

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Financial Statements

Fiscal Year Ended June 30, 2013

(With Report of Independent Auditor Thereon)

Prepared by  
Department of Accounting  
Dr. James T. Roberts  
Superintendent of Schools

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(Component Unit of the City of Chesapeake, Virginia)

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## **INTRODUCTORY SECTION**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CHESAPEAKE PUBLIC SCHOOLS**

(Component Unit of the City of Chesapeake, Virginia)

Members of the School Board and School Board Officials as of June 30, 2013

**School Board**

Mr. James A. (Jay) Leftwich, Jr .....Chairman

Mrs. Christie New Craig..... Vice Chairman

Mr. Samuel L. Boone, Jr.

Mr. C. Jeff Bunn

Mrs. Bonita Billingsley Harris

Mr. Thomas L. Mercer, Sr.

Mr. Harry A. Murphy

Mrs. Victoria L. Proffitt

Mr. Michael J. Woods

**Officials**

Dr. James T. Roberts ..... Superintendent

Dr. William E. Russell .....Deputy Superintendent

Dr. Anita B. James.....Assistant Superintendent for Curriculum and Instruction

Ms. Victoria Lucente ..... Assistant Superintendent for Budget and Finance

Dr. Alan L. Vaughan .....Assistant Superintendent for Human Resources and School Services

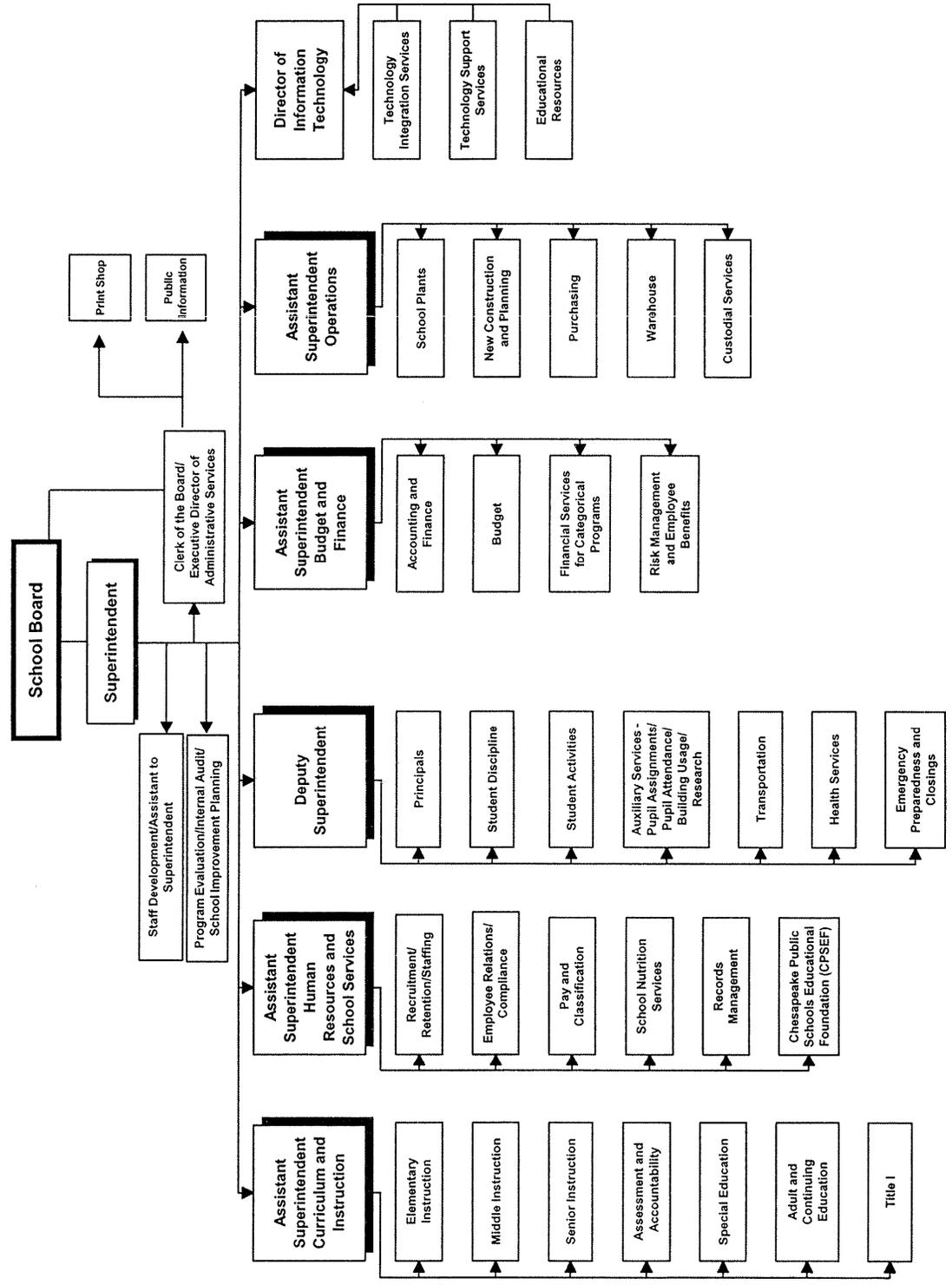
Mr. Steven M. Gilbert .....Assistant Superintendent for Operations

Dr. Jean A. Infantino ..... Executive Director of Administrative Services and Clerk of the Board

Mr. Theodore L. Faulk ..... Administrative Director of Accounting and Finance

Mrs. Tammy H. Rodriguez..... Director of Accounting

# CHESAPEAKE PUBLIC SCHOOLS ORGANIZATIONAL CHART





April 18, 2014

To the School Board of the City of Chesapeake, Virginia:

We are pleased to present the Chesapeake Public Schools (CPS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The report is designed to present fairly the financial position and results of operations of the school division in all material respects. All disclosures necessary to enable the reader to gain an understanding of the school division's financial activities have been included. CPS is a component unit of the City of Chesapeake, Virginia (the City), and, accordingly, the financial position and results of operations of CPS are also reflected in the financial statements included in the City's CAFR. The responsibility for the accuracy, completeness, and fairness of the data presented in this report, including all disclosures, rests with the management of CPS.

This report is prepared in conformity with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board (GASB). This report is intended to present a comprehensive summary of significant financial data to meet the needs of the citizens, taxpayers, financial institutions and the School Board. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction and an overview and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is intended to complement the required MD&A and is intended to accompany it. The MD&A can be found immediately following the reports of the independent auditors.

The CAFR is presented in three sections:

1. The introductory section includes the table of contents, a list of principal officials, an organizational chart, and this letter of transmittal. The introductory section is not audited.
2. The financial section begins with the independent auditors' reports. This section includes the MD&A, basic financial statements, notes to basic financial statements and required supplementary information. The basic financial statements and the notes to financial statements are audited.
3. The statistical section, which is not audited, includes selected financial, demographic information, and economic data generally presented on a multi-year basis.

### **School Division Organization and General Information**

CPS is the seventh largest of the 135 school divisions in the Commonwealth of Virginia. The Chesapeake School Board consists of nine members elected at large for four-year terms. The Superintendent is appointed by the Board and is responsible for the administration of the school division. During the 2012-13 fiscal year, the school division operated twenty (20) primary/elementary schools, eight (8) intermediate schools, ten (10) middle schools, and seven (7) high schools. The school division has approximately 38,591 students and 5,707 employees.

In addition to the elementary, middle, and high schools, the school division operates a center for science and technology, an alternative school, and an adult education center. A modern bus fleet carries students safely to and from school and a school nutrition services department provides meals to students and staff.

The Chesapeake public school division has earned state, national and international recognition in such areas as forensics, publications, debate, music, theater, art, sports programs, career and technical education. CPS has also achieved recognition from AdvancEd, National Merit Scholarship Program, HealthierUS School Challenge, National Forum to Accelerate Middle-Grades Reform, Virginia State Reading Association, and the Summer Residential Governor's School Program. Additionally, a CPS teacher was named the 2012 Virginia Teacher of the Year.

### **The City of Chesapeake and the Services Provided**

The City is centrally located in the southeast quadrant of Virginia and is bordered on the west by Suffolk, east by Virginia Beach, south by North Carolina, and north by the cities of Norfolk and Portsmouth. The City has approximately 228,513 residents and was named as one of America's 50 best cities for the second year in a row by *Bloomberg Businessweek*. The City continues to be named as one of America's "best run" cities by *24/7 Wall St.*, an online provider of financial news and opinions, after a review of the local economies, fiscal discipline and standards of living within America's largest cities (by population). Examiners cited the City's relatively low crime, unemployment and poverty rates, among other relevant attributes.

