director/CEO

Division Organizational Chart  
2015-16



Rev 06/2015

***FINANCIAL SECTION***

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## **Report of Independent Auditor**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth, Virginia (the "School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth, Virginia, as of June 30, 2016, 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**

#### ***Fund Reclassification***

As described in Note 10 to the financial statements, the beginning fund balance of the Risk Management Fund was reclassified to reflect the addition of the Health Self-Insurance Fund on July 1, 2015 which was previously reported in the General Fund. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplemental information other than management's discussion and analysis, 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*

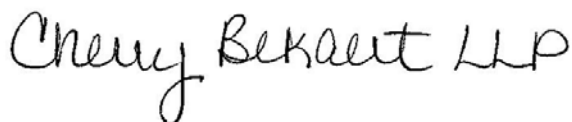
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The introductory section, combining internal service fund financial statements, the statement of changes in assets and liabilities-agency funds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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the School Board of the City of Portsmouth, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

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

Virginia Beach, Virginia  
December 6, 2016

**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, 2016**

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This section of the City of Portsmouth, Virginia School Board's ("School Board" or "PPS") annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year (FY) ended June 30, 2016. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights for Fiscal Year Ended June 30, 2016 (FY 2016)**

PPS' financial status, as reflected in total net position, decreased 0.3% to \$(63.4) million.

On the Statement of Net Position – Governmental Activities, total liabilities at June 30, 2016 totaled \$161.9 million. The bulk of the current liabilities of \$17.7 million are related to accrued payroll and accounts payable, while the majority of the non-current liabilities is related to the net pension liability.

On the Statement of Activities, total net position decreased from \$(63.3) million at June 30, 2015 to \$(63.4) million at June 30, 2016.

At the governmental fund level, all funds, except for the Textbook Fund, experienced a decrease in fund balance.

Total intergovernmental revenue was \$159.1 million. Of that, \$51.2 million was from the City of Portsmouth ("City"), \$91.0 million was from state aid from the Commonwealth of Virginia, and \$16.5 million was from the federal government. Interest and other charges were \$1.9 million.

**Overview of the Financial Statements**

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

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

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

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

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

	<b>Government-Wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire school system	Activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds	Activities the school system operates similar to private businesses, such as the Print Shop Fund	Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB trust and Student Activities Fund
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Changes in Net Position (Fiduciary Fund only)</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	The school system's fund does not currently contain capital assets nor liabilities
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 deferred outflows and liabilities and deferred inflows, is one way to measure the School Board's financial health or position.

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

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

## Fund Financial Statements

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

The School Board has three types of funds:

- *Governmental funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses two *internal service funds*. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies or to other unrelated governmental units, usually on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. The Print Shop Fund was closed during fiscal year 2016.
- *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 postemployment 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

**Net Position**  
June 30,  
(In thousands of dollars)

	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 35,939	\$ 40,208
Capital assets	66,588	68,582
Total assets	102,527	108,790
Deferred outflows related to pensions	12,004	12,048
Total deferred outflows of resources	12,004	12,048
Long-term debt outstanding	148,123	145,165
Other liabilities	13,760	15,273
Total liabilities	161,883	160,438
Deferred inflows related to pensions	16,086	23,679
Total deferred inflows of resources	16,086	23,679
Net position:		
Net investment in capital assets	65,587	67,581
Restricted		
Grants	1,639	528
School Food Services	653	894
Textbook	1,443	989
Unrestricted	(132,760)	(133,271)
Total net position	\$ (63,438)	\$ (63,279)

The School Board's net position, as of June 30, 2016, was \$(63.4) million, which was composed of \$(132.8) million in unrestricted net position, \$3.7 million in restricted for other purposes, and \$65.6 million net investment in capital assets. Capital assets of the School Board, for which the City of Portsmouth has incurred related debt, are reflected in the City of Portsmouth's financial statements. All School Board capital assets, which are not secured by debt, are reported in the School Board's financial statements. The largest driver for the deficit is due to the continued implementation of GASB 68, Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27.

Under GASB 68, governments are required to record a net pension liability in the Statement of Net Position. The implementation also required the recognition of deferred inflows/outflows, related to pensions and pension expense. The net pension liability for Portsmouth Public Schools as of June 30, 2016 is \$140.4 million. The net pension liability has existed since the start of the School Board's pension plans. With the issuance of GASB 68, the Government Accounting Standard Board, effective June 30, 2015, has now made it a requirement for governments to present this liability within the Statement of Net Position. The liability for the pension plan can be likened to the concept of parents establishing an investment account which will be used to fund their infant child's college education when the child turns 18 years old. The first day the child is born, the parents have a future college liability that they will plan to

steadily fund so that when the child is ready to go to college, there are funds available to meet the obligation. Both of the School Board's pension plans are under the Virginia Retirement System (VRS), and all funding, for these pension plans, are done in accordance with the VRS funding requirements.

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

### Changes in Net Position

The breakdown of program revenue is as follows: 95% comes from operating contributions, while the remaining program revenue is from charges for services. In the prior year, operating contributions represented 63% of program revenue. The change in breakdown of program revenues between operating contributions and charges for services from the prior year is due to the transfer of the health self-insurance fund from the General Fund to the Risk Management Fund. Total general revenues for FY 2016 were \$131.1 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 39% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

#### Changes in Net Position

Years Ended June 30,

(In thousands of dollars)

Revenues:	2016	2015
Program revenues:		
Charges for services	\$ 1,476	\$ 16,732
Operating grants and contributions	29,578	29,091
General revenues:		
Interest and investment earnings	5	1
Grants and contributions not restricted	130,674	131,801
Miscellaneous	443	240
Total revenues	162,176	177,865
Program expenses:		
Instruction	114,530	114,824
Administration, attendance and health services	8,088	8,468
Pupil transportation	7,014	7,063
Operations and maintenance	14,931	14,486
Information technology	9,601	6,900
Food services	8,093	7,719
Self-insured health	-	9,073
Interest on long-term debt	78	113
Total program expenses	162,335	168,646
Change in net position	(159)	9,219
Beginning net position	(63,279)	(72,498)
Ending net position	\$ (63,438)	\$ (63,279)

Charges for services decreased by \$15.3 million from the previous year. This decrease is primarily due to transfer of the health self-insurance plan from the General Fund to the Risk Management Fund. Management determined that utilizing the internal service fund (Risk Management Fund) provided the best presentation for the health self-insurance plan. Beginning July 1, 2015, the health self-insurance plan is accounted for in the Risk Management Fund. In fiscal year 2016, the City contributed \$0.98 million in school buses to the school board.

Grants and contributions not restricted, in the general revenues section, decreased by \$1.1 million over the previous fiscal year. This decrease is primarily due to the \$1.2 million decrease in local funding from the City.

Total program expenses decreased by \$6.0 million from the previous fiscal year. The decrease is primarily due to (1) the transfer of the health self-insurance plan to the Risk Management Fund for financial reporting, and (2) the School Board and Management's targeted effort to utilize FY 2016 savings to help fund a one-time, discretionary bonus for FY17, and to pay off the last payment of the School Board's energy lease loan. If the health self-insurance plan was reported in the Risk Management Fund in FY 2015, the change from the previous fiscal year would have been an increase of \$3.1 million of program expenses.

## Financial Analysis of the School Board's Funds

### Governmental Funds

The School Board's combined fund balance for the governmental funds was \$8.1 as of June 30, 2016. The current year compared to last year is as follows:

Fund Balance Comparison		
June 30,		
(in thousands of dollars)		
	2016	Restated 2015
Fund:		
General	\$ 5,755	\$ 7,933
Grants	246	285
Food Services	633	897
Textbook	1,443	989
Total combined fund balance	<u>\$ 8,077</u>	<u>\$ 10,104</u>

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

### General Fund

End of the year assigned fund balance decreased from \$6.7 million to \$0.5 million from the previous year. End of the year unassigned increased from \$0.9 million to \$5.0 million. The change in the allocation of fund balance between FY 2016 and FY 2015 was due to Management's plan to utilize FY 2016 savings to help fund a one-time, discretionary bonus for FY17 and to pay off the last payment of the School Board's energy lease loan as noted above. Additionally, FY 2015 assigned fund balance included the \$5.3 million health self-insurance plan reserve (in FY16, the health self-insurance reserve is reported in the Risk Management Fund).

Lastly, there was an additional \$2.6 million of expenditures in FY 2016 as compared to FY 2015. The majority of the additional expenditures was due to the compensation increase which became effective January 2016.

### Grants Fund

During FY 2016, the School Board's Grants Fund (a multi-year fund) received \$14.6 million in revenues and \$1.3 million required local match from the General Fund for total funding of \$15.9 million. Total grant expenditures totaled \$16.0 million. The excess of expenditures over revenues (including local match requirements) caused fund balance to decrease by approximately \$39 thousand from FY 2015. Spending within the Grants Fund were fairly consistent with FY 2015.

### Food Services Fund

During FY 2016, the School Board's Food Services Fund received \$7.9 million in revenues and incurred \$8.2 million in expenditures. The excess of expenditures over revenues caused fund balance to decrease by \$.3 million from FY 2015. The decrease in fund balance is primarily due to increased food costs and payroll costs as a result of the compensation increases, which became effective January 2016.

### Textbook Fund

During FY 2016, the School Board's Textbook Fund received \$1 million in revenues and \$.4 million in required local match from the General Fund for total funding of \$1.4 million. Total expenditures incurred were \$.9 million. The excess of revenues over expenditures caused fund balance to increase by \$0.5 million from FY 2015. This was primarily due to fewer textbook adoptions in FY 2016.

### Internal Service Funds

#### Print Shop Fund

As a result of six (6) consecutive years of operating losses, the School Board closed the print shop fund effective FY 2016 (October 2015). The remaining fund balance of \$.3 million was transferred from the Print Shop to the General Fund.

### Risk Management Fund

The Risk Management Fund reserves increased from \$(2.0) million in FY 2015 to \$5.0 million in FY 2016. The increase in reserves is directly related to the transfer of the health self-insurance plan from the General Fund to the Risk Management Fund.

### General Fund Budgetary Highlights

Throughout FY 2016, the School Board monitors its total budget; however, the School Board delegates authority, to the Division Superintendent, to move budget amounts, within each category, to meet the changing needs of the School Board. Budget amounts, which need to be moved between categories, must receive School Board and City Council approval prior to movement. The School Board's administration manages actual spending to revenue received.

**General Fund**  
Fiscal Year 2016  
(In thousands of dollars)

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Original Budget versus Amended Budget Variance	Amended Budget versus Actual Variance
Revenues:					
Intergovernmental	\$ 138,598	\$ 138,777	\$ 137,004	0.1%	-1.3%
Other	1,954	2,714	1,369	38.9%	-49.6%
Total	140,552	141,491	138,373	0.7%	-2.2%
Expenditures and transfers:					
Instruction	103,372	103,032	98,911	-0.3%	-4.0%
Administration, attendance, and health	7,259	8,125	7,150	11.9%	-12.0%
Pupil transportation	7,020	7,020	6,363	0.0%	-9.4%
Operations and maintenance	15,274	15,686	14,679	2.7%	-6.4%
Information technology	4,897	4,897	4,248	0.0%	-13.3%
Debt service	128	-	-	-100.0%	0.0%
Transfers in/out	2,602	2,731	1,988	5.0%	-27.2%
Total	140,552	141,491	133,339	0.7%	-5.8%
Change in fund balance	\$ -	\$ -	\$ 5,034	100.0%	100.0%

Actual intergovernmental revenues, as compared to the amended budget, decreased by 1.3% or \$1.8 million. This decrease is primarily due to a decrease in state funding as a result of lower Average Daily Membership than what was anticipated. Actual other revenues, as compared to the amended budget revenues, decreased by 49.6% or \$1.3 million. This decrease is primarily due to the overestimate of FY 2016 budgeted other revenues based on FY 2015 actuals, which included significant one time revenue sources, such as an Optima healthcare rebate (under 2014 fully insured plan) from the previous full insurance health plan. Additionally, Medicaid reimbursements were reclassified against corresponding expense lines, for financial reporting purposes in FY 2016, versus the way reimbursements were presented in other revenue in FY 2015.