Protecting the residents of this 353-square-mile city is the Chesapeake Police Department and the Chesapeake Fire Department. The City provides a full range of general governmental services for its citizens to include law enforcement, fire protection, collection and disposal of solid waste, water, sewer, and stormwater utility services, parks and recreation, libraries, and construction and maintenance of highways, streets and other infrastructure. Other services provided include public education in grades kindergarten through twelfth, public health and social services, planning and zoning, mental health assistance, agricultural services, judicial activities, and general administrative services.

Chesapeake has more miles of deep-water canals than any other city in the nation. The Atlantic Intracoastal Waterway, which stretches from Maine to Florida, passes through Chesapeake and brings thousands of tourists through the City each year. The Dismal Swamp Canal, part of the Atlantic Intracoastal Waterway, is listed on the National Register.

The City's taxable sales as reported to the Virginia Department of Taxation for calendar year 2012 increased \$141.3 million or 4.8% from \$2.927 billion in 2011 to \$3.068 billion in 2012. This is the largest of three straight calendar years of sales tax increases for the City.

The Chesapeake Economic Development Department's 2013 Annual Report noted significant accomplishments, despite continued economic uncertainties. Chesapeake continues to progress with more than \$204 million in business investment and 1,152 jobs being generated.

Chesapeake continues to hold an AAA rating, the highest bond rating available, from Fitch Ratings, an AA+ rating from Standard & Poor's Ratings Services, and an Aa1 rating from Moody's Investors Service.

### **The Reporting Entity**

CPS is a component unit of the City. The City is an independent city with taxing authority within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. The City derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia. The present City was formed on January 1, 1963 by the merger of Norfolk County and the City of South Norfolk. The merger created the second largest city in the Commonwealth with 353 square miles. The City of Chesapeake is celebrating the 50<sup>th</sup> anniversary of its founding in 1963.

The City is a primary government that is financially accountable for a legally separate entity, CPS. Financial accountability exists because CPS can impose specific financial burdens on the City. The City annually appropriates to CPS the general and special revenue funds. Within the school division's budgets, the level of control by the City is at the total appropriation level. All activities over which CPS exercises financial accountability have been incorporated to form the CPS reporting entity.

### **Cash Management**

The City's charter and state law provides that the City Treasurer is the custodian of all funds. All investment decisions are made by the City Treasurer. Cash temporarily idle is invested in demand deposits, repurchase agreements ranging from one to five days and in other instruments covered by federal depository insurance, collateralized under the Virginia Security for Public Deposits Act, or as otherwise permitted by Virginia law.

### **Local Economy**

Situated in the southeastern portion of the state known as the Hampton Roads region, Chesapeake is located within 750 miles of two-thirds of the nation's population and industrial activity. The economic condition and outlook of the City is promising. In the past decade, Chesapeake has been one of the fastest growing cities in the nation and is listed as one of the 100 largest cities in the United States. This is primarily attributable to a diverse local and regional economy. Local unemployment for the City and the state remains below the national rate. For the fiscal year ended June 30, 2013, the average unemployment rates were 5.8% for Chesapeake (a decline from the prior year's average unemployment rate of 6.3%), 6.2% for the region and 5.6% for Virginia, compared to 7.8% for the United States.

### **Accomplishments**

CPS has a comprehensive instructional and support program. The elementary curriculum is centered on major subject areas - reading and language arts, mathematics, science, and social studies. The emphasis is on mastering basic academic skills. In addition to the academic areas, students are provided instruction in health, physical education, and the arts. Secondary curriculum offerings include laboratory science, vocational education, and foreign languages. Accelerated, honors, and advanced placement courses are available to students who meet the criteria for advanced studies. These courses include: honors English, honors social studies, and advanced courses in mathematics and science. Also available are advanced placement courses in history, biology, calculus, and English. The secondary course curriculum is complemented by courses offered in physical education, music, and the arts, and the school division offers an International Baccalaureate program at Oscar Smith High School, a Governor's STEM Academy at Grassfield High School and the Science and Medicine Academy at Deep Creek High School.

In the past year, CPS students achieved at a high level. In 2013, graduation ceremonies were held for 3,116 students. Of those, 58% earned Advanced Studies diplomas, 51% were honor graduates, and approximately 81% of this past year's graduates plan to attend college. Many of our graduates were awarded college scholarships that totaled approximately \$35.7 million.

The 2012-13 fiscal year was one of many accomplishments for the school division including:

- Thirty-five (35) of the forty-five (45) public schools within the division achieved fully accredited status under the Virginia Standards of Learning and Standards of Accreditation.
- CPS maintained the AdvancEd District Accreditation that was initially awarded in April 2012. AdvancEd is the global leader in advancing education excellence through accreditation and school improvement. The AdvancEd Accreditation process is a clear and comprehensive program of evaluation and external review, supported by research-based standards, that assists schools and districts to continuously improve.

- The Class of 2013 outperformed the state on a key academic measure - the percentage of students graduating on-time. The on-time graduation rate is a relatively new measure that allows the state to track a graduating class through all four years of high school. The on-time graduation rate for CPS was 92.0%, while the state of Virginia average was 89.1%. CPS had the highest on-time graduation rate in the area. CPS' dropout rate of 3.8% was also lower than the statewide average of 5.9%. Again, CPS had the lowest dropout rate in the area.
- Construction is nearly complete on a major renovation and an addition to Indian River High School.
- CPS opened two school division-owned pharmacies in the Spring of 2013. These pharmacies are open to employees and retirees who are members of the school division's health insurance plans. The pharmacies allow our employees to save money on the cost of their prescriptions. They also serve the purpose of reducing the overall cost of health insurance and related costs for the school division.

### **For the Future**

The future of CPS is guided by seven strategic goals. The goals adopted by the School Board are as follows: (1) Optimize School Safety, (2) Ensure Rigorous Educational Standards, (3) Evaluate Effectiveness and Efficiency, (4) Optimize the Management of Human Resources and Ensure Effective Staff Development, (5) Optimize the Use of Technology, (6) Enhance Parental and Community Involvement, and (7) Provide Optimal School Facilities. These seven goals provide the framework for the current and future initiatives of the school division as well as the framework for managing the division during the current economic downturn. Despite the economic decline, the school division will continue to emphasize the following initiatives to support the seven strategic goals during the 2013-14 fiscal year:

- **Financial Management and Human Resources** – CPS is currently well-positioned as a school division of choice, but to maintain this status we must remain competitive when it comes to attracting and retaining quality personnel. We are only as good the employees we place in our classrooms, in our offices, and in any other area of this business we call education. Every aspect of our nation continues to be affected by the economic downturn, and our school system is no exception. Coupled with the challenging economy are unprecedented changes in historically well-established “organizations” such as the Virginia Retirement System. In spite of these challenges and changes, we must maintain our focus on the core mission of the school division while continuing to practice sound fiscal management. To this end, once again in the coming year, we will emphasize the careful monitoring of revenue and expenditures.

Several important steps have been taken to reduce the school division's Other Post Employment Benefits (OPEB) liability and we continue to monitor changes in health care reform and the effect on the school division's medical insurance program. It will cost school divisions more, for example, because of the hours worked by substitute teachers, and it will be more difficult for us to maintain an attractive benefit package. An innovative step was taken in 2012-2013 to provide a benefit for employees of Chesapeake Public Schools when two pharmacies for school system employees and retirees were opened. Projections indicate that the pharmacies will continue to save money for both the employees and our school system in future years.

In regard to personnel, we continue to monitor the implementation of the new teacher evaluation model, which is now linked to student growth, and have developed a new principal evaluation model. CPS is also taking a closer look at the administrative candidate pool. Just as it is crucial to recruit and retain outstanding classroom teachers, we must identify and appoint top-notch administrators to lead our schools. As more and more experienced administrators retire, a critical shortage of trained administrators is likely. With an eye toward being proactive, we will continue to offer a new leadership training opportunity for aspiring administrators, at no additional cost to the school division.

- **School Facilities** - A major challenge in the area of school facilities is the limited availability of capital funding to keep our buildings operational. We are revisiting this issue and providing estimates of the future impact of funding shortfalls on capital projects. In addition, we are continuing to enhance our methods for reducing energy costs while simultaneously providing a safe and inviting environment for students and staff.
- **School Safety** – “Ensuring School Safety” has been one of the seven strategic goals for many years, and CPS continues to be concerned about safety in our schools. In 2013-14, we will maintain our existing safety-related initiatives, including the ongoing enforcement of policies related to student enrollment. In addition, we will continue to utilize our protocols for state-mandated epinephrine (EPI pens). We will also continue to monitor and review the CPS Concussion Management Plan.
- **Increasing Pupil Achievement** – Student achievement is the sole reason for our existence, and we are extremely proud of our accomplishments in this area. CPS’ on-time graduation and dropout rates continue to exceed the statewide average and continue to be the best in our area. We offer a wide range of specialized programs to enhance student achievement, including Breaking Ranks training in our middle schools, freshmen transition programs in our high schools, and three very popular high school academies. One of our academies--the Grassfield High School Technology Academy--was approved as a Governor’s STEM Academy. This academy prepares students for career pathways in engineering, technology, programming, software development, and marketing. At the elementary level, the current fiscal situation prohibits implementation of full-day kindergarten for all students, but statistics indicate that 131 of 135 school divisions in Virginia have full-day kindergarten. Therefore, this will remain as a goal to be revisited in the future.
- **Technology** – Technology pervades every aspect of our organization, from the classroom to the office and from the school bus to the cafeteria. Recognizing the critical role of this important tool, we are continuing to assess the effectiveness of network security and implement appropriate modifications. In terms of classroom instruction, we not only support a culture of data-driven decision making that relies upon data to evaluate and improve teaching and learning, we also continue to examine the use of alternative methods for delivery of instruction. In the area of staff development, we have expanded the use of online registration for the school division’s training academies. And finally, we have changed our policy to allow students to bring various types of technology to assist in the instructional program. We call this initiative “Bring Your Own Device” and will continue to monitor and assess its effectiveness in the classroom and beyond.
- **Community Involvement** – In the city of Chesapeake, public education is a community endeavor – which is one reason we are a high-performing division. Our citizens actively support our schools. Therefore, enhancing parental and community involvement is one of our top priorities. As a result of direct support from the business community, the Superintendent’s Planning Council actively functions as an advisory group that provides vital feedback regarding our strategic goals. More than ever before, it is critical for the greater school community to receive accurate information in a timely manner. To this end, we are expanding the division website to provide enhanced communication for employees and the community. Strong business, military, and community partnerships are vital to the economic well-being of our schools. Over 230 businesses have been identified as our established “Partners in Education,” creating a win-win situation for the businesses and our students. These partners, as well as SCA and PTA volunteers, assist with everything from donating items to volunteering time in our classrooms. Throughout the year, our students and staff enjoy the positive influences of our local business community on our schools.

## **Accounting System and Budgetary Control**

CPS management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school division are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that CPS' management objectives are met. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits to be derived from their implementation. CPS uses a modern automated accounting system that, coupled with the manual auditing of selected transactions, ensures that financial information is both accurate and reliable.

CPS maintains internal controls at a budgetary level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and City Council. Activities of the general and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects fund. The level of budgetary control - the level at which expenditures cannot legally exceed the appropriated amount - is established by function and activity within the fund. The school division also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end but are generally re-appropriated as part of the following year's budget.

## **Financial Condition**

CPS is a component unit of the City, and the City is the legal holder of most debt related to the acquisition of school facilities. The City is considered to be in sound financial condition. During the 2012-13 fiscal year, 41.7% of the school division's General Fund revenue was provided from the City's general fund.

## **Risk Management**

The school division purchases insurance from the commercial market for general and auto liability. With regard to workers' compensation, the school division is self-insured. The school division's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the school division.

## **Prospects for the Future**

Chesapeake's future as a desirable community in which to live and work shows promise and opportunity. Its central location, availability of land, and good transportation system will continue to contribute to Chesapeake's attractiveness as a well-balanced commercial center.

The City's close port proximity and strong employee pool continue to encourage a strong international business presence. As a result of these qualities, the Chesapeake civilian labor force has grown from 96,292 in 2000, as per the U.S. Census Bureau, to 120,856 in 2013 as per the U.S. Bureau of Labor Statistics. This is an increase of 26% over the period. Median household income has risen from \$50,743 to \$62,041 over the same period per the U.S. Census Bureau.

Total school membership in FY 2012-13 was 38,591, representing an increase of 171 students from the previous year. While an increase of 500 students is anticipated over the next 5 years (FY 2014-18), current projections of future growth from births and new residential housing indicate that enrollment will increase by 600 students from FY 2019-23. Therefore, for the 10-year period, it is projected that CPS will gain a net of 1,100 students and the school population is projected to remain between 39,100 and 39,700 during this period. As we continue to manage the fluctuations in school population, the school division will be seeking new and better ways to improve the quality of the schools in every aspect so that students may have the opportunity to achieve to their fullest potential in Chesapeake.

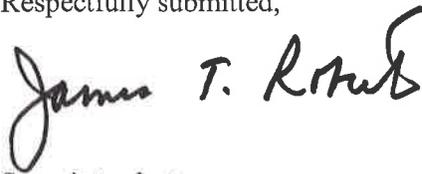
## Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the school division has been performed by Cherry Bekaert LLP, Certified Public Accountants. The auditors' reports, which include their unqualified opinion on the basic financial statements of the school division, are contained in this report.

## Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Accounting. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School System in a responsible and progressive manner.

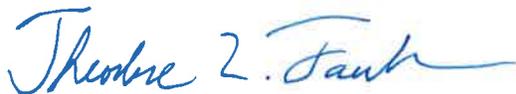
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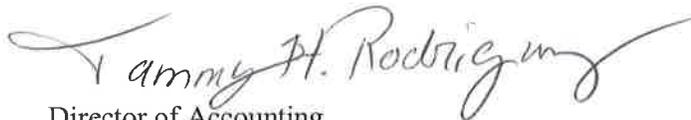
Superintendent



Assistant Superintendent for  
Budget and Finance



Administrative Director of  
Accounting and Finance



Director of Accounting

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## **FINANCIAL SECTION**

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## Report of Independent Auditor

The Members of the School Board  
Chesapeake Public Schools  
City of Chesapeake, 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 Chesapeake Public Schools (“School Board”), a component unit of the City of Chesapeake, Virginia, as of and for the year ended June 30, 2013, 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 did not audit the financial statements of the Activity Funds of the Chesapeake Public Schools, which represents 100% of the assets of the agency funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Activity Funds of the Chesapeake Public Schools, is based on the report of the other auditors. 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 School Board’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, based on our audit and the report of other auditor, 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 Chesapeake Public Schools, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the School Board adopted new accounting guidance, GASB Statements No. 63, *Financial Reporting of Deferred Outflows, Deferred Inflows and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chesapeake Public Schools' basic financial statements. The introductory section, combining fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 April 18, 2014, on our consideration of the Chesapeake Public Schools' 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.



Virginia Beach, Virginia  
April 18, 2014

**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 Government Auditing Standards**

The Members of the School Board  
City of Chesapeake, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and 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 Chesapeake ("School Board") as of and for the year ended June 30, 2013, 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 April 18, 2014.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Cherry Berkant LLP". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Chesapeake, Virginia  
April 18, 2014

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)  
Management's Discussion and Analysis (Unaudited)

June 30, 2013

This discussion and analysis of Chesapeake Public Schools' (CPS) financial performance provides an overview of financial activities for the fiscal year ended June 30, 2013. The analysis focuses on CPS' financial performance as a whole. Please read it in conjunction with CPS' financial statements.

**Financial Highlights for FY 2013**

- CPS' liabilities and deferred inflows, on a government-wide basis, exceeded its assets and deferred outflows by \$39.2 million (net deficit) at the end of fiscal year 2013. This was directly related to an increase in the Net OPEB Obligation of \$26.5 million.
- CPS' financial status, as reflected in total net position (deficit), increased by approximately \$396,000 or 1.0% from the prior year. Of the total net position, \$27.1 million of net assets are restricted for ongoing capital projects that consist primarily of various school construction and renovation projects, \$36.3 million is restricted for other purposes (i.e. future health, dental, workers' compensation claims, technology, instruction, textbook and food services expenditures) and \$214.6 million is invested in capital assets. Offsetting these amounts is an unrestricted net deficit that totals a negative \$317.3 million.
- On the statement of net assets - governmental activities, total liabilities at June 30, 2013 totaled \$380.2 million, representing a \$20.2 million increase primarily in long-term liabilities. The bulk of the current liabilities of \$48.0 million relate to accounts payable, accrued payroll and claims payable while the majority of the non-current liabilities totaling \$332.2 million relate to the net OPEB obligation for post-employment benefits for our employees (\$278.0 million). Non-current liabilities also include amounts for compensated absences, claims payable and capital leases.
- At the end of FY 2013, CPS' governmental funds reported combined ending fund balances of \$66.4 million. This represented an increase of \$10.4 million when compared to the prior year.
- The general fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing sources of approximately \$558,000.
- On the statement of revenues, expenditures, and changes in fund balances - governmental funds, the schools' food services fund experienced an increase in fund balance and the school textbook fund and capital projects fund experienced a decrease in fund balance. The slight increase in the schools' food services fund balance of approximately \$73,000 was related to an effort to control and reduce expenditures in response to actual revenues that were under budgeted levels. There was a decrease in the school textbook fund balance of approximately \$2.4 million as a result of the planned use of fund balance to cover textbook expenditures. The capital projects fund increase of \$11.5 million was due to the receipt of bond proceeds and other revenues restricted for ongoing construction projects (i.e., HVAC, roofs, renovations/additions).
- Total intergovernmental revenue for the governmental funds was \$409.2 million. Of that, \$168.8 million was from the City of Chesapeake (the City), \$204.3 million was state aid from the Commonwealth of Virginia, and \$35.3 million was from the federal government.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to CPS' basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)  
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The basic financial statements consist of two kinds of statements that present different views of CPS' financial activities.