Actual expenditures and transfers, as compared to the amended budget, decreased 5.8% or \$8.4 million. \$3.1 million of this decrease is attributed to the 2.2% of revenue not realized in FY 2016. \$5.0 million, of this decrease, is related to the unassigned funds as explained on page 9. The remaining decrease of \$.3 million is related to the transfer of funds from the Print Shop closure.

## Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2016, the School Board had \$66.5 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of these assets are the school bus fleet and maintenance vehicles.

#### Capital Assets

Years Ended June 30,

(Net of depreciation, in thousands of dollars)

	2016	2015
Land	\$ 6,086	\$ 6,086
Buildings and improvements	51,283	54,131
Equipment	9,219	8,365
Total	\$ 66,588	\$ 68,582

Buildings decreased due to the FY 2016 depreciation on existing building assets. Equipment increased due to the net of \$2.2 million of new assets, equipment disposals, and FY 2016 depreciation on new and existing equipment.

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

### Economic Factors

The unemployment rate for Portsmouth is well above the Metropolitan Statistical Area (MSA), the Commonwealth of Virginia (state), and the U.S. rates. In September 2016, the unemployment rate was 6.2% for Portsmouth, 4.4% for the MSA, 4.0% for the state, and 5.0% for the U.S.

Portsmouth had a per capita income of \$23,219, in 2015 (most recent information available), which was 32% less than the per capita income for the state at \$33,958, and 19% less than the per capita income for the nation at \$28,555 (U.S. Bureau of Economic Analysis). Portsmouth's median household income, in 2015, increased 3% to \$46,239. This is 29% less than the state's median household income at \$64,792, and is 16% less than the national median household income at \$53,482.

### **Factors Influencing Future Budgets**

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

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

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

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

**Exhibit I**

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

**June 30, 2016**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 24,597,959
Due from the federal government	3,877,754
Due from the Commonwealth of Virginia	1,482,180
Receivables - net	677,146
Inventory	272,051
Capital assets not depreciated	6,085,707
Other capital assets - net	60,501,957
Net OPEB asset	5,031,798
<b>Total assets</b>	<b>\$ 102,526,552</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Employer contributions subsequent to the measurement date	\$ 12,003,902
<b>Total deferred outflows of resources</b>	<b>\$ 12,003,902</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,926,025
Accrued payroll	9,127,522
Accrued payroll taxes	676,216
Due to the City of Portsmouth	30,000
Long-term liabilities	
Due within one year	3,969,006
Due in more than one year	3,764,687
Net pension liability	140,389,227
<b>Total liabilities</b>	<b>\$ 161,882,683</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between expected and actual experience	\$ 1,963,564
Net difference between projected and actual investment earnings	8,894,515
Changes in proportion and difference between employer contributions and proportionate share of contributions	5,228,000
<b>Total deferred inflows of resources</b>	<b>\$ 16,086,079</b>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 65,586,657
Restricted	
Grants	1,639,171
School food services	653,034
Textbook	1,442,722
Unrestricted (deficit)	(132,759,892)
<b>Total net position</b>	<b>\$ (63,438,308)</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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration, attendance, and health services	\$ 8,087,764	\$ -	\$ -	\$ -	\$ (8,087,764)
Instruction	114,530,007	33,678	23,193,044	-	(91,303,285)
Attendance and health services	-	-	-	-	-
Pupil transportation	7,013,542	97,522	-	-	(6,916,020)
Operations and maintenance	15,918,249	20,463	-	987,435	(14,910,351)
Information technology	9,601,034	-	-	-	(9,601,034)
Food service	8,093,226	1,324,237	6,384,446	-	(384,543)
Self insured health	-	-	-	-	-
Interest on long-term debt	77,612	-	-	-	(77,612)
<b>Total Primary Government</b>	<b>\$ 163,321,434</b>	<b>\$ 1,475,900</b>	<b>\$ 29,577,490</b>	<b>\$ 987,435</b>	<b>(131,280,609)</b>
<b>General revenues</b>					
From primary government					51,200,000
Unrestricted grants and contributions					79,473,834
Investment earnings					4,923
Miscellaneous					442,551
<b>Total general revenues</b>					<b>131,121,308</b>
<b>Change in net position</b>					<b>(159,301)</b>
<b>Net position - beginning of year</b>					<b>(63,279,007)</b>
<b>Net position - end of year</b>					<b>\$ (63,438,308)</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, 2016**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and temporary investments	\$ 13,281,453	\$ 771,841	\$ 1,514,666	\$ 1,554,092	\$ 17,122,052
Receivables	472,644	58,683	20,869	1,661	553,857
Due from federal government	31,509	3,416,712	429,533	-	3,877,754
Due from Commonwealth of Virginia	1,169,029	313,151	-	-	1,482,180
Due from other funds	2,822,813	10,231	-	-	2,833,044
Inventory	267,125	-	4,926	-	272,051
<b>Total assets</b>	<b>\$ 18,044,573</b>	<b>\$ 4,570,618</b>	<b>\$ 1,969,994</b>	<b>\$ 1,555,753</b>	<b>\$ 26,140,938</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,691,403	\$ 1,021,109	\$ 103,252	\$ 110,261	\$ 3,926,025
Accrued payroll	8,828,445	128,425	167,882	2,770	9,127,522
Accrued payroll taxes	676,216	-	-	-	676,216
Due to City of Portsmouth	30,000	-	-	-	30,000
Due to other funds	10,231	1,781,913	1,040,900	-	2,833,044
<b>Total liabilities</b>	<b>12,236,295</b>	<b>2,931,447</b>	<b>1,312,034</b>	<b>113,031</b>	<b>16,592,807</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	53,601	1,392,808	24,968	-	1,471,377
<b>FUND BALANCES</b>					
Nonspendable	267,125	-	4,926	-	272,051
Restricted	-	246,363	628,066	1,442,722	2,317,151
Committed	-	-	-	-	-
Assigned	453,425	-	-	-	453,425
Unassigned	5,034,127	-	-	-	5,034,127
<b>Total fund balances</b>	<b>5,754,677</b>	<b>246,363</b>	<b>632,992</b>	<b>1,442,722</b>	<b>8,076,754</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 18,044,573</b>	<b>\$ 4,570,618</b>	<b>\$ 1,969,994</b>	<b>\$ 1,555,753</b>	<b>\$ 26,140,938</b>

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

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**June 30, 2016**

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

**Total fund balances - governmental funds** **\$ 8,076,754**

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 66,587,664

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.

1,471,377

Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities

Governmental funds \$ (7,733,693)

Internal service funds - current portion 1,652,690

Internal service funds - long-term portion 989,643

(5,091,360)

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.

5,031,798

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

12,003,902

Changes in projected and actual pension investment earnings and changes between employer contributions and proportionate share of contributions

(16,086,079)

Net pension liability is not due and payable in the current period, therefore, it is not reported as a liability in the governmental funds

(140,389,227)

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.

4,956,863

**Total net position - governmental activities** **\$ (63,438,308)**

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**

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

**Year Ended June 30, 2016**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Intergovernmental					
From City of Portsmouth	\$ 51,200,000	\$ -	\$ -	\$ -	\$ 51,200,000
From Commonwealth of Virginia	84,985,167	4,858,115	80,051	986,559	90,909,892
From federal government	623,034	9,519,497	6,384,446	-	16,526,977
Donated commodities	-	-	414,936	-	414,936
Total intergovernmental	136,808,201	14,377,612	6,879,433	986,559	159,051,805
Charges for services	-	-	454,957	-	454,957
Interest	2,626	-	2,297	-	4,923
Miscellaneous	589,679	298,104	571,176	4,535	1,463,494
<b>Total revenues</b>	<b>137,400,506</b>	<b>14,675,716</b>	<b>7,907,863</b>	<b>991,094</b>	<b>160,975,179</b>
<b>Expenditures</b>					
Current					
Education					
Instruction	99,740,638	13,702,874	-	897,901	114,341,413
Administration	7,499,088	734,213	-	-	8,233,301
Attendance and health services	-	-	-	-	-
Pupil transportation	6,415,322	214,218	-	-	6,629,540
Operation and maintenance	16,048,063	123,310	-	-	16,171,373
Information technology	8,440,919	1,216,392	-	-	9,657,311
Food services	-	-	8,193,183	-	8,193,183
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	77,612	-	-	-	77,612
Self insured health fund	-	-	-	-	-
<b>Total expenditures</b>	<b>138,221,642</b>	<b>15,991,007</b>	<b>8,193,183</b>	<b>897,901</b>	<b>163,303,733</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(821,136)</b>	<b>(1,315,291)</b>	<b>(285,320)</b>	<b>93,193</b>	<b>(2,328,554)</b>
<b>Other financing sources (uses)</b>					
Transfers in	301,433	1,276,708	20,934	360,831	1,959,906
Transfers out	(1,658,473)	-	-	-	(1,658,473)
<b>Total other financing         sources (uses)</b>	<b>(1,357,040)</b>	<b>1,276,708</b>	<b>20,934</b>	<b>360,831</b>	<b>301,433</b>
<b>Net change in fund balances</b>	<b>(2,178,176)</b>	<b>(38,583)</b>	<b>(264,386)</b>	<b>454,024</b>	<b>(2,027,121)</b>
<b>Fund balances - beginning of year, restated</b>	<b>7,932,853</b>	<b>284,946</b>	<b>897,378</b>	<b>988,698</b>	<b>10,103,875</b>
<b>Fund balances - end of year</b>	<b>\$ 5,754,677</b>	<b>\$ 246,363</b>	<b>\$ 632,992</b>	<b>\$ 1,442,722</b>	<b>\$ 8,076,754</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, 2016**

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

**Net change in fund balances - total governmental funds** **\$ (2,027,121)**

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.

Capital acquisitions	\$ 2,231,722	
Capital disposals	(5,317)	
Depreciation of general government assets, net of amount reported in internal service funds	<u>(4,220,755)</u>	(1,994,350)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. 1,199,519

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, net of amount reported in internal service funds	289,423	
Change in net OPEB asset	<u>53,726</u>	343,149

Change in deferred outflows related to pensions (44,734)

Change in deferred inflows related to pensions 7,593,233

Change in net pension liability (2,431,191)

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.