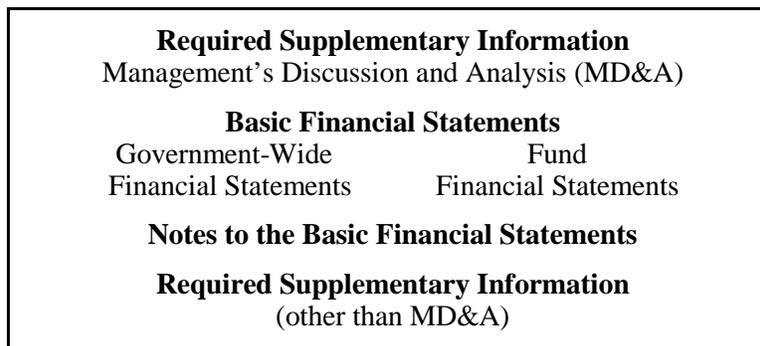
The statement of net position and statement of activities provide information on a government-wide basis. The statements present an aggregate view of CPS' finances. Government-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.

The remaining statements are fund financial statements that focus on individual parts of CPS. Fund statements generally report operations in more detail than the government-wide statements.

The notes to basic financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of CPS' financial activities and position. The required supplementary information further explains and supports the basic financial statements.

The following diagram shows how the various parts of the financial section are arranged and related to one another.

**FINANCIAL SECTION**



**Government-Wide Financial Statements**

The government-wide financial statements report information about CPS as a whole using accounting methods similar to those used by private-sector companies. The two statements - statement of net position and statement of activities - report CPS' net position and how it has changed. Net position, is calculated as the difference between CPS' assets and deferred outflows less liabilities and deferred inflows. This is one way to measure CPS' overall financial position.

Increases or decreases in CPS' net position are one indicator of whether its financial position is improving or worsening, respectively.

To assess the overall financial position of CPS, additional non-financial factors, such as changes in the City's property tax base and the condition of school buildings and other facilities, should be considered.

In the government-wide financial statements, the activities are divided into two categories - governmental activities and business-type activities. CPS reports only activities related to governmental activities since it has no business-type activities.

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*Governmental activities* – CPS' basic services are included here, such as instruction, administration, attendance and health, pupil transportation, operation and maintenance of school buildings, summer school, adult education, and food services. City appropriations and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about CPS' funds, focusing on its most significant or "major" funds, not CPS as a whole. Funds are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. CPS, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. CPS' fund financial statements provide detailed information about CPS' most significant funds.

CPS utilizes two types of funds:

**Governmental Funds** - Most of CPS' activities are reported in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances left at year-end available for spending in future periods. The governmental fund statements provide a detailed short-term view of CPS' general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Governmental fund information does not report on long-term commitments as is reported on the government-wide statements. Therefore, the relationships (or differences) between the government-wide statements and the governmental funds are reconciled and explained at the bottom of the governmental funds statements.

**Fiduciary Funds** - CPS is the trustee, or fiduciary for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. CPS is responsible for ensuring that the assets reported in these funds are used for their intended purpose. These activities are reported in a separate statement of fiduciary net assets. CPS excludes these activities from its government-wide financial statements because CPS cannot use these assets to finance its operations. CPS includes in its fiduciary fund statements the Student Activity Fund, which accounts for the student activity monies maintained on behalf of the students by the Principals at each school. The Student Activity Fund is accounted for as an Agency Fund. CPS also includes in its fiduciary fund statements the Schools' Other Post-Employment Benefits (OPEB) Trust Fund. This fund accounts for assets accumulated to fund other post-employment benefit obligations of CPS.

**Financial Analysis of CPS as a Whole**

CPS implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in FY 2013. This statement reclassified some items as deferred outflows or inflows of resources that were previously reported as assets and liabilities. CPS also implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. With the implementation of these two GASB Statements, the *Statement of Net Position* will replace the *Statement of Net Assets* in the Basic Financial Statements section. See more details in the *Notes* to the financial statements.

Table 1 provides a comparison of total net position for governmental activities at June 30, 2012 and 2013. At June 30, 2013, total assets were \$340.9 million, which represents a \$20.6 million or 6.4% increase over the previous fiscal year. The majority of the increase in total assets is related to a \$15.7 million increase in school capital assets as a result of construction of a major addition/renovation to Indian River High School and HVAC and roofing improvements at various schools. In addition, there was a \$7.7 million increase in restricted cash and

**CHESAPEAKE PUBLIC SCHOOLS**  
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temporary investments as a result of the receipt of funds to support the capital asset expenditures discussed above. Total liabilities equaled \$380.2 million, representing a \$20.2 million increase or 5.6% over the previous fiscal year. The increase in total liabilities is primarily the result of the net OPEB obligation increase of \$26.5 million. The increase was offset by a \$6.4M decrease in accounts payable to vendors at year-end.

CPS experienced a net deficit of \$39.2 million in fiscal year 2013. This represents an increase in net position of approximately 1.0% when compared to fiscal year 2012. The net deficit is primarily related to the increase of total assets of \$20.6 million offset by an increase in total liabilities of \$20.2 million. Restricted net position for capital projects totaled \$27.1 million, net position restricted for other purposes totaled \$36.3 million, while unrestricted net position remain negative due to the continued investment in capital assets and the unfunded long-term liabilities. This is not expected to impact CPS negatively due to the large amount invested in capital facilities and since CPS receives funding annually from the City, the Commonwealth of Virginia, and the federal government to pay liabilities as they become due. However, CPS has and will continue to implement several strategies to reduce the net OPEB obligation with the intention to reinstate a positive net position balance in upcoming fiscal years.

**Table 1**  
**Condensed Summary of Net Position at June 30, 2012 and 2013**

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Current assets	\$ 112,884,469	\$ 117,833,047	4.4%
Capital assets, net	207,395,527	223,070,347	7.6%
Total assets	<u>\$ 320,279,996</u>	<u>\$ 340,903,394</u>	6.4%
Current liabilities	\$ 53,350,046	\$ 47,982,835	-10.1%
Non-current liabilities	55,015,089	54,153,493	-1.6%
Net OPEB obligation	251,560,144	278,016,277	10.5%
Total liabilities	<u>\$ 359,925,279</u>	<u>\$ 380,152,605</u>	5.6%
Net position:			
Net investment in capital assets	\$ 197,394,354	\$ 214,592,253	8.7%
Restricted for capital projects	15,625,180	27,122,536	73.6%
Restricted for other purposes	37,834,510	36,292,289	-4.1%
Unrestricted deficit	<u>(290,499,327)</u>	<u>(317,256,289)</u>	-9.2%
Total net position (deficit)	<u>\$ (39,645,283)</u>	<u>\$ (39,249,211)</u>	-1.0%

Table 2 shows the change in net position. In the area of program revenue, the majority of the funding was from operating grants and contributions. The majority of that funding was categorical revenue from the state and federal government. The majority of the charges for services revenue came from local lunch sales in the cafeterias (food services fund).

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In the area of general revenue, the majority of the funding came from the City in the form of local funding and from the Commonwealth of Virginia in the form of state basic aid, sales tax, lottery and standards of quality funds.

School divisions are people-intensive operations. As such, personnel-related costs comprise the majority of program expenses. As would be expected, expenses for instruction were the largest category of expense in 2013, the majority of which were personnel related. This was followed by operations and maintenance and transportation expenses. The reduction in total expenditures of \$23.0 million was primarily related to a reduction in the amount of increase to the net OPEB obligation when comparing FY 2012 and FY 2013. The net OPEB obligation increased by \$47.1 million in FY 2012 and by \$26.5 million in FY 2013. The difference in the increase of \$20.6 million was the result of the implementation of several strategies in FY 2013 to reduce the net OPEB obligation with the intention to reinstate a positive net position balance in upcoming fiscal years.

**CHESAPEAKE PUBLIC SCHOOLS**  
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**Table 2**  
**Summary of Changes in Net Position - Governmental Activities**  
**Years Ended June 30, 2012 and 2013**

	<u>2012</u>	<u>2013</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 7,097,754	\$ 7,628,806	7.5%
Operating grants and contributions	102,098,651	88,209,959	-13.6%
Capital grants and contributions	1,541,294	1,204,851	-21.8%
General revenue:			
Interest and investment earnings	333,931	86,192	-74.2%
Grants and contributions not restricted to specific programs	137,894,439	151,059,807	9.5%
Payment from primary government	195,333,708	201,293,387	3.1%
Miscellaneous	1,188,152	792,217	-33.3%
Total revenues	<u>445,487,929</u>	<u>450,275,219</u>	1.1%
Program expenses:			
Administration	8,224,719	8,526,174	3.7%
Instruction	359,663,535	337,912,999	-6.0%
Attendance and health services	6,308,060	6,125,939	-2.9%
Pupil transportation	29,371,604	27,234,530	-7.3%
Operation and maintenance	42,218,928	42,861,174	1.5%
School facilities services	652,296	650,828	-0.2%
School technology services	12,884,155	12,860,471	-0.2%
Food services	12,916,234	13,268,389	2.7%
Interest on long-term liabilities	377,528	318,981	-15.5%
Payment to primary government for return of interest income	269,357	119,662	-55.6%
Total program expenses	<u>472,886,416</u>	<u>449,879,147</u>	-4.9%
Change in net position	<u>\$ (27,398,487)</u>	<u>\$ 396,072</u>	101.4%

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June 30, 2013

**Governmental Activities**

Table 3 presents the cost of the major CPS activities: administration, instruction, attendance and health, pupil transportation, operation and maintenance of school plant, facilities, technology, food services, interest on long-term liabilities, and payments to primary government for interest income. The table also shows each activity's net cost (total cost less fees generated by the charges for services, operating grants and contributions, and capital grants and contributions). The net cost identifies the cost of services supported by city tax revenues and unrestricted state and federal entitlements.

**Table 3**  
**Total and Net Cost of Program Services**  
**Years Ended June 30, 2012 and 2013**

	Total			Net		
	Cost of Program Services		%	Cost of Program Services		%
	2012	2013		2012	2013	
Administration	\$ 8,224,719	\$ 8,526,174	3.7%	\$ 8,224,719	\$ 8,502,776	3.4%
Instruction	359,663,535	337,912,999	-6.0%	263,014,028	255,104,195	-3.0%
Attendance and health services	6,308,060	6,125,939	-2.9%	5,898,731	5,644,868	-4.3%
Pupil transportation	29,371,604	27,234,530	-7.3%	29,336,081	27,116,403	-7.6%
Operation and maintenance	42,218,928	42,861,174	1.5%	41,177,298	41,782,792	1.5%
School facilities services	652,296	650,828	-0.2%	652,296	648,780	-0.5%
School technology services	12,884,155	12,860,471	-0.2%	12,884,155	12,835,176	-0.4%
Food services	12,916,234	13,268,389	2.7%	314,524	761,898	142.2%
Interest on long-term liabilities	377,528	318,981	-15.5%	377,528	318,981	-15.5%
Payment to primary government for returning interest income	269,357	119,662	-55.6%	269,357	119,662	-55.6%
Total program expenses	<u>\$ 472,886,416</u>	<u>\$ 449,879,147</u>	-4.9%	<u>\$ 362,148,717</u>	<u>\$ 352,835,531</u>	-2.6%

The net cost of all governmental activities in fiscal year 2013 was \$352.8 million. The amount that the citizens of Chesapeake paid for these activities through city taxes was \$201.3 million. State and federal revenues that paid for the cost of governmental activities totaled \$151.1 million.

**Financial Analysis of CPS Funds**

The focus of CPS' governmental funds is on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of CPS' net resources available for spending at the end of the fiscal year. As CPS completed the year, its governmental funds reported combined fund balances of \$66.4 million, an increase of \$10.4 million or 18.5%. Approximately 95.5% of this amount (\$63.4 million) constitutes restricted fund balance. The items that comprise restricted fund balance include amounts to: (1) fund capital projects (\$27.1 million), (2) support schools' food services activities (\$2.7 million), (3) fund future textbook purchases (\$8.3 million), (4) fund future insurance premiums and expenditures for CPS' self-insured health, dental and workers' compensation programs (\$24.3 million) and (5) support technology initiatives (\$430,000) and (6) fund instruction-related activities (\$512,000). All of the governmental funds are accounted for using the modified accrual basis of accounting.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013

**General Fund Highlights**

**Table 4**  
**General Fund Revenues and Expenditures**  
**Year Ended June 30, 2013**

Revenues:	
City of Chesapeake	\$ 168,773,000
Commonwealth of Virginia	204,066,021
Federal government	27,979,170
Charges for services, interest and miscellaneous	4,203,243
Total revenues	<u>\$ 405,021,434</u>
Expenditures:	
Administration	\$ 7,961,686
Instruction	310,861,806
Attendance and health services	5,719,760
Pupil transportation	24,413,037
Operations and maintenance	41,178,223
School facilities services	606,667
School technology services	11,851,003
Debt service	1,792,152
Payment to primary government - return of interest income	79,024
Total expenditures	<u>\$ 404,463,358</u>

The CPS' budget is prepared in accordance with Virginia School Laws. On a fund basis, general fund revenues (\$405.0 million) exceeded expenditures (\$404.5 million) by \$558,000.

Total intergovernmental revenue received was \$0.2 million less than the original budget and \$9.4 million less than the amended budget due primarily to local and federal revenues. This was due primarily to the reversion of \$2.7 million in local revenues back to the City of Chesapeake. These amounts will be re-appropriated to CPS during the FY 2013-14 fiscal year. In addition, federal revenues collected were approximately \$2.2 million less than the original budget and \$4.3 million less than the amended budget as a result of the allocation of NCLB reimbursable-type grants that are not required to be spent until September 30, 2013 or later. These amounts were not fully expended during 2013 and, accordingly, revenues were not received for those grants.

Actual expenditures were \$10.3 million less than the original budget and \$11.8 million less than the amended budget. Expenditures were lower than budgeted amounts as a result of the reversion of \$2.7 million back to the City of Chesapeake which required CPS to reduce expenditures accordingly. In addition, the federal NCLB funds that were not fully expended because their period of availability extended through September 30, 2013 or later also attributed to CPS expending less than the amended budget.

**CHESAPEAKE PUBLIC SCHOOLS**  
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**Capital Assets**

At the end of fiscal year 2013, before depreciation, CPS had \$288.9 million of capital assets including land, buildings, and furniture and equipment. All are attributable to governmental activities. Total accumulated depreciation on these assets was approximately \$65.9 million. Major capital asset events during the current fiscal year included the following:

- ♦ Continuation of the renovation, addition and modernization of Indian River High School;
- ♦ HVAC modernization and replacements at numerous schools; and
- ♦ Roofing projects at several schools.

As of June 30, 2013, CPS had \$5.2 million in funds encumbered for projects to be completed during the next 12 months. More detail regarding CPS capital assets can be found in the notes to basic financial statements.

**Long-Term Liabilities**

Long-term liabilities at the end of fiscal year 2013 were \$332.2 million. Of this amount, \$3.3 million is due within one year and \$328.9 million is due in greater than one year.

The significant portions of long-term liabilities include \$278.0 million in other post-employment benefits, \$40.2 million in compensated absences, \$8.5 million in equipment capital leases and \$5.3 million in claims payable related to potential workers' compensation claims.

Additional information on the Schools' long-term liabilities is presented in note 5 to the basic financial statements. Under Virginia law, certain property maintained by CPS is subject to tenancy in common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. Therefore, long-term liabilities related to the acquisition of capital assets are shown on the City's financial statements.

**Other Major Funds**

The Schools' Food Services Fund reported a fund balance of \$3.1 million, an increase of approximately \$73,000 from the previous fiscal year. The increase was related to an effort to control and reduce expenditures in response to a reduction in revenue and the effects of the economic downturn.

The School Textbook Fund reported a fund balance of \$8.3 million, representing a decrease of approximately \$2.4 million when compared to the previous fiscal year fund balance. This was the result of the planned use of fund balance to cover textbook expenditures

The Capital Project Fund reported a fund balance of \$27.1 million which represented an increase of \$11.5 million over the previous fiscal year fund balance. This increase was due to the receipt of bond proceeds and other revenues restricted for ongoing construction projects (i.e., HVAC, roofs, renovations/additions).