(2,797,806)

**Change in net position of governmental activities** **\$ (159,301)**

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, 2016**

		<b>Governmental Activities - Internal Service Funds</b>
	<b>ASSETS</b>	
<b>Current assets</b>		
Cash and temporary investments		\$ 7,475,907
Accounts receivable		123,289
Inventories		-
<b>Total current assets</b>		<u>7,599,196</u>
<b>Total assets</b>		<u>\$ 7,599,196</u>
	<b>LIABILITIES AND NET POSITION</b>	
<b>Current liabilities</b>		
Claims payable - current portion		\$ 1,652,690
<b>Total current liabilities</b>		<u>1,652,690</u>
<b>Noncurrent liabilities</b>		
Claims payable - net of current portion		989,643
<b>Total noncurrent liabilities</b>		<u>989,643</u>
<b>Total liabilities</b>		<u>2,642,333</u>
<b>Net position</b>		
Unrestricted		4,956,863
<b>Total net position</b>		<u>4,956,863</u>
<b>Total liabilities and net position</b>		<u>\$ 7,599,196</u>

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

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

**Exhibit VI**

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

**Year Ended June 30, 2016**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues</b>	
Insurance recoveries	\$ 88,163
Charges for services	17,079,249
<b>Total operating revenues</b>	<b>17,167,412</b>
<b>Operating expenses</b>	
Insurance claims and expenses	19,645,221
Personnel services	16,464
Other supplies and expenses	3,299
<b>Total operating expenses</b>	<b>19,664,984</b>
<b>Net operating loss</b>	<b>(2,497,572)</b>
<b>Nonoperating revenues</b>	
Other revenue	1,199
<b>Total nonoperating revenues</b>	<b>1,199</b>
Transfers out	(301,433)
<b>Change in net position</b>	<b>(2,797,806)</b>
<b>Total net position - beginning of year, restated</b>	<b>7,754,669</b>
<b>Total net position - end of year</b>	<b>\$ 4,956,863</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, 2016**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 18,812,392
Insurance recovery	88,163
Payments to suppliers for goods and services	(19,730,377)
Payments to employees	(30,791)
<b>Net cash used by operating activities</b>	<u>(860,613)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfer to other fund	(301,433)
<b>Net cash used for noncapital financing activities</b>	<u>(301,433)</u>
<b>Cash flows from investing activities</b>	
Other revenue	1,199
<b>Net cash provided by investing activities</b>	<u>1,199</u>
<b>Net change in cash and temporary investments</b>	(1,160,847)
<b>Cash and temporary investments - beginning of year, restated</b>	<u>8,636,754</u>
<b>Cash and temporary investments - end of year</b>	<u>\$ 7,475,907</u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating loss	\$ (2,497,572)
Adjustments to reconcile operating loss to net cash used by operating activities	
Change in assets and liabilities	
Accounts receivable	1,736,908
Inventories	178
Vouchers and accounts payable	(3,141)
Claims payable	(84,892)
Change in compensated absences	(12,094)
Total adjustments	<u>1,636,959</u>
<b>Net cash used by operating activities</b>	<u>\$ (860,613)</u>
<b>Supplemental information on significant noncash 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, 2016**

ASSETS	School OPEB	
	Trust Fund	Agency Fund
Cash and temporary investments	\$ 155,238	\$ 817,432
Investments:		
Equity mutual funds	3,089,972	-
Corporate Bond mutual funds	3,609,427	-
Government mutual funds	2,736,471	-
Fixed mutual funds	1,833,886	-
<b>Total assets</b>	<b>\$ 11,424,994</b>	<b>\$ 817,432</b>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Due to students	\$ -	\$ 817,432
Net position		
Held in trust for other post-employment benefits	11,424,994	-
<b>Total liabilities and net position</b>	<b>\$ 11,424,994</b>	<b>\$ 817,432</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**

**Year Ended June 30, 2016**

	<b>School OPEB Trust Fund</b>
Additions	
Investment income	
Investment earnings	\$ 172,824
Net realized and unrealized loss on investments	(80,127)
Other income	4,167
Net investment income	<u>96,864</u>
Total additions	<u>96,864</u>
Deductions	
Benefit and withdrawal payments	
Benefits - health insurance	<u>99,376</u>
Total benefits	<u>99,376</u>
Total deductions	<u>99,376</u>
Change in net position	(2,512)
Net position - beginning of year	<u>11,427,506</u>
Net position - end of year	<u>\$ 11,424,994</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**June 30, 2016**

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

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

***The Financial Reporting Entity***

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

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

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

***Basis of Presentation***

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

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

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

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

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

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

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

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

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

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

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

Additionally, the School Board reports the following fund types:

**Internal Service Fund** - The Internal Service Fund accounts 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 medical and workmen's compensation claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. Operating revenues include charges for services. Operating expenses include cost of services. The Internal Service Fund is 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 postemployment benefits for employees. Fiduciary Funds are not included in the government-wide financial statements.

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

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

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

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

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

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

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

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

### ***Inventory***

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

### ***Capital Assets***

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

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

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

To the extent the School Board's capitalization threshold of \$5,000 is met, capital outlays of the 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 acquisition value. 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 \$84,467,671 will be carried on the City's financial statements until the outstanding debt is repaid.

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

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School Board has two items, which qualify for reporting in this category. One arises under the modified accrual basis of accounting. The other arises from the pension. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, deferred inflows related to pension, is reported in the statement of net position.

### ***Pensions***

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

### ***Compensated Absences***

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

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

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

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

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

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

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

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

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

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

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

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

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

## NOTE 2. DEPOSITS AND INVESTMENTS

The School Board maintains individual segregated bank accounts for the School Grants and School Food Services 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 \$25,570,629 and the bank balance was \$25,216,088. 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	\$24,597,959
Fiduciary fund cash and temporary investments	<u>972,670</u>
	<u>\$25,570,629</u>

The School Board has exposure to a number of risks as described below:

### ***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented within this footnote are the specifically identified investment ratings as of June 30, 2016.

### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the School Board will not be able to recover its deposits or collateral securities that are in the possession of an outside party. All deposits of the School Board are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-400 et seq. of the Code of Virginia. The School Board has no such policies related to this risk.

### ***Custodial Credit Risk – Investments***

Investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments. The School board does not have any policies related to this risk.

### ***Concentrations of Credit Risk***

Concentration of credit risk represents the risk of investments in any one issue that represents 5% or more of investments. The School Board does not have any policies related to this risk.

### ***Interest Rate Risk***

Interest rate risk is the risk of losses resulting from decreases in fair value due to increasing interest rates. See the School Board's policy for investing below.

### ***Foreign Currency Risk***

The School Board's OPEB Trust invests in U.S. dollars denominated through mutual funds that may invest in international stocks, bonds, and other assets. Although the assets of the funds are all held in U.S. dollars, the market value of the assets may fluctuate in part due to changes in foreign currency exchange rates. See the summary of the OPEB investments at the end of the investment policy section below.

### ***Investments***

State statutes authorize the City to invest in obligations of the United States or agencies thereof, securities unconditionally guaranteed by the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension trust funds are also authorized to invest in common stocks and marketable debt securities which mature within twenty years with credit ratings no lower than Baa or BBB as measured by Moody's, Standard and Poor's, or Fitch IBCA's rating services.

### ***Investment policy***

The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk. The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board. The policy specifically states that the City shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.1-359 through 2.1-370 and Investment of Public Funds as in Sec. 2.1-327 through 2.1-329, Code of Virginia. The City Treasury is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the City to concentrate its investment efforts to banks located in the State of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The City's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, or by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed 5% of the total portfolio.

The School Board has \$11,424,994 in investments for the School OPEB Trust Fund. These investments include:

	<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Average Credit Rating</b>
<b>Cash and money market funds:</b>				
WF Treas Plus MM FD-SVC #454	n/a	\$ 155,238	n/a	Unavailable
<b>Subtotal</b>		<b>155,238</b>		
<b>Equity mutual funds:</b>				
Dreyfus Intl Stock Index FD #79	Equity	1,070,152	n/a	Unavailable
T Rowe Price Equity Inc-Adv #271	Equity	952,752	n/a	Unavailable
T Rowe Price Growth Stk Adv #240	Equity	1,067,068	n/a	Unavailable
<b>Subtotal</b>		<b>3,089,972</b>		
<b>Corporate bond mutual funds:</b>				
John Hancock Bond Fund-I #431	Bond	1,867,349	10.56	BB
PIMCO Real Income Fund Class P #192C	Bond	1,739,433	9.59	Not Rated
PIMCO Real Return Fund- INST #122	Bond	2,645	9.59	Not Rated
<b>Subtotal</b>		<b>3,609,427</b>		
<b>Government mutual funds:</b>				
Wells Fargo Adj Rate-ADM #3765	Bond	2,736,471	7.55	AA
<b>Subtotal</b>		<b>2,736,471</b>		
<b>Fixed mutual funds:</b>				
Wells Fargo CORE BD FD-ADM #943	Bond	1,833,886	3.52	AAA
<b>Subtotal</b>		<b>1,833,886</b>		
<b>Total</b>		<b>\$11,424,994</b>		

### **Fair Value of Investments**

The School Board's investments for the OPEB Trust Fund are measured and recorded using fair value guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

Investments measured using Net Asset Value (NAV) are not categorized by Level 1, 2, or 3.

At June 30, 2016, the School Board had the following recurring fair value measurements:

	June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
Debt Securities				
Corporate bond mutual funds	\$ 3,609,427	\$ 3,609,427	\$ -	\$ -
Government mutual funds	1,836,080	1,836,080	-	-
Fixed mutual funds	2,734,277	2,734,277	-	-
Total debt securities	8,179,784	8,179,784	-	-
Equity Securities				
Equity mutual funds	3,089,972	3,089,972	-	-
Total equity securities	3,089,972	3,089,972	-	-
Total investments by fair value level	\$ 11,269,756	\$ 11,269,756	\$ -	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

### NOTE 3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2016, follows:

	<b>Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 6,085,707	\$ -	\$ -	\$ 6,085,707
<b>Total capital assets - not being depreciated</b>	<b>6,085,707</b>	<b>-</b>	<b>-</b>	<b>6,085,707</b>
Capital assets being depreciated/amortized				
Buildings and improvements	93,535,748	-	-	93,535,748
Equipment	26,116,994	2,231,722	1,814,578	26,534,138
Intangible assets	422,270	-	-	422,270
<b>Total capital assets - being depreciated/amortized</b>	<b>120,075,012</b>	<b>2,231,722</b>	<b>1,814,578</b>	<b>120,492,156</b>
Less accumulated depreciation/amortization				
Buildings	39,405,180	2,847,547	-	42,252,727
Equipment	17,751,255	1,373,208	1,809,261	17,315,202
Intangible assets	422,270	-	-	422,270
<b>Total accumulated depreciation/amortization</b>	<b>57,578,705</b>	<b>4,220,755</b>	<b>1,809,261</b>	<b>59,990,199</b>
<b>Other capital assets - being depreciated/amortized - net</b>	<b>62,496,307</b>	<b>(1,989,033)</b>	<b>5,317</b>	<b>60,501,957</b>
<b>Governmental activities capital assets - net</b>	<b>\$68,582,014</b>	<b>\$ (1,989,033)</b>	<b>\$ 5,317</b>	<b>\$66,587,664</b>

Depreciation and amortization expense was charged to functions as follows:

<b>Governmental activities:</b>	
Instruction	\$ 3,356,120
Administration, attendance and health services	3,975
Pupil transportation	504,390
Operations and maintenance	131,038
Information technology	119,094
Food services	106,138
Total governmental activities depreciation expense	<u>\$ 4,220,755</u>

#### NOTE 4. LONG-TERM LIABILITIES

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

	Amounts Payable at Beginning of Year	Increase in Liabilities	Decrease in Liabilities	Amounts Payable at End of Year	Amounts Due Within One Year
Capital leases	\$ 1,001,007	\$ -	\$ -	\$ 1,001,007	\$ 1,001,007
Accrued vacation pay	2,676,644	1,374,181	(1,606,591)	2,444,234	879,932
Accrued sick leave	1,715,226	397,781	(466,209)	1,646,798	461,139
Workmen's compensation					
claims payable	1,814,555	280,059	(631,461)	1,463,153	448,427
Medical claims payable	912,670	19,363,691	(19,097,860)	1,178,501	1,178,501
Net pension Liability	137,958,036	2,431,191	-	140,389,227	-
<b>Total</b>	<b>\$146,078,138</b>	<b>\$ 23,846,903</b>	<b>\$ (21,802,121)</b>	<b>\$148,122,920</b>	<b>\$ 3,969,006</b>

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 and medical claims are generally liquidated by General, Grants, and Food services fund. Workmen's compensation claims are generally liquidated by the General Fund.

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

#### **Leases**

A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2016, is as follows:

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

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 8,764,869
Less accumulated depreciation	(2,717,103)
	<u>\$ 6,047,766</u>

Current year depreciation expense for the assets acquired through capital lease is included in the depreciation expense disclosed in Note 3.