**CHESAPEAKE PUBLIC SCHOOLS**  
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**Factors Influencing Future Budgets**

- ♦ The downturn in the state and national economy and projected decreases in revenue over the next several years.
- ♦ The receipt of funding under the Federal Education Jobs Fund that was available for fiscal years 2011 through 2013. School divisions must use these funds only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. Beginning in fiscal year 2014, CPS will need to identify significant funding sources to replace the Education Jobs funds utilized in fiscal years 2012 and 2013.
- ♦ Student enrollment increased by a total of 171 students in fiscal year 2013. Conversely, enrollment is projected to increase by 500 students over the next five years (2014-18). Enrollment is then projected to increase by 600 students from 2019-23, resulting in a net increase of 1,100 students over the 10-year period.
- ♦ The need to maintain and modernize the infrastructure of existing facilities to include additions, renovations, HVAC replacements, roof replacements, and technology upgrades.
- ♦ Increases in the costs for the Virginia Retirement System, health and dental insurance coverage.
- ♦ Implementation of the federal Patient Protection and Affordable Care Act (PPACA) regulations and its effect on health and dental insurance expenditures.
- ♦ The implementation of strategies to reduce the Net OPEB Obligation and the OPEB Unfunded Actuarial Accrued Liability (UAAL).

**Economic Factors**

The Commonwealth of Virginia, Chesapeake Public Schools and the City of Chesapeake are affected by national economic conditions and are being adversely affected in the current economic downturn that the nation as a whole is experiencing. The school division will continue to monitor revenues and expenditures closely in order to proactively address the changing economic climate and its effect on the school division as a whole.

**Contacting the Chesapeake Public Schools Financial Management**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of CPS' finances and to show CPS' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Office at Chesapeake Public Schools, 312 Cedar Road, Chesapeake, Virginia 23322, and telephone 757-547-0465.

## **Basic Financial Statements**

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**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)  
 Statement of Net Position – Governmental Activities  
 June 30, 2013

<b>Assets</b>	
Cash and temporary investments (note 3)	\$ 56,139,045
Receivables	597,552
Due from federal government	17,375,943
Due from Commonwealth of Virginia	10,432,566
Inventory	1,895,038
Restricted cash and temporary investments (note 3)	31,392,903
Capital assets, net (notes 4 and 5)	<u>223,070,347</u>
Total assets	<u><u>\$ 340,903,394</u></u>
<b>Liabilities and Net Position</b>	
Liabilities:	
Accounts payable to vendors	\$ 6,487,803
Accrued payroll	36,060,955
Claims payable	5,434,077
Noncurrent liabilities (notes 5, 6 and 8):	
Due within one year	3,343,423
Due in more than one year	50,810,070
Net OPEB obligation (notes 5 and 9)	<u>278,016,277</u>
Total liabilities	<u>380,152,605</u>
Net position:	
Net investment in capital assets	214,592,253
Restricted for capital projects	27,122,536
Restricted for other purposes	36,292,289
Unrestricted deficit	<u>(317,256,289)</u>
Total net position (deficit)	<u>(39,249,211)</u>
Total liabilities and net position	<u><u>\$ 340,903,394</u></u>

See accompanying notes to basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Statement of Activities – Governmental Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 8,526,174	23,398	—	—	(8,502,776)
Instruction	337,912,999	2,034,164	79,569,789	1,204,851	(255,104,195)
Attendance and health services	6,125,939	18,852	462,219	—	(5,644,868)
Pupil transportation	27,234,530	118,127	—	—	(27,116,403)
Operations and maintenance	42,861,174	1,078,382	—	—	(41,782,792)
School facilities services	650,828	2,048	—	—	(648,780)
School technology services	12,860,471	25,295	—	—	(12,835,176)
Food services	13,268,389	4,328,540	8,177,951	—	(761,898)
Interest on long-term liabilities	318,981	—	—	—	(318,981)
Payment to primary government for returning interest income	119,662	—	—	—	(119,662)
<b>Total</b>	<b>\$ 449,879,147</b>	<b>7,628,806</b>	<b>88,209,959</b>	<b>1,204,851</b>	<b>(352,835,531)</b>
General revenues:					
Interest					86,192
Grants and contributions not restricted to specific programs					151,059,807
Payment from primary government					201,293,387
Miscellaneous					792,217
<b>Total</b>					<b>353,231,603</b>
Change in net position					396,072
Net position (deficit) – beginning of year					(39,645,283)
Net position (deficit) – ending of year					\$ (39,249,211)

See accompanying notes to basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Balance Sheet – Governmental Funds

June 30, 2013

Assets	General	Schools'		Capital Projects	Total Governmental Funds
		Food Services	School Textbooks		
Cash and temporary investments (note 3)	\$ 45,116,157	2,730,737	8,292,151	—	56,139,045
Receivables	544,025	15,955	37,572	—	597,552
Due from federal government	17,033,702	342,241	—	—	17,375,943
Due from Commonwealth of Virginia	10,432,566	—	—	—	10,432,566
Inventory	1,504,982	390,056	—	—	1,895,038
Restricted cash and temporary investments (note 3)	—	—	—	31,392,903	31,392,903
<b>Total assets</b>	<b>\$ 74,631,432</b>	<b>3,478,989</b>	<b>8,329,723</b>	<b>31,392,903</b>	<b>117,833,047</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 37,869,663	406,514	—	4,270,367	42,546,544
Claims payable	5,434,077	—	—	—	5,434,077
<b>Total liabilities</b>	<b>43,303,740</b>	<b>406,514</b>	<b>—</b>	<b>4,270,367</b>	<b>47,980,621</b>
Deferred inflows of resources:					
Unavailable revenues - sales taxes	3,480,559	—	—	—	3,480,559
<b>Total deferred inflows of resources</b>	<b>3,480,559</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,480,559</b>
Fund balances:					
Nonspendable:					
Inventory	1,504,982	390,056	—	—	1,895,038
Restricted:					
Capital Projects	—	—	—	27,122,536	27,122,536
Food services	—	2,682,419	—	—	2,682,419
School textbook	—	—	8,329,723	—	8,329,723
Future health, dental, workers' compensation	24,338,636	—	—	—	24,338,636
Technology	429,790	—	—	—	429,790
Instruction	511,721	—	—	—	511,721
Assigned to:					
Instruction	1,062,004	—	—	—	1,062,004
<b>Total fund balances</b>	<b>27,847,133</b>	<b>3,072,475</b>	<b>8,329,723</b>	<b>27,122,536</b>	<b>66,371,867</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 74,631,432</b>	<b>3,478,989</b>	<b>8,329,723</b>	<b>31,392,903</b>	
Adjustments for the statement of net position:					
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.					223,070,347
Long-term liabilities are not reported as liabilities in the governmental funds.					(54,153,493)
Net OPEB liabilities are not reported as liabilities in the governmental funds.					(278,016,277)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					(2,214)
Assets are not available to pay current period expenditures and, therefore, are reported as unavailable in the governmental funds.					3,480,559
<b>Net position (deficit) of governmental activities</b>					<b>\$ (39,249,211)</b>

See accompanying notes to basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2013

	Schools'				Total Governmental Funds
	General	Food Services	School Textbooks	Capital Projects	
Revenues:					
Intergovernmental:					
From City of Chesapeake	\$ 168,773,000	—	—	—	168,773,000
From Commonwealth of Virginia	204,066,021	251,910	—	—	204,317,931
From federal government	27,979,170	7,295,544	—	—	35,274,714
Donated commodities from federal government	—	882,407	—	—	882,407
Total intergovernmental	400,818,191	8,429,861	—	—	409,248,052
Charges for services	3,300,266	4,328,540	—	—	7,628,806
Interest and investment losses	79,024	(11,609)	(21,861)	40,638	86,192
Miscellaneous	823,953	74,207	16,733	—	914,893
Total revenues	405,021,434	12,820,999	(5,128)	40,638	417,877,943
Expenditures:					
Education:					
Administration	7,961,686	—	—	—	7,961,686
Instruction	310,861,806	—	2,408,057	—	313,269,863
Attendance and health services	5,719,760	—	—	—	5,719,760
Pupil transportation	24,413,037	—	—	—	24,413,037
Operations and maintenance	41,178,223	—	—	—	41,178,223
School facilities services	606,667	—	—	—	606,667
School technology services	11,851,003	—	—	—	11,851,003
Total education	402,592,182	—	2,408,057	—	405,000,239
Food services	—	12,747,906	—	—	12,747,906
Debt service	1,792,152	—	—	—	1,792,152
Payment to primary government – return of interest income	79,024	—	—	40,638	119,662
Capital outlay	—	—	—	21,023,031	21,023,031
Total expenditures	404,463,358	12,747,906	2,408,057	21,063,669	440,682,990
Excess (deficiency) of revenues over expenditures	558,076	73,093	(2,413,185)	(21,023,031)	(22,805,047)
Other financing sources (uses):					
Payment from primary government – proceeds of VPSA bonds	—	—	—	30,684,282	30,684,282
Payment from primary government for capital outlay	—	—	—	1,836,105	1,836,105
Total other financing sources (uses)	—	—	—	32,520,387	32,520,387
Net change in fund balances	558,076	73,093	(2,413,185)	11,497,356	9,715,340
Fund balances at beginning of year	26,633,678	3,003,969	10,742,908	15,625,180	
Increase (decrease) in reserve for inventory	655,379	(4,587)	—	—	
Fund balances at end of year	\$ 27,847,133	3,072,475	8,329,723	27,122,536	