## NOTE 5. DEFINED BENEFIT PENSION PLANS

### *Plan Description*

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b></p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> </ul>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	<b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election</b> VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. 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>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b>  Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>  Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>  Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least 5 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><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach 5 years (60 months) of creditable service. Plan 1 or Plan 2 members with at least 5 years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Members are always 100% vested in the contributions that they make.		<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> <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><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under 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>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.		
<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.	<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.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	<b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.  <u><b>Defined Contribution Component:</b></u> Not applicable.
<b>Normal Retirement Age</b> Age 65.	<b>Normal Retirement Age</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.  <u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age with at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> Normal Social Security retirement age and have at least 5 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 restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 55 with at least 5 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></p> <p><b>VRS:</b> Age 60 with at least 5 years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> Age Members may retire with a reduced benefit as early as age 60 with at least 5 years (60 months) of creditable service.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u><b>Eligibility:</b></u> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p> <p><u><b>Eligibility:</b></u> Same as Plan 1 and Plan 2.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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><u>Eligibility:</u></b> Same as Plan 1</p>	<p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>
<p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within 5 years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<ul style="list-style-type: none"> <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>		
<b>Disability Coverage</b> N/A	<b>Disability Coverage</b> N/A	<b>Disability Coverage</b> Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.  Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<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.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> <li>The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> </ul>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

## ***Virginia Retirement System (VRS) Teacher (Professional) Retirement Plan***

### ***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$11,190,544 and \$11,317,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$132,145,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 1.04990% as compared to 1.07879% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$8,367,000. Since there was a change in proportionate share between the measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 1,820,000
Net difference between projected and actual earnings on pension plan investments	-	8,092,000
Changes in proportion and difference between Employer contributions and proportionate share of contributions	-	5,228,000
Employer contributions subsequent to the measurement date	11,190,544	-
Total	<u>\$ 11,190,544</u>	<u>\$ 15,140,000</u>

\$11,190,544 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (4,894,000)
2018	\$ (4,894,000)
2019	\$ (4,894,000)
2020	\$ 77,000
2021	\$ (535,000)

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

### ***Employees Covered by Benefit Terms***

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>333</u>
Inactive members:	
Vested inactive members	31
Non-vested inactive members	129
Inactive members active elsewhere in VRS	<u>71</u>
Total inactive members	<u>231</u>
Active members	<u>401</u>
Total covered employees	<u><u>965</u></u>

### ***Contributions***

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

The contractually required contribution rate for the year ended June 30, 2016 was 10.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014. The actuarial rate for the plan was 13.03%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$813,358 and \$731,636 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at June 30, 2014	<u>\$ 36,880,886</u>	<u>\$ 29,290,850</u>	<u>\$ 7,590,036</u>
Change for the year:			
Service cost	729,606	-	729,606
Interest	2,501,150	-	2,501,150
Differences between expected and actual experience	(215,707)	-	(215,707)
Contributions - employer	-	726,275	(726,275)
Contributions - employee	-	345,765	(345,765)
Net investment income	-	1,307,987	(1,307,987)
Benefit payments, including refunds of employee contributions	(2,300,353)	(2,300,353)	-
Administrative expenses	-	(18,893)	18,893
Other changes	-	(276)	276
Net changes	<u>714,696</u>	<u>60,505</u>	<u>654,191</u>
Balance at June 30, 2015	<u><u>\$ 37,595,582</u></u>	<u><u>\$ 29,351,355</u></u>	<u><u>\$ 8,244,227</u></u>

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$511,233. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 143,564
Net difference between projected and actual earning on pension plan investments	-	802,515
Employer contributions subsequent to the measurement date	813,358	-
Total	<u>\$ 813,358</u>	<u>\$ 946,079</u>

\$813,358 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (386,229)
2018	\$ (385,507)
2019	\$ (314,086)
2020	\$ 139,743
Thereafter	\$ -

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

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

### ***Long-Term Expected Rate of Return***

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

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

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

### ***Discount Rate***

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

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>Weighted 1.00% Increase (8.00%)</b>
School division's proportionate share of the VRS Teacher (Professional) Employee Retirement Plan Net Pension Liability	\$193,380,000	\$132,145,000	\$81,734,000
School division's Non-professional Employee Retirement Plan Net Pension Liability	\$12,483,473	\$8,244,227	\$4,664,917

### ***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be obtained by writing to the System's Chief Financial Officer at Post Office Box 2500, Richmond, Virginia, 23218-2500 or downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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

At June 30, 2016, the school division reported a liability of \$1,556,973 for legally required contributions to the pension plans.

## NOTE 6. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES

### ***Risk Management***

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School Board is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$500,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability, automobile, school security, and cyber risk are fully insured through the Virginia Association of Counties Group Self Insurance Risk Pool (VACORP). This insurance coverage is substantially the same as in the prior fiscal year. There were no settlements within the past three years which exceeded coverage.

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

A loss analysis was conducted by Glicksman Consulting, LLC on this fund. The total actuarially computed liability as of June 30, 2016 was determined to be \$1,463,153 (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>2016</b>	<b>2015</b>
Claims payable - beginning of year	\$ 1,814,555	\$ 1,977,122
Claims and changes in estimates	280,059	70,221
Claims payments and changes in estimates	<u>(631,461)</u>	<u>(232,788)</u>
Claims payable - end of year	<u>\$ 1,463,153</u>	<u>\$ 1,814,555</u>

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

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

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

Claims processing and payments for all health care claims are made through a third party administrator. The School Board uses information provided by the third party administrator and health care benefit consultant to aid in the determination of health self-insurance liabilities. The computed liability as of June 30, 2016 is \$1,178,501 (undiscounted), as follows:

	<b>Balance as of July 1</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance as of June 30</b>
<b>Medical Claims</b>				
2015-2016	\$ 912,670	\$ 19,363,691	\$ 19,097,860	\$ 1,178,501
2014-2015	-	7,976,046	7,063,376	912,670

### ***Litigation***

The School Board is involved in lawsuits arising in the ordinary course of operations. It is the opinion of the School Board's management, based on the advice of the School Board's attorney, that any losses incurred as a result of claims existing as of June 30, 2016 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, 2016. These amounts are encumbrances of fiscal year 2015-2016 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

	<b>Amounts</b>
General Fund	\$ 453,425
School Grants Fund	238,134
School Food Services Fund	-
School Textbook Fund	-
	<hr/>
	\$ 691,559

## NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2016, which are considered short-term in nature, are as follows:

	<b>Due From Other Funds</b>	<b>Due From Other Funds</b>
General Fund	\$ 2,822,813	\$ 10,231
School Grants Fund	10,231	1,781,913
School Food Services Fund	-	1,040,900
School Textbook Fund	-	-
	<u>\$ 2,833,044</u>	<u>\$ 2,833,044</u>

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

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	<b>Transfers From Other Funds</b>	<b>Transfers To Other Funds</b>
General Fund	\$ 301,433	\$ 1,658,473
School Grants Fund	1,276,708	-
School Textbook Fund	360,831	-
School Food Services Fund	20,934	
Print Shop Fund	-	301,433
	<u>\$ 1,959,906</u>	<u>\$ 1,959,906</u>

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

## NOTE 8. POSTEMPLOYMENT HEALTH CARE BENEFITS

### ***Plan Description***

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the school's personnel policies and procedures. Plan membership, as of the July 1, 2016 valuation date, consisted of 1,852 active service participants and 42 retirees and beneficiaries currently receiving benefits. A Trust was established for the purpose of accumulating and investing assets to fund other postemployment 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 postemployment 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, 2016, 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 postemployment 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	\$ 470,015
Interest on net OPEB obligation	(348,465)
Adjustment to annual required contribution	<u>346,522</u>
Annual OPEB cost (expense)	468,072
Contributions made	<u>(521,798)</u>
Increase in net OPEB asset	(53,726)
Net OPEB asset - beginning of year	<u>(4,978,072)</u>
Net OPEB asset - end of year	<u>\$ (5,031,798)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2016 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, 2016	\$ 468,072	\$ (521,798)	-111%	\$ (5,031,798)
June 30, 2015	\$ 416,350	\$ -	0%	\$ (4,978,072)
June 30, 2014	\$ 379,064	\$ -	0%	\$ (5,394,422)

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

Based on the most recent actuarial valuation report for the fiscal year ended June 30, 2016, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 13,026,375
Actuarial value of plan assets	11,424,994
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,601,381</u>
Funded ratio (actuarial value of plan assets/AAL)	88%
Covered payroll (active plan participants)	\$ 92,589,250
UAAL as a percentage of covered payroll	1.7%

### ***Significant Changes since Prior Valuation***

The School Board has engaged the services of a new actuarial firm for the annual valuation. As such, re-evaluation of assumptions, annual cost development and valuation software can impact results.

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of July 1, 2016. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the July 1, 2016 actuarial valuation, the projected unit cost credit (level dollar) actuarial method and level percentage amortization method was used. The actuarial assumptions included a 7% investment rate of return (discount rate) and amortization of the School Board's unfunded actuarial accrued liabilities (UAAL) over a period of twenty years as a level percent of payroll, which closely matches the cash flow duration. Healthcare cost trend rates ranged from 7% initially to an ultimate rate of 5% per year in 2021 and thereafter. 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. Mortality assumptions changes were updated based on the use of contemporary table -RP Mortality table with MP 2015 dynamic projection.

Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. Payments are made from the Wells Fargo Advantage Treasury Plus Money Market Fund.

## NOTE 9. FUND BALANCES

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

	General	School Grants	School Food Services	School Textbooks	Total
Nonspendable					
Inventory	\$ 267,125	\$ -	\$ 4,926	\$ -	\$ 272,051
	267,125	-	4,926	-	272,051
Restricted					
Federal	-	210,955	-	-	210,955
State	-	22,253	-	-	22,253
Other	-	13,155	-	-	13,155
Elementary schools	-	-	361,618	822,352	1,183,970
Middle schools	-	-	93,159	216,408	309,567
High schools	-	-	173,289	403,962	577,251
	-	246,363	628,066	1,442,722	2,317,151
Assigned					
Instruction	10,199	-	-	-	10,199
Administration, Attendance, health	2,041	-	-	-	2,041
Pupil transportation	-	-	-	-	-
Operations	441,185	-	-	-	441,185
Information technology	-	-	-	-	-
	453,425	-	-	-	453,425
Unassigned	5,034,127	-	-	-	5,034,127
Total fund balances	\$ 5,754,677	\$ 246,363	\$ 632,992	\$ 1,442,722	\$ 8,076,754

**NOTE 10. ACCOUNTING CHANGES, RESTATEMENTS, AND FUND COMBINATIONS**

The beginning fund balance of the Risk Management Fund was reclassified to reflect the addition of the Health Self-Insurance fund on July 1, 2015 which was previously reported in the General Fund at the end of June 30, 2015. The ending fund balance for the Health Self-Insurance fund will now be reflected as portion of the unrestricted net position for the Risk Management Fund. All activity will be reflected with the Risk Management Statements. As a result of this combination the beginning fund balance of the Risk Management Fund and General Fund have been reclassified to a reflect a balance of \$7,434,672 and \$7,932,853, respectively.