See accompanying notes to basic financial statement

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2013

Net change in fund balance from previous page	\$ 9,715,340
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the expense in the current period.	15,694,129
In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balances by the cost of the equipment sold.	(19,309)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	1,523,079
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues.	(49,908)
Because some sales taxes will not be received for several months after the fiscal year ends, they are reported as unavailable revenue in the governmental funds.	(435)
Change in reserve for inventory from governmental funds is included in expenditures in the statement of activities.	650,792
Changes in net OPEB obligations are reported only in the statement of activities.	(26,456,133)
In the statement of activities, certain operating expenses are measured by the liabilities incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This year, compensated absences liabilities incurred exceeded the amount used by \$794,129, pension liability incurred exceed contributions made by \$1,390 and self insurance amount paid exceeded claims incurred by \$134,036.	<u>(661,483)</u>
Change in net position of governmental activities	\$ <u><u>396,072</u></u>

See accompanying notes to basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)  
 Statement of Fiduciary Net Position – Fiduciary Funds  
 June 30, 2013

	<u>Schools' OPEB Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and temporary investments (note 2)	\$ —	5,612,909
Investments, at fair value		
Money market trust	<u>9,427,243</u>	<u>—</u>
Total assets	<u>\$ 9,427,243</u>	<u>5,612,909</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Due to students	<u>\$ —</u>	<u>5,612,909</u>
Total liabilities	<u>—</u>	<u>5,612,909</u>
Net position:		
Net position held in trust for other postemployment benefits	<u>9,427,243</u>	<u>—</u>
Total net position	<u>9,427,243</u>	<u>—</u>
Total liabilities and net position	<u>\$ 9,427,243</u>	<u>5,612,909</u>

See accompanying notes to basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
 Year Ended June 30, 2013

**Schools' OPEB  
 Trust Fund**

	<b>Additions</b>	
Contributions:		
Employer contributions		\$ 7,222,623
Plan member contributions		<u>3,309,521</u>
Total contributions		<u>10,532,144</u>
Net investment income:		
Net appreciation in the fair value of investments		<u>888,895</u>
Total investment income		<u>888,895</u>
Total additions		\$ <u>11,421,039</u>
	<b>Deductions</b>	
Benefits		\$ 10,532,144
Administrative expenses		<u>8,949</u>
Total deductions		<u>10,541,093</u>
Change in net position		879,946
Net position at beginning of year		<u>8,547,297</u>
Net position at end of year		\$ <u><u>9,427,243</u></u>

See accompanying notes to basic financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The accounting policies of Chesapeake Public Schools (CPS) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

**(a) *The Financial Reporting Entity***

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity of the City of Chesapeake, Virginia (the City) consists of the City as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. CPS is considered a component unit of the City and, accordingly, the financial position and results of operations are reflected in the basic financial statements included in the Comprehensive Annual Financial Report of the City. CPS has no component units for financial reporting purposes.

**(b) *Basis of Presentation***

CPS' 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 CPS as a whole. These statements are reflected on a full accrual, economic resources basis, which incorporates long-term assets as well as long-term liabilities.

The statement of net position presents the financial condition of the governmental activities of CPS at year-end. CPS does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of CPS' governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: administration, instruction, attendance and health services, transportation, operations and maintenance, school facilities services, school technology services and food services. Program revenues include charges paid by the recipient of the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include adult education, summer school tuition, cafeteria sales, and printing services. Revenues not classified as program revenues are presented as general revenues of CPS. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of CPS. CPS does not allocate indirect expenses. When both restricted and unrestricted resources are available for use, it is CPS' policy to use restricted resources first, then unrestricted resources as they are needed.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

**(b) Basis of Presentation**

*Fund Financial Statements:* During the year, CPS segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of CPS at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. CPS has identified all of its governmental funds as major.

The accounts of CPS 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 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. The acquisition, use and balances of CPS' expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination.

CPS reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of CPS. It is used to account for all financial resources except those required to be accounted for in another fund.

*Schools' Food Services Fund* – The Schools' Food Services Fund is used to account for the operation of the Schools' cafeterias.

*School Textbook Fund* – The School Textbook Fund is used to account for the operation of the School Textbook program.

*Capital Projects Fund* – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of the school plant (other than those financed by the other funds or the City).

Additionally, CPS reports the following fiduciary funds:

*Fiduciary Funds* – Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination.

CPS' Agency Fund is the Student Activity Fund, which accounts for the student activity monies maintained on behalf of the students by the principals at each school.

CPS also reports the Schools' Other Post-Employment Benefits (OPEB) Trust Fund. This fund accounts for assets accumulated to fund other post-employment benefit obligations of the Schools.

CPS Fiduciary funds are not included in the government-wide financial statements.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

(c) ***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported in the basic financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. CPS considers collections within 45 days of year-end as available. Expenditures, other than principal and interest on long-term debt which is recorded when due, are recorded when the related fund liability is incurred.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to CPS; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Under the accrual basis of accounting, revenues are recognized when earned. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenses are recognized at the time they are incurred.

(d) ***Encumbrances***

Encumbrances outstanding at year-end represent the estimated amount of the expenditures required to complete contracts, purchase orders, and commitments in process at year-end. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

(e) ***Deposits and Temporary Investments***

Deposits and temporary investments are pooled with the deposits and temporary investments of the City. Income from the investment of pooled deposits is allocated by the City to the various funds and entities based on the percentage of deposits and temporary investments of each fund to total pooled deposits and temporary investments. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

**(f) Receivables and Due From Other Governments**

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

**(g) Inventories**

Inventories of governmental funds are accounted for under the purchase method. Costs are recorded as an expenditure at the time inventory is purchased. Quantities on hand at year-end are recorded on the balance sheet at cost on a first-in, first-out basis with an offsetting nonspendable fund balance.

**(h) Capital Assets**

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent CPS' capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. CPS maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land and textbooks are capitalized regardless of value. CPS has no infrastructure assets.

Under Virginia law, certain property maintained by CPS is subject to tenancy in common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. CPS and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid. At June 30, 2013, the City holds capital assets related to school property with a net book value of \$197,915,505.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets, except land, are depreciated. Depreciation is computed using the straight-line method with full month convention over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Improvements	20 years
Furniture and equipment	5–20 years
Textbooks	5 years

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

(i) ***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 (expenditure) until then. CPS does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net assets 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. CPS has one item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

(j) ***Vacation and Sick Pay***

Employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at their most current rate of pay. The cost of accumulated vacation is accrued as a liability as the benefits are earned by employees if attributable to services already rendered and compensation through paid time off or some other means is probable. Sick leave liability is accrued as the benefits are earned by employees if it is probable CPS will compensate the employees for the benefits through cash payments conditioned upon the employees' termination or retirement. The liability is an estimate based on CPS' past experience of making termination and retirement payments.

(k) ***Fund Balance Items***

Fund balance is divided into 5 classifications based primarily on the extent to which CPS is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable classification 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, for example, inventories and prepaid items.

*Restricted* - The restricted classification is used when constraints are placed on the use of resources either externally by creditors, grantors, contributors, laws and regulations or through enabling legislation.

*Committed* - The committed classification includes amounts that can be used only for the specific purposes determined by formal action (resolution) of the School Board – the highest level of authority and requires a similar formal action to remove the commitment.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

Assigned - The assigned 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 the School Board or a School Board official delegated that authority by an appropriate action such as a resolution.

Unassigned - The unassigned classification is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

CPS applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**(l) Net Position**

The difference between assets and liabilities in the government-wide statement of net position must be labeled as *net position*. In addition, net position must be subdivided into three components; net investment in capital assets; restricted net position; and unrestricted net position, as follows:

Net Investment in Capital Assets - The invested in capital assets component presents the net position that comprise the capital assets (net of accumulated depreciation) less related debt.

Restricted Net Position - The restricted net position component presents the net position that are restricted when constraints are placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - The unrestricted net position component consists of all other net position that does not meet the “invested in capital assets” or “restricted” definitions.

**(m) Interfund Transactions**

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All interfund balances, which are short term in nature, result from the time lag between the dates that reimbursable expenditures occur and payments between funds are made.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

**(n) 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. Actual results could differ from these estimates.

**(2) Change in Accounting Principles**

CPS has adopted Government Accounting Standards Board (GASB) Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB 63 and GASB 65 establish accounting and financial reporting standards that reclassify certain items that were previously classified as assets and liabilities, as deferred outflows of resources or deferred inflows of resources. Furthermore, these Statements provide guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position, previously referred to as net assets, by CPS.