	<b>Risk Management Fund</b>	<b>General Fund</b>
Beginning Balance	\$ 1,670,976	\$ 13,696,549
Change	5,763,696	(5,763,696)
Beginning Balance as Restated	<u>\$ 7,434,672</u>	<u>\$ 7,932,853</u>

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

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

**Exhibit XI**

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

**Year Ended June 30, 2016**

	<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	\$ 51,200,000	\$ 51,395,570	\$ 51,395,570	\$ -
From Commonwealth of Virginia	86,697,910	86,681,089	84,985,167	(1,695,922)
From federal government	700,000	700,000	623,034	(76,966)
Interest	400	400	2,626	2,226
Miscellaneous	1,953,370	2,713,382	1,366,206	(1,347,176)
Charges for Services	-	-	-	-
<b>Total revenues</b>	<b>140,551,680</b>	<b>141,490,441</b>	<b>138,372,603</b>	<b>(3,117,838)</b>
<b>Expenditures</b>				
Education				
Instruction	103,371,405	103,032,163	98,910,776	4,121,387
Administration, attendance, and health services	7,258,644	8,124,551	7,150,121	974,430
Pupil transportation	7,019,684	7,019,684	6,362,794	656,890
Operations and maintenance	15,274,072	15,686,168	14,678,574	1,007,594
Information technology	4,897,244	4,897,244	4,248,172	649,072
Total education	137,821,049	138,759,810	131,350,437	7,409,373
Self-insured health	-	-	-	-
Debt service	128,299	-	-	-
<b>Total expenditures</b>	<b>137,949,348</b>	<b>138,759,810</b>	<b>131,350,437</b>	<b>7,409,373</b>
<b>Excess of revenues of expenditures</b>	<b>2,602,332</b>	<b>2,730,631</b>	<b>7,022,166</b>	<b>4,291,535</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	301,433	301,433
Transfers out	(2,602,332)	(2,730,631)	(2,289,473)	441,158
<b>Total other financing sources (uses)</b>	<b>(2,602,332)</b>	<b>(2,730,631)</b>	<b>(1,988,040)</b>	<b>742,591</b>
<b>Excess of revenues over expenditures     and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,034,126</b>	<b>\$ 5,034,126</b>
Fund balance - beginning of year, restated			7,932,853	
Less prior year unassigned fund balance reappropriated to current year			(972,097)	
Decrease for change in prepaid asset			(77,612)	
Decrease in encumbrances			(6,233,146)	
Increase in inventory			70,553	
Fund balance - end of year			<b>\$ 5,754,677</b>	

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

**Exhibit XII**

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

**Year Ended June 30, 2016**

	<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	\$ 4,724,291	\$ 5,054,656	\$ 4,858,115	\$ (196,541)
From federal government	11,075,105	11,109,938	9,519,497	(1,590,441)
Miscellaneous	351,049	351,049	298,104	(52,945)
<b>Total revenues</b>	<b>16,150,445</b>	<b>16,515,643</b>	<b>14,675,716</b>	<b>(1,839,927)</b>
<b>Expenditures</b>				
Education				
Instruction	14,549,843	14,915,041	13,702,874	1,212,167
Administration, attendance, and health	636,460	636,460	734,213	(97,753)
Pupil transportation	207,406	207,406	214,218	(6,812)
Technology	1,900,245	1,900,245	1,216,392	683,853
Operation & Maintenance	125,000.00	125,000.00	123,310	1,690
<b>Total education</b>	<b>17,418,954</b>	<b>17,784,152</b>	<b>15,991,007</b>	<b>1,793,145</b>
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>17,418,954</b>	<b>17,784,152</b>	<b>15,991,007</b>	<b>1,793,145</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,268,509)</b>	<b>(1,268,509)</b>	<b>(1,315,291)</b>	<b>(46,782)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,268,509	1,268,509	1,276,708	8,199
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,268,509</b>	<b>1,268,509</b>	<b>1,276,708</b>	<b>8,199</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (38,583)</b>	<b>\$ (38,583)</b>
Fund balance - beginning of year			284,946	
Fund balance - end of year			<b>\$ 246,363</b>	

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

**Exhibit XIII**

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

**Year Ended June 30, 2016**

	<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	\$ 80,051	\$ (44,949)
From federal government	5,901,000	5,901,000	6,384,446	483,446
Donated commodities from the federal government	400,000	400,000	414,936	14,936
Charges for services	950,000	950,000	454,957	(495,043)
Interest	500	500	2,297	1,797
Miscellaneous	1,050,000	1,050,000	571,176	(478,824)
<b>Total revenues</b>	<b>8,426,500</b>	<b>8,426,500</b>	<b>7,907,863</b>	<b>(518,637)</b>
<b>Expenditures</b>				
Food services	8,426,500	8,426,500	8,172,322	254,178
<b>Total expenditures</b>	<b>8,426,500</b>	<b>8,426,500</b>	<b>8,172,322</b>	<b>254,178</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(264,459)</b>	<b>(264,459)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	20,934	20,934
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>20,934</b>	<b>20,934</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (243,525)</b>	<b>\$ (243,525)</b>
Fund balance - beginning of year			897,378	
Decrease in inventory			(20,861)	
Fund balance - end of year			<b>\$ 632,992</b>	

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

**Exhibit XIV**

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

**Year Ended June 30, 2016**

	<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	\$ -	\$ -	\$ -	\$ -
From Commonwealth of Virginia	997,692	1,994,114	986,559	(1,007,555)
Interest	-	-	-	-
Miscellaneous	-	4,499	4,535	36
<b>Total revenues</b>	<u>997,692</u>	<u>1,998,613</u>	<u>991,094</u>	<u>(1,007,519)</u>
<b>Expenditures</b>				
Instruction	1,363,880	2,364,801	897,901	1,466,900
<b>Total expenditures</b>	<u>1,363,880</u>	<u>2,364,801</u>	<u>897,901</u>	<u>1,466,900</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(366,188)</u>	<u>(366,188)</u>	<u>93,193</u>	<u>459,381</u>
<b>Other financing sources (uses)</b>				
Transfers in	366,188	366,188	360,831	(5,357)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>366,188</u>	<u>366,188</u>	<u>360,831</u>	<u>(5,357)</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,024</u>	<u>\$ 454,024</u>
Fund balance - beginning of year			988,698	
Decrease in reserve for inventory			-	
Fund balance - end of year			<u>\$ 1,442,722</u>	

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

**Year Ended June 30, 2016**

<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, 2016	\$ 11,424,994	\$ 13,026,375	\$ (1,601,381)	87.71%	\$ 92,589,250	1.73%
June 30, 2015	\$ 11,468,684	\$ 11,273,969	\$ 194,715	101.73%	\$ 91,342,343	-0.21%
June 30, 2014	\$ 10,652,405	\$ 10,468,165	\$ 184,240	101.76%	\$ 92,083,073	-0.20%

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Amount Contributed</b>	<b>Actual Amount Contributed as a Percent</b>
June 30, 2016	\$ 468,072	\$ 521,798	111%
June 30, 2015	\$ 416,350	\$ -	0%
June 30, 2014	\$ 379,064	\$ -	0%

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

**Year Ended June 30, 2016**

	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>		
Service cost	\$ 729,606	\$ 743,215
Interest	2,501,150	2,434,509
Differences between expected and actual experience	(215,707)	-
Benefit payments, including refunds of employee contributions	(2,300,353)	(2,151,081)
<b>Net change in total pension liability</b>	<b>714,696</b>	<b>1,026,643</b>
<b>Total pension liability - beginning</b>	<b>36,880,886</b>	<b>35,854,243</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 37,595,582</b>	<b>\$ 36,880,886</b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 726,275	\$ 648,377
Contributions - employee	345,765	354,802
Net investment income	1,307,987	4,075,199
Benefit payments, including refunds of employee contributions	(2,300,353)	(2,151,081)
Administrative expense	(18,893)	(22,705)
Other	(276)	215
<b>Net change in plan fiduciary net position</b>	<b>60,505</b>	<b>2,904,807</b>
<b>Plan fiduciary net position - beginning</b>	<b>29,290,850</b>	<b>26,386,043</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 29,351,355</b>	<b>\$ 29,290,850</b>
 <b>Net pension liability - ending (a) - (b)</b>	<b>\$ 8,244,227</b>	<b>\$ 7,590,036</b>
 <b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>78.07%</b>	<b>79.42%</b>
 <b>Covered - employee payroll</b>	<b>8,465,913</b>	<b>8,517,527</b>
 <b>Net pension liability as a percentage of covered-employee payroll</b>	<b>97%</b>	<b>89%</b>

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, no other data, prior to 2014 is available. However, additional years will be included as they become available.

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

**Year Ended June 30, 2016**

	<b>2016</b>	<b>2015</b>
Employer's Proportion of the Net Pension Liability (Asset)	1.05%	1.08%
Employer's Proportionate Share of the Net Position Liability (Asset)	\$ 132,145,000	\$ 130,368,000
Employer's Covered - Employee Payroll	81,200,579	79,779,153
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	163%	163%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, no other data, prior to 2014 is available. However, additional years will be included as they become available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)**

**Year Ended June 30, 2016**

	(a)		(b)		(c)		(d)		(e)	
	Contractually		Contributions in		Contribution		Employer's		Contributions as	
	Required		Relation to		Deficiency		Covered		a % of Covered	
	Contribution		Contractually		(Excess)		Employee		Employee	
Date	Contribution		Contribution		(a) - (b)		Payroll		(b) / (d)	
Professional										
June 30, 2016	\$	11,416,801	\$	11,190,544	\$	226,257	\$	81,200,579		13.78%
June 30, 2015	\$	11,567,977	\$	11,317,000	\$	250,977	\$	79,779,153		14.19%
June 30, 2014	\$	9,452,139	\$	9,191,479	\$	260,660	\$	81,064,661		11.34%
June 30, 2013	\$	9,542,186	\$	9,213,695	\$	328,491	\$	81,836,929		11.26%
June 30, 2012	\$	4,985,979	\$	4,744,734	\$	241,245	\$	78,767,435		6.02%
June 30, 2011	\$	3,186,436	\$	3,044,252	\$	142,184	\$	81,079,797		3.75%
June 30, 2010	\$	7,321,704	\$	5,008,497	\$	2,313,207	\$	83,106,742		6.03%
June 30, 2009	\$	7,385,729	\$	7,080,639	\$	305,090	\$	83,833,474		8.45%
June 30, 2008	\$	6,831,988	\$	5,725,611	\$	1,106,377	\$	77,548,099		7.38%
June 30, 2007	\$	7,323,107	\$	7,017,061	\$	306,046	\$	79,598,988		8.82%
Non-Professional										
June 30, 2016	\$	882,148	\$	813,358	\$	68,790	\$	8,465,913		9.61%
June 30, 2015	\$	885,543	\$	731,636	\$	153,907	\$	8,498,497		8.61%
June 30, 2014	\$	789,538	\$	649,001	\$	140,537	\$	8,647,732		7.50%
June 30, 2013	\$	790,470	\$	644,890	\$	145,580	\$	8,657,941		7.45%
June 30, 2012	\$	766,574	\$	603,630	\$	162,944	\$	8,508,035		7.09%
June 30, 2011	\$	769,926	\$	643,311	\$	126,615	\$	8,545,234		7.53%
June 30, 2010	\$	755,369	\$	685,941	\$	69,428	\$	9,078,953		7.56%
June 30, 2009	\$	776,138	\$	715,023	\$	61,114	\$	9,328,576		7.66%
June 30, 2008	\$	727,356	\$	585,079	\$	142,277	\$	8,742,264		6.69%
June 30, 2007	\$	605,665	\$	536,589	\$	69,076	\$	8,880,715		6.04%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**Year Ended June 30, 2016**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

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

- 1) The School Board submits to the City Council of the City a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year by April 1. The legal level of budgetary control rests at the fund level for the General and Special Revenue Funds. Management control is exercised over the budgets at the budgetary line item level.
- 2) The budgets are legally enacted through passage of an ordinance by the City Council forty-five days prior to the end of the current fiscal year.
- 3) The School Board is authorized to make transfers between budgetary line items; however, revisions that alter the total expenditures of the total budget must be approved by the City Council.
- 4) The General Fund and Special Revenue Fund have a legally adopted annual budget. The General Fund and Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for the recognition of encumbrances and inventory as expenditures. Budgets related to the School Construction Fund are adopted on a project basis.
- 5) The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are requested for re-appropriation and carried forward into the subsequent year. According to the City of Portsmouth, Virginia Code, unexpended, unencumbered appropriations lapse at the end of the year.
- 6) For the year ended June 30, 2016, expenditures exceeded appropriations in the Grants Fund for Administration, attendance, and health and Pupil transportation. Excess funding from prior year grants which were reported as fund balance covered the shortfall in the aforementioned functional area.

## 2. Virginia Retirement Systems (VRS) Defined Benefit Plans

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

**Changes of assumptions (Professional Retirement Plan)** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

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

**Changes of assumptions (Non-professional retirement plan)** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

***SUPPLEMENTARY INFORMATION***

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

**Schedule 1**

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

**June 30, 2016**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and temporary investments	\$ -	\$ 7,475,907	\$ 7,475,907
Accounts receivable	-	123,289	123,289
<b>Total current assets</b>	-	7,599,196	7,599,196
<b>Total assets</b>	\$ -	\$ 7,599,196	\$ 7,599,196
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Claims payable - current portion	\$ -	\$ 1,652,690	\$ 1,652,690
<b>Total current liabilities</b>	-	1,652,690	1,652,690
<b>Noncurrent liabilities</b>			
Claims payable less current portion	-	989,643	989,643
<b>Total long-term liabilities</b>	-	989,643	989,643
<b>Total liabilities</b>	-	2,642,333	2,642,333
<b>NET POSITION</b>			
Unrestricted	-	4,956,863	4,956,863
<b>Total net position</b>	-	4,956,863	4,956,863
<b>Total liabilities and net position</b>	\$ -	\$ 7,599,196	\$ 7,599,196

**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, 2016**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Operating revenues</b>			
Insurance Recovery	\$ -	\$ 88,163	\$ 88,163
Charges for services	-	17,079,249	17,079,249
<b>Total operating revenues</b>	-	17,167,412	17,167,412
<b>Operating expenses</b>			
Personnel services	16,464	-	16,464
Insurance claims and expenses	-	19,645,221	19,645,221
Contractual services	-	-	-
Other supplies and expenses	3,299	-	3,299
<b>Total operating expenses</b>	19,763	19,645,221	19,664,984
<b>Total operating loss</b>	(19,763)	(2,477,809)	(2,497,572)
<b>Nonoperating revenues</b>			
Other revenue	1,199	-	1,199
<b>Total nonoperating revenues</b>	1,199	-	1,199
Transfer out	(301,433)	-	(301,433)
<b>Change in net position</b>	(319,997)	(2,477,809)	(2,797,806)
<b>Net position - beginning of year, restated</b>	319,997	7,434,672	7,754,669
<b>Net position - end of year</b>	\$ -	\$ 4,956,863	\$ 4,956,863

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

**Schedule 3**

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

**Year Ended June 30, 2016**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Received from customers and users	\$ 24,792	\$ 18,787,600	\$ 18,812,392
Insurance recovery	-	88,163	88,163
Payments to suppliers for goods and services	(264)	(19,730,113)	(19,730,377)
Payments to employees	(30,791)	-	(30,791)
<b>Net cash used by operating activities</b>	<b>(6,263)</b>	<b>(854,350)</b>	<b>(860,613)</b>
<b>Cash flows from noncapital financing activities</b>			
Transfer to other fund	(301,433)	-	(301,433)
<b>Net cash used by noncapital financing activities</b>	<b>(301,433)</b>	<b>-</b>	<b>(301,433)</b>
<b>Cash flows from investing activities</b>			
Other revenue	1,199	-	1,199
<b>Net cash provided by financing activities</b>	<b>1,199</b>	<b>-</b>	<b>1,199</b>
<b>Net change in cash and temporary investments</b>	<b>(306,497)</b>	<b>(854,350)</b>	<b>(1,160,847)</b>
<b>Cash and temporary investments - beginning of year, restated</b>	<b>306,497</b>	<b>8,330,257</b>	<b>8,636,754</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ -</b>	<b>\$ 7,475,907</b>	<b>\$ 7,475,907</b>
<b>Reconciliation of operating loss to net cash used by operating activities</b>			
Operating loss	\$ (19,763)	\$ (2,477,809)	\$ (2,497,572)
Adjustments to reconcile net operating loss to net cash used by operating activities			
Change in assets and liabilities			
Accounts receivable	28,557	1,708,351	1,736,908
Inventories	178	-	178
Vouchers and accounts payable	(3,141)	-	(3,141)
Claims payable	-	(84,892)	(84,892)
Change in compensated absences	(12,094)	-	(12,094)
Total adjustments	13,500	1,623,459	1,636,959
<b>Net cash used by operating activities</b>	<b>\$ (6,263)</b>	<b>\$ (854,350)</b>	<b>\$ (860,613)</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, 2016**

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	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>ASSETS</b>				
Cash and temporary investments	\$ 771,022	\$ 1,584,500	\$ 1,538,090	\$ 817,432
<b>LIABILITIES</b>				
Due to students	\$ 771,022	\$ 1,584,500	\$ 1,538,090	\$ 817,432

## **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 75 through 89.

### ***Financial Trends***

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

### ***Revenue Capacity***

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

### ***Debt Capacity***

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

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

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

### ***Operating Information***

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

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

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

**Table 1**

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

	2016	2015	2014*	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net Investment in capital assets	\$ 65,586,657	\$ 67,458,191	\$ 68,535,355	\$ 77,294,681	\$ 86,269,945	\$ 70,253,415	\$ 62,781,638	\$ 52,248,227	\$ 49,912,031	\$ 44,931,980
Restricted:										
Grant compliance	1,639,171	528,276	611,099	1,103,582	577,712	-	-	-	-	347,430
Capital projects	-	-	-	-	505,998	509,246	532,666	829,897	4,203,589	4,384,612
School food services	653,034	893,933	1,710,238	1,804,974	2,036,930	-	-	-	-	-
Textbook	1,442,722	988,698	862,997	843,673	375,765	-	-	-	-	-
Unrestricted	(132,759,892)	(133,270,921)	(144,218,024)	3,316,274	18,945,239	31,113,169	30,063,956	24,772,621	16,157,850	9,034,546
Total governmental activities net position	<u>\$ (63,438,308)</u>	<u>\$ (63,401,823)</u>	<u>\$ (72,498,335)</u>	<u>\$ 84,363,184</u>	<u>\$ 108,711,589</u>	<u>\$ 101,875,830</u>	<u>\$ 93,378,260</u>	<u>\$ 77,850,745</u>	<u>\$ 70,273,470</u>	<u>\$ 58,698,568</u>

Source: Comprehensive Annual Financial Report for the relevant year

\*restated for GASB 68

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

**Table 2**

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities										
Administration, attendance, and health services	\$ 8,087,764	\$ 8,509,930	7,702,994	\$ 7,060,682	\$ 7,482,355	\$ 8,171,430	\$ 8,860,166	\$ 9,258,278	\$ 8,493,316	\$ 7,022,098
Instruction	114,530,007	114,951,195	117,950,884	123,563,193	110,997,918	116,243,716	116,857,035	126,005,907	118,518,877	115,070,507
Pupil transportation	7,013,542	7,301,645	6,567,662	5,967,101	6,994,723	6,396,152	6,577,674	7,273,274	7,359,321	6,605,055
Unassigned	15,918,249	14,279,136	15,372,087	16,218,996	14,288,609	15,072,405	15,820,741	18,619,097	15,492,941	14,914,931
Information technology	9,601,034	6,978,045	4,159,832	4,691,124	3,917,235	3,179,565	3,493,477	5,703,015	5,998,593	4,756,984
Food service	8,093,226	7,817,357	8,015,665	7,916,123	7,173,854	7,011,115	6,453,576	7,258,248	6,940,737	6,704,880
Self-insured health	-	9,073,104	-	-	-	-	-	-	-	-
Interest on long-term debt	77,612	113,167	146,251	178,945	210,763	233,957	254,075	258,233	296,789	297,069
Total primary government	<u>\$ 163,321,434</u>	<u>\$ 169,023,579</u>	<u>\$ 159,915,375</u>	<u>\$ 165,596,164</u>	<u>\$ 151,065,457</u>	<u>\$ 156,308,340</u>	<u>\$ 158,316,744</u>	<u>\$ 174,376,052</u>	<u>\$ 163,100,574</u>	<u>\$ 155,371,524</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Food services	\$ 1,324,237	\$ 1,625,939	1,948,098	\$ 1,852,675	\$ 1,793,828	\$ 1,748,890	\$ 2,273,341	\$ 2,338,403	\$ 1,731,977	\$ 1,878,133
Pupil transportation	97,522	89,795	90,012	17,412	101,135	235,094	214,243	499,889	496,259	491,238
Self-insured health	-	14,228,080	-	-	-	-	-	-	-	-
Other	54,141	788,541	472,193	378,526	170,489	276,896	328,609	451,267	399,121	408,874
Operating grants and contributions										
Instruction	23,193,044	23,666,175	25,061,820	24,326,281	21,395,573	42,216,751	49,136,211	46,544,936	51,935,625	46,477,689
Food services	6,384,446	5,424,966	5,467,899	5,528,135	5,444,996	5,178,450	4,951,631	4,951,412	4,891,034	4,874,151
Other	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	987,435	-	-	-	-	-	-	1,455,056	1,879,933	1,688,185
Total governmental activities program revenue	<u>\$ 32,040,825</u>	<u>\$ 45,823,496</u>	<u>\$ 33,040,022</u>	<u>\$ 32,103,029</u>	<u>\$ 28,906,021</u>	<u>\$ 49,656,081</u>	<u>\$ 56,904,035</u>	<u>\$ 56,240,963</u>	<u>\$ 61,333,949</u>	<u>\$ 55,818,270</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	<u>\$ (131,280,609)</u>	<u>\$ (123,200,083)</u>	<u>\$ (126,875,353)</u>	<u>\$ (133,493,135)</u>	<u>\$ (122,159,436)</u>	<u>\$ (106,652,259)</u>	<u>\$ (101,412,709)</u>	<u>\$ (118,135,089)</u>	<u>\$ (101,766,625)</u>	<u>\$ (99,553,254)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Unrestricted grants and contributions	\$ 130,673,834	\$ 131,800,839	125,366,580	\$ 120,974,979	\$ 137,776,964	\$ 113,833,393	\$ 115,161,547	\$ 123,606,569	\$ 111,806,654	\$ 110,786,754
Investment earnings	4,923	463	6,345	30,439	25,317	55,597	270,797	498,527	945,002	793,744
Miscellaneous	442,551	239,964	596,709	888,601	1,136,711	1,260,839	1,507,880	1,607,268	589,871	209,103
Special Item	-	-	(4,778,996)	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 131,121,308</u>	<u>\$ 132,041,266</u>	<u>\$ 121,190,638</u>	<u>\$ 121,894,019</u>	<u>\$ 138,938,992</u>	<u>\$ 115,149,829</u>	<u>\$ 116,940,224</u>	<u>\$ 125,712,364</u>	<u>\$ 113,341,527</u>	<u>\$ 111,789,601</u>
<b>Transfer to City of Portsmouth</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,750,269</u>	<u>\$ 9,943,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Net Position</b>										
Governmental activities	<u>\$ (159,301)</u>	<u>\$ 8,841,183</u>	<u>\$ (5,684,715)</u>	<u>\$ (15,349,385)</u>	<u>\$ 6,835,759</u>	<u>\$ 8,497,570</u>	<u>\$ 15,527,515</u>	<u>\$ 7,577,275</u>	<u>\$ 11,574,902</u>	<u>\$ 12,236,347</u>

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)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831
Nonspendable	267,125	274,185	152,853	300,259	135,575	559,924	-	-	-	-
Assigned	453,425	12,450,267	2,359,913	397,077	8,582,212	6,370,824	-	-	-	-
Unassigned	5,034,127	972,097	2,361,295	-	-	-	-	-	-	-
Total General Fund	\$ 5,754,677	\$ 13,696,549	\$ 4,874,061	\$ 697,336	\$ 8,717,787	\$ 6,930,748	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831
<b>All Other Governmental Funds</b>										
Reserved										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,430
Food Services	-	-	-	-	-	-	733,982	153,171	76,521	36,728
Capital Projects	-	-	-	-	-	-	19,866,538	7,489,787	9,527,957	5,916,981
Textbook	-	-	-	-	-	-	193,393	297,614	330,263	308,882
Unreserved, reported in										
Grants	-	-	-	-	-	-	438,124	(2,087,325)	(3,155,944)	(993,945)
Food Services	-	-	-	-	-	-	1,559,686	1,471,298	1,933,852	2,317,143
Capital Projects	-	-	-	-	-	-	(1,618,469)	10,893,729	2,877,337	2,882,639
Textbook	-	-	-	-	-	-	1,448,082	1,833,731	665,597	104,804
Nonspendable										
Food Services	4,926	25,787	43,656	94,404	38,325	41,708	-	-	-	-
Textbook	-	-	-	346	61,027	144,567	-	-	-	-
Restricted										
Grants	246,363	332,976	526,847	296,628	527,586	449,844	-	-	-	-
Food Services	628,066	871,591	1,690,710	1,804,974	2,036,930	2,146,211	-	-	-	-
Textbook	1,442,722	988,698	862,997	843,673	375,765	1,181,316	-	-	-	-
Capital Projects	-	-	-	-	505,998	509,246	-	-	-	-
Committed										
Textbook	-	-	-	-	1,038,858	-	-	-	-	-
Capital Projects	-	-	-	1,156,185	6,778,417	11,368,937	-	-	-	-
Assigned										
Grants	-	-	665,444	124,215	244,606	-	-	-	-	-
Capital Projects	-	-	-	-	36,707	9,943,797	-	-	-	-
Unassigned										
Grants	-	(48,030)	-	-	-	(585,465)	-	-	-	-
Total all other governmental funds	\$ 2,322,077	\$ 2,171,022	\$ 3,789,654	\$ 4,320,425	\$ 11,644,219	\$ 25,200,161	\$ 22,621,336	\$ 20,052,005	\$ 12,255,583	\$ 10,920,662

Source: Comprehensive Annual Financial Report for the relevant year

Note: The change in the classification of fund balance in 2011 is due to the implementation of GASB 54 in FY11.  
See Management's Discussion and Analysis for explanation of the differences in current year fund balance from the prior year.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Intergovernmental										
Federal grants	\$ 16,526,977	\$ 16,582,767	\$ 17,886,311	\$ 17,765,296	\$ 27,939,844	\$ 27,996,547	\$ 31,427,769	\$ 18,168,051	\$ 15,003,073	\$ 18,013,124
Federal donated commodities	414,936	322,654	435,202	431,169	355,290	-	420,343	386,720	-	-
State grants and other	90,909,892	91,451,610	87,987,549	87,867,810	86,894,924	85,452,502	91,264,467	109,377,771	102,341,706	101,872,969
Unassigned	51,200,000	52,400,000	50,257,282	44,008,292	49,571,413	48,171,651	48,171,651	49,862,858	50,002,154	42,936,433
Local										
Charges for services	454,957	14,780,846	799,064	913,852	1,137,316	1,149,376	1,243,708	1,316,139	1,255,369	1,408,694
Interest	4,923	463	6,345	30,439	25,317	48,237	244,345	388,622	822,311	759,818
Miscellaneous	1,463,494	2,191,473	2,307,948	2,223,363	2,064,847	2,370,760	3,079,234	3,497,614	2,256,972	1,984,185
	<u>160,975,179</u>	<u>177,729,813</u>	<u>159,679,701</u>	<u>153,240,221</u>	<u>167,988,951</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>
<b>Expenditures</b>										
Education										
Instruction	114,341,413	113,796,681	113,842,163	115,226,720	119,373,035	110,480,833	115,612,999	116,852,905	115,371,028	116,186,858
Administration, attendance, and health services	8,233,301	8,603,177	7,662,399	6,986,774	7,676,234	8,085,983	8,923,826	9,243,279	8,540,819	7,112,255
Pupil transportation	6,629,540	6,874,947	6,256,064	5,619,907	6,853,967	5,888,145	6,255,707	6,937,753	7,110,037	5,873,848
Operation and maintenance	16,171,373	15,400,181	15,303,513	15,901,140	14,647,181	14,903,276	15,903,972	18,479,476	15,506,446	14,850,521
Information technology	9,657,311	6,937,348	4,076,650	4,623,016	4,023,227	3,145,672	3,515,259	5,670,499	6,011,697	4,741,880
Food services	8,193,183	7,857,325	7,907,351	7,775,261	7,302,658	6,897,865	6,459,186	7,196,433	6,833,774	6,751,691
Debt service										
Principal	-	1,870,027	839,356	723,518	670,048	619,364	571,338	525,848	482,776	388,469
Interest	77,612	113,167	146,251	205,511	231,923	256,335	278,856	297,266	296,789	366,769
Self-insured health	-	9,073,104	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	7,772,350	11,135,784	12,656,098	12,952,449	11,383,697	8,862,849	10,688,837
<b>Total Expenditures</b>	<u>163,303,733</u>	<u>170,525,957</u>	<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>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,328,554)</u>	<u>7,203,856</u>	<u>3,645,954</u>	<u>(11,593,976)</u>	<u>(3,925,106)</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>
<b>Other financing sources (uses)</b>										
To local government	-	-	-	(3,750,269)	(9,943,797)	-	-	-	-	-
From local government	-	-	-	-	2,100,000	-	-	-	-	-
Transfers in	1,959,906	2,157,946	1,700,474	3,371,474	4,938,382	12,341,708	8,240,115	11,720,790	7,296,159	5,971,239
Transfers out	(1,658,473)	(2,157,946)	(1,700,474)	(3,371,474)	(4,938,382)	(12,341,708)	(8,240,115)	(11,720,790)	(7,296,159)	(5,971,239)
<b>Total Other Financing Sources (Uses)</b>	<u>301,433</u>	<u>-</u>	<u>-</u>	<u>(3,750,269)</u>	<u>(7,843,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Net Change in Fund Balances</b>	<u>\$ (2,027,121)</u>	<u>\$ 7,203,856</u>	<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>
<b>Ratio of debt service expenditures to noncapital expenditures</b>	0.05%	1.24%	0.64%	0.60%	0.56%	0.59%	0.54%	0.50%	0.49%	0.49%

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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Enrollment										
Level										
Elementary	8,106	8,293	8,284	8,329	8,397	8,322	8,444	8,321	8,193	8,538
Middle	2,078	2,107	2,082	2,112	2,133	1,985	1,908	2,080	2,031	2,034
High	3,721	3,690	3,710	3,689	3,716	3,740	3,916	4,020	3,982	4,191
Unassigned	727	719	733	833	883	862	783	666	697	483
School Lunches										
Full	\$ 66,398	\$ 83,872	\$ 96,420	\$ 95,870	\$ 101,059	\$ 103,859	\$ 116,604	\$ 122,420	\$ 637,770	\$ 642,493
Reduced	150,210	106,442	228,263	261,196	244,129	293,913	295,092	313,566	140,030	151,055
Free	3,919,816	1,597,406	3,195,004	3,278,722	3,194,494	3,038,131	2,868,045	2,511,373	972,755	993,511
Total	<u>\$ 4,136,424</u>	<u>\$ 1,787,720</u>	<u>\$ 3,519,687</u>	<u>\$ 3,635,788</u>	<u>\$ 3,539,682</u>	<u>\$ 3,435,903</u>	<u>\$ 3,279,741</u>	<u>\$ 2,947,359</u>	<u>\$ 1,750,555</u>	<u>\$ 1,787,059</u>
School Breakfasts										
Full	\$ 56,977	\$ 86,640	\$ 88,996	\$ 96,489	\$ 106,502	\$ 111,361	\$ 106,848	\$ 99,421	\$ 430,486	\$ 475,673
Reduced	79,352	221,597	110,241	118,272	146,186	166,965	159,261	141,497	107,301	122,279
Free	1,983,937	3,180,389	1,552,544	1,560,571	1,551,953	1,394,510	1,343,457	1,174,088	730,901	784,313
Total	<u>\$ 2,120,266</u>	<u>\$ 3,488,626</u>	<u>\$ 1,751,781</u>	<u>\$ 1,775,332</u>	<u>\$ 1,804,641</u>	<u>\$ 1,672,836</u>	<u>\$ 1,609,566</u>	<u>\$ 1,415,006</u>	<u>\$ 1,268,688</u>	<u>\$ 1,382,265</u>
Meal Prices										
Breakfast										
Elementary	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Middle	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
High	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Adult Ed	A la carte	A la carte	A la carte	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.60	\$ 0.60
Lunches										
Elementary	\$ 1.50	\$ 1.45	\$ 1.45	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 0.85
Middle	1.50	1.45	1.45	1.35	1.35	1.35	1.25	1.25	1.25	0.95
High	1.50	1.45	1.45	1.35	1.35	1.35	1.25	1.25	1.25	0.95
Reduced	0.40	0.40	0.40	0.40	0.40	0.40	0.30	0.30	0.30	0.30
Adult Ed	2.90	2.85	2.85	2.75	2.75	2.75	2.75	2.75	2.75	2.00

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
2007	\$ 388,469	\$ 389,578	\$ 778,047	\$ 781,438	99.57%	7.77%		
2008	482,776	318,612	801,388	804,882	99.57%	8.01%		
2009	525,848	299,583	825,431	829,028	99.57%	8.25%		
2010	571,338	278,856	850,194	853,899	99.57%	8.49%		
2011	619,364	256,335	875,699	879,516	99.57%	8.75%		
2012	1,393,566	437,433	1,830,999	1,838,979	99.57%	18.29%		
2013	779,908	176,992	956,900	961,071	99.57%	9.56%		
2014	839,356	146,251	985,607	989,903	99.57%	9.85%		
2015	1,870,027	190,779	2,060,806	2,069,788	99.57%	20.59%		
2016	-	-	-	-	0.00%	0.00%		
	<u>\$ 7,470,652</u>	<u>\$ 2,494,419</u>	<u>\$ 9,965,071</u>	<u>\$ 10,008,504</u>			0.26%	\$ 103.59

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

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

<b>Year</b>	<b>Population</b>	<b>Personal Income (thousands if dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
	<b>(1)</b>	<b>(3)</b>	<b>(3)</b>	<b>(1)</b>	<b>(2)</b>	<b>(4)</b>
2016	*	*	*	*	14,632	6.00%
2015	96,201	\$ 3,780,804	\$ 23,219	34.9	14,809	6.70%
2014	96,004	3,728,416	38,836	34.9	14,809	6.90%
2013	96,205	3,756,474	39,047	34.9	14,215	7.80%
2012	96,470	3,701,589	38,333	34.9	14,256	8.60%
2011	95,684	3,596,088	37,583	35.2	14,103	8.70%
2010	95,535	3,515,478	36,762	34.5	14,224	9.30%
2009	99,321	3,340,905	33,637	34.4	14,331	9.00%
2008	99,542	3,327,167	33,425	34.9	14,287	5.10%
2007	101,377	3,260,359	32,161	34.8	14,990	4.20%

\* 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	2016			2007		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Norfolk Naval Shipyard	9,000	1	21.27%	7,700	1	17.07%
Naval Medical Center, Portsmouth	7,000	2	16.54%	5,400	2	11.97%
City of Portsmouth	2,585	3	6.11%	2,558	3	5.67%
US Coast Guard Command - Portsmouth	2,500	4	5.91%	1,500	6	3.33%
Portsmouth Public Schools	2,192	5	5.18%	2,500	4	5.54%
Bon Secours Maryview Medical Center	2,000	6	4.73%	2,200	5	4.88%
Earl Industries	900	7	2.13%	500	9	-
Tidewater Community College	622	8	1.47%	-		-
Wal-Mart Supercenter	300	10	0.71%	-		-
Alternative Behavior Services (FHC)	-		-	800	7	1.77%
Southeastern Public Service Authority	-		-	485	10	1.08%
Smithfield of Portsmouth	435	9	1.03%	500	8	1.11%
	27,534		65.08%	24,143		52.42%

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	1	2	2	1	1	2	2	2	2	2
Public Information Officer	1	-	-	-	-	-	-	-	-	-
Unassigned	6	11	8	12	13	12	12	11	10	10
Coordinators	12	5	6	7	7	8	8	8	8	11
Education specialists	20	18	18	17	17	15	14	14	17	6
Supervisors	26	27	27	29	30	32	32	38	40	38
Principals	22	25	25	25	25	25	25	25	25	25
Assistant principals	25	28	29	29	29	31	31	34	34	33
Deans	4	-	-	-	-	-	-	-	-	-
Teachers	974	1,002	982	1,016	1,014	1,015	1,019	1,144	1,094	1,131
Guidance and other counselors	33	36	36	35	36	38	42	47	47	46
Librarians	19	19	20	21	22	24	22	26	25	23
Speech therapists	18	19	19	18	18	19	19	27	24	26
School social workers	8	8	8	8	8	9	9	9	9	8
Home school liaisons	2	2	2	2	2	2	2	2	2	4
Medical staff	29	27	29	30	30	30	31	32	33	31
Psychologists	10	10	10	10	10	10	11	11	11	11
Secretaries	127	132	128	137	142	139	145	164	156	168
Instructional assistants	206	207	202	210	211	205	241	270	258	268
Bus drivers and monitors	146	147	157	167	154	153	153	173	161	170
Operations and maintenance staff	131	119	130	132	127	127	144	182	189	201
School crossing guards	25	27	27	28	29	32	28	44	37	36
In school suspension	7	6	7	7	6	7	7	8	8	7
Special police officers	-	-	-	-	-	-	-	23	18	18
Security Officers	16	16	16	16	16	16	16	-	-	-
Attendance Officers	3	3	3	3	3	3	3	-	-	-
Print shop personnel	-	1	3	4	4	4	4	5	4	5
Cafeteria staff	109	118	117	117	119	114	122	137	136	147
Purchasing personnel	2	2	2	2	2	2	2	2	1	1
Technology personnel	21	20	19	20	20	21	22	-	-	-
Other	13	14	16	17	17	16	14	34	7	10
	<u>2,026</u>	<u>2,061</u>	<u>2,058</u>	<u>2,130</u>	<u>2,122</u>	<u>2,121</u>	<u>2,190</u>	<u>2,482</u>	<u>2,366</u>	<u>2,446</u>

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

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

**Table 10**

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

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
<b>2016</b>							
Elementary	545	45	\$ 51,128	239	264	39	3
Middle	146	42	49,315	80	57	7	2
High	251	45	51,602	136	98	15	2
Unassigned	28	51	49,096	11	16	1	0
<b>2015</b>							
Elementary	510	44.8	\$ 50,007	211	261	35	3
Middle	151	42.4	48,336	80	63	6	2
High	262	46.4	51,681	141	103	16	2
Unassigned	84	48.8	50,090	40	38	5	1
<b>2014</b>							
Elementary	517	43.5	\$ 51,552	217	265	33	2
Middle	141	42.7	49,479	56	62	4	3
High	259	45	52,700	135	106	15	3
Other	90	49.5	53,369	44	37	6	3
<b>2013</b>							
Elementary	510	43.3	\$ 51,618	181	294	33	2
Middle	144	41.8	50,269	65	69	9	1
High	265	46.8	53,259	125	118	19	3
Other	87	48	53,894	20	47	15	5
<b>2012</b>							
Elementary	509	43.9	\$ 51,198	184	297	27	1
Middle	140	43.3	49,802	66	66	7	1
High	255	46.1	52,669	113	122	18	2
Other	89	47.6	53,304	23	49	14	3
<b>2011</b>							
Elementary	518	43.6	\$ 46,304	215	278	25	-
Middle	139	44.3	45,426	72	60	7	-
High	266	46.2	48,384	140	110	14	2
Other	90	47.9	49,439	40	44	5	1
<b>2010</b>							
Elementary	558	43.7	\$ 48,381	299	234	24	1
Middle	145	44.0	47,453	95	43	7	-
High	266	46.6	50,732	156	97	11	2
Other	93	46.8	49,111	44	44	4	1
<b>2009</b>							
Elementary	577	44.0	\$ 47,740	238	314	24	1
Middle	159	45.0	47,503	36	115	8	-
High	268	47.0	50,656	202	52	12	2
Other	105	46.0	46,513	1	83	17	4
<b>2008</b>							
Elementary	625	43.4	\$ 47,149	317	285	22	1
Middle	169	45.9	47,720	102	63	4	-
High	286	46.7	49,210	164	107	13	2
Other	68	48.2	54,040	27	26	13	2
<b>2007</b>							
Elementary	534	42.8	\$ 45,376	197	324	11	2
Middle	202	44.9	45,100	123	76	2	1
High	287	46.4	45,128	157	119	7	4
Other	22	46.9	49,637	7	4	10	1

Source: Portsmouth Public Schools - Human Resource Department

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Building										
Elementary	13	13	13	13	13	14	14	14	17	17
Middle	3	3	3	3	3	3	3	3	3	3
High	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	4	4	4	4	4	3	3
Fleet										
School Buses	147	143	138	147	147	149	149	141	132	144
Other	68	82	69	71	71	67	62	71	69	59
Athletics										
Football Fields	3	3	3	3	3	3	3	3	3	2
Running Tracks	3	3	3	3	3	3	3	3	3	2
Baseball/Softball	9	9	9	9	9	9	9	9	9	3
Playgrounds	17	17	17	16	16	17	17	17	17	15

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<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	492	504	553	501	487	542	612	598	669	701
Churchland Academy										
Square feet	83,000	83,000	83,000	83,000	83,000	83,000	96,000	96,000	96,000	96,000
Capacity (Students)	732	732	732	732	732	732	914	914	914	914
Enrollment	673	724	712	695	681	692	913	947	999	1,042
Churchland Elementary										
Square feet	76,734	76,734	76,734	76,734	76,734	66,586	66,586	66,586	66,586	66,586
Capacity (Students)	715	715	715	715	715	715	715	715	715	634
Enrollment	792	829	845	830	823	808	784	657	710	721
Churchland Primary										
Square feet	74,050	74,050	74,050	74,050	74,050	74,050	63,800	63,800	63,800	63,800
Capacity (Students)	600	600	600	600	600	600	600	600	600	608
Enrollment	606	576	562	606	620	637	542	529	514	598
Douglass Park										
Square feet	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755
Capacity (Students)	800	800	800	800	800	800	800	800	800	703
Enrollment	724	784	771	707	680	584	613	520	697	679
Hodges Manor										
Square feet	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133
Capacity (Students)	600	600	600	600	600	600	600	600	600	477
Enrollment	583	561	548	558	584	612	572	520	582	526
James Hurst										
Square feet	75,105	75,105	75,105	75,105	75,105	75,105	63,525	63,525	63,525	63,525
Capacity (Students)	775	775	775	775	775	775	775	775	775	605
Enrollment	681	715	707	706	736	666	615	635	734	755
John Tyler										
Square feet	61,040	61,040	61,040	61,040	61,040	106,749	106,749	106,749	106,749	106,749
Capacity (Students)	700	700	700	700	700	700	700	700	700	581
Enrollment	645	664	692	679	711	741	702	687	641	660
Lakeview										
Square feet	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009
Capacity (Students)	660	660	660	660	660	660	660	660	660	605
Enrollment	470	514	526	541	546	544	590	592	623	664
Olive Branch										
Square feet	-	-	-	-	-	32,700	32,700	32,700	32,700	32,700
Capacity (Students)	-	-	-	-	-	455	455	455	455	311
Enrollment	-	-	-	-	-	367	367	347	430	464
Park View										
Square feet	79,998	79,998	79,998	79,998	79,998	79,998	79,998	79,998	31,748	31,748
Capacity (Students)	762	762	762	762	762	762	762	762	500	302

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Enrollment	590	589	606	649	614	613	636	676	409	398
<b>Elementary Schools (continued):</b>										
Simonsdale										
Square feet	81,165	81,165	81,165	81,165	81,165	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	700	700	700	700	700	325	325	325	325	317
Enrollment	705	726	721	751	757	292	307	260	311	284
Victory Elementary										
Square feet	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142
Capacity (Students)	540	540	540	540	540	540	540	540	540	744
Enrollment	570	538	495	561	571	622	640	533	264	347
Westhaven										
Square feet	65,077	65,077	65,077	65,077	61,040	61,040	65,077	65,077	65,077	65,077
Capacity (Students)	670	670	670	670	670	670	670	670	670	620
Enrollment	575	569	546	545	587	602	551	538	610	598
Port Norfolk										
Square feet	-	-	-	-	-	-	28,700	28,700	28,700	28,700
Capacity (Students)	-	-	-	-	-	-	-	-	-	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
Enrollment	-	-	-	-	-	-	-	-	-	-
<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	901	908	893	912	921	841	861	949	889	888
Cradock										
Square feet	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220
Capacity (Students)	885	885	885	885	885	885	885	885	885	885
Enrollment	579	589	607	612	616	599	525	521	590	584
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	598	610	582	588	596	545	522	582	552	562
Hunt/Mapp										
Square feet	-	-	-	-	-	-	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>High Schools:</b>										
Churchland										
Square feet	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000
Capacity (Students)	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
Enrollment	1,344	1,304	1,300	1,318	1,308	1,375	1,477	1,546	1,562	1,639
I. C. Norcom										
Square feet	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812
Capacity (Students)	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Enrollment	1,058	1,117	1,112	1,086	1,187	1,238	1,269	1,271	1,300	1,402
Woodrow Wilson										
Square feet	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665
Capacity (Students)	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869
Enrollment	1,319	1,269	1,298	1,285	1,221	1,127	1,170	1,129	1,120	1,150
Enrollment - Excel Campus	246	164	179	186	162	143	143	100	113	101
<b>Centers:</b>										
Churchland Preschool										
Square feet	13,000	13,000	13,000	13,000	13,000	13,000	-	-	-	-
Capacity (Students)	182	182	182	182	182	182	-	-	-	-
Enrollment	169	181	184	174	175	172	-	-	-	-
DAC Preschool										
Square feet	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Capacity (Students)	96	96	96	96	96	96	96	96	96	96
Enrollment	-	-	-	-	-	67	95	90	76	101
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	182	154	125	245	250	263	265	263	236	182
Mt. Hermon										
Square feet	36,317	36,317	36,317	36,317	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	182	180	226	213	278	258	287	248	272	260
Olive Branch Preschool										
Square feet	32,700	32,700	32,700	32,700	32,700	-	-	-	-	-
Capacity (Students)	455	455	455	455	455	-	-	-	-	-
Enrollment	194	204	198	201	180	-	-	-	-	-

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

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

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<b>Year</b>	<b>Expenditures</b>	<b>Enrollment</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Pupil/ Teacher Ratio</b>
2016	\$ 163,303,733	14,632	\$ 11,161	-0.21%	974	15.02
2015	170,525,957	14,809	11,515	2.96%	1,002	14.78
2014	154,924,247	14,809	10,461	-6.46%	982	15.08
2013	158,984,466	14,215	11,184	-2.38%	1,016	13.99
2012	163,335,746	14,256	11,457	4.77%	1,014	14.06
2011	154,222,462	14,103	10,935	-3.90%	1,015	13.89
2010	161,856,233	14,224	11,379	-3.81%	1,019	13.96
2009	169,537,657	14,331	11,830	3.74%	1,144	12.53
2008	162,921,752	14,287	11,403	7.40%	1,094	13.06
2007	159,162,386	14,990	10,618	12.23%	1,131	13.25

Note: Expenditures only include General and Special Revenue Funds.

Source: Portsmouth Public Schools - Human Resource and Finance Departments

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***COMPLIANCE SECTION***

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth, Virginia ("School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2016, 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 6, 2016. That report recognizes that the School Board restated beginning net position of its general and risk management funds.

**Internal Control over Financial Reporting**

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

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

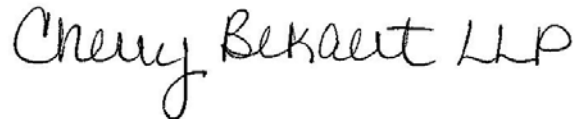
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Virginia Beach, Virginia  
December 6, 2016

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