The implementation of these statements did not result in the reclassification of funds and restatement of CPS' financial statements.

**(3) Deposits and Temporary Investments**

Deposits and temporary investments (except for the Agency Fund) pertaining to CPS of \$87,531,948 are pooled and invested with the deposits and temporary investments of the City. Because CPS' deposits and temporary investments are pooled with the deposits and investments of the City, information to categorize investments for CPS only, by the level of risk assumed, is unavailable for disclosure. However, the following provides information for pooled deposits and investments for the City as a whole:

**(a) City Deposits**

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia, or covered by federal depository insurance. The carrying value of pooled deposits, as of June 30, 2013, is \$307,879,280, including petty cash of \$44,612 and cash in the special welfare fiduciary fund of \$1,597. Cash of \$833,686 is being held by the Commonwealth of Virginia.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

(b) *City Investments*

Investments of the City by type at year-end are shown below:

	AAA	AA+	AA	AA-	AA2	Ae3e	Aae	Unrated	Total
Investments:									
Bank Money Market Accounts	\$ 19,478,611	-	-	-	-	-	-	-	19,478,611
Commercial Paper	-	-	-	-	-	-	-	-	-
U.S. Government-Sponsored Coupon Securities	5,673,005	77,709,275	-	-	-	-	3,004,020	-	86,386,300
Treasury Coupon Securities	-	-	-	-	-	-	-	-	-
Corporate Notes and Municipal Bonds	1,299,021	4,259,714	4,204,247	1,655,831	598,214	2,908,530	-	-	14,925,557
Federal Agency Step-Up	-	1,966,920	-	-	-	-	-	-	1,966,920
Local Government Investment Pool	31,473,790	-	-	-	-	-	-	-	31,473,790
OPEB - Money at US Bank	40,640,308	-	-	-	-	-	-	-	40,640,308
OPEB - Money at Local Investment Pool	34,767	-	-	-	-	-	-	-	34,767
Virginia State Non-Arbitrage Program	36,982,619	-	-	-	-	-	-	-	36,982,619
Evergreen Money Market Mutual Fund	52,976	-	-	-	-	-	-	-	52,976
<b>Total</b>	<b>\$ 135,635,097</b>	<b>83,935,909</b>	<b>4,204,247</b>	<b>1,655,831</b>	<b>598,214</b>	<b>2,908,530</b>	<b>3,004,020</b>	<b>-</b>	<b>231,941,848</b>
Restricted investments:									
Money Market Deposit	-	-	-	-	-	-	-	1,994,262	1,994,262
Virginia State Non-Arbitrage Program (Expressway, Jail, and VML)	8,177,721	-	-	-	-	-	-	-	8,177,721
Wells Fargo Advantage Heritage - Money Market Institutional (VML)	13	-	-	-	-	-	-	-	13
Federated U.S. Money Market Mutual Fund	1,760,501	-	-	-	-	-	-	-	1,760,501
U.S. Government-Sponsored Discount Securities	729,068	-	-	-	-	-	-	-	729,068
PFM - SNAP (Virginia State Non-Arbitrage Program)	135,676,934	-	-	-	-	-	-	-	135,676,934
First American Treas Oblig Fd - C1 D	362,125	-	-	-	-	-	-	-	362,125
<b>Total</b>	<b>\$ 146,706,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,994,262</b>	<b>148,700,624</b>
<b>Total Investments and Restricted Investments</b>	<b>\$ 282,341,459</b>	<b>83,935,909</b>	<b>4,204,247</b>	<b>1,655,831</b>	<b>598,214</b>	<b>2,908,530</b>	<b>3,004,020</b>	<b>1,994,262</b>	<b>380,642,472</b>

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(b) City Investments (continued)**

Statutes, as well as the City investment policy, authorize the City to invest in obligations of the United States or agencies thereof; “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, certain certificates of deposits and time deposits in the State Treasurer’s Local Government Investment Pool (LGIP). Money market accounts and mutual funds with underlying securities which are within parameters described above are also allowable as well as investment of funds in deposits. Though not authorized by the City’s investment policy, statutes do allow the following investments: 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, obligations of any state of the United States, obligations of any city, county, town or district situated in any one of the states of the United States, and certificates representing ownership of either treasury bond principal at maturity or its coupons for accrued periods.

**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 at the end of this footnote are the specifically identified investment ratings as of June 30, 2013.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. All deposits of the City 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 or covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk – Investments**

Investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City of Chesapeake investment policy requires securities be purchased only from brokerage firms/institutions with offices that are under the Commonwealth of Virginia’s supervision and located in the Commonwealth of Virginia. The City holds no investments that are at risk.

**Concentrations of Credit Risk**

The City’s investment policy requires that its portfolio be diversified with not more than 5% of the value of the portfolio invested in securities of any single issuer, excluding securities of the U.S. Government or agency thereof, government-sponsored corporation securities, or fully insured and/or collateralized certificates of deposit.

At June 30, 2013, the City was holding investments in BB&T of \$120,000,000 which represented 31.99%; and TowneBank of \$50,000,000 which represented 12.91% of the City’s total investments. The City held no other investment by any one issuer that represented over 5% of the City’s total investments, other than U.S. Treasury securities, mutual funds, and external investment pools.

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits U.S. Treasury and U.S. Agency securities to maturities of less than five years; guaranteed investment contracts to maturities of less than 30 years; bankers acceptances to maturities of less than 180 days; commercial paper to maturities of less than 270 days; and corporate notes to maturities of less than five years.

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. These debt agreements limit U.S. Agency securities to maturities of less than five years and guaranteed investment contracts to maturities of less than 30 years.

The City assumes all investments will be held until maturity or until called at their par value. However, an investment may be sold at an earlier date to meet certain obligations or if the investment's credit quality drops. This makes the City's investments sensitive to market rate fluctuations. To mitigate the impact of market rate fluctuations, the City maintains enough liquidity to meet its short-term needs with a smaller portion invested in long-term government-sponsored organizations and high-quality corporate notes.

**Foreign Currency Risk**

The City'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.

The total deposits and investments carried by the City are summarized below:

Pooled deposits	\$ 308,606,944
State set-aside fund	833,686
Investments	380,642,472
Other component units	3,921,649
Total City deposits	\$ 694,004,751

(c) **Cash and Investments of Agency Fund**

As of June 30, 2013, the cash and investments of the Agency Fund are as follows:

Investment Type	Fair Value	Credit Rating
Demand Deposit Checking Accounts	\$ 1,963,872	N/A
Local Government Investment Pool	3,649,037	AAA

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(4) Capital Assets, Net**

A summary of changes in capital assets follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 17,277,065	\$ -	\$ -	\$ 17,277,065
Construction in progress	67,272,169	21,023,031	40,965,071	47,330,129
Total capital assets not being depreciated	<u>84,549,234</u>	<u>21,023,031</u>	<u>40,965,071</u>	<u>64,607,194</u>
Other capital assets:				
Buildings	105,642,693	40,755,399	-	146,398,092
Building improvements	5,604,230	-	-	5,604,230
Furniture and equipment	65,199,932	265,735	1,622,584	63,843,083
Textbooks	7,704,144	2,066,676	1,284,703	8,486,117
Total other capital assets	<u>184,150,999</u>	<u>43,087,810</u>	<u>2,907,287</u>	<u>224,331,522</u>
Less accumulated depreciation for:				
Buildings	11,730,376	2,103,499	-	13,833,875
Building improvements	3,365,269	169,063	-	3,534,332
Furniture and equipment	44,147,467	3,638,250	1,603,275	46,182,442
Textbooks	2,061,594	1,540,829	1,284,703	2,317,720
Total accumulated depreciation	<u>61,304,706</u>	<u>7,451,641</u>	<u>2,887,978</u>	<u>65,868,369</u>
Other capital assets, net	<u>122,846,293</u>	<u>35,636,169</u>	<u>19,309</u>	<u>158,463,153</u>
Totals	<u>\$207,395,527</u>	<u>\$ 56,659,200</u>	<u>\$ 40,984,380</u>	<u>\$223,070,347</u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2013 as follows:

Instruction	\$ 5,244,694
Administration	49,870
Attendance and health services	48
Pupil transportation	1,705,699
Operations and maintenance	68,756
School technology services	377,476
Food services	5,098
Total governmental activities depreciation expense	<u>\$ 7,451,641</u>

At June 30, 2013, the Schools had contractual commitments of approximately \$5.2 million for work remaining to be performed under capital projects.

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for CPS for the year ended June 30, 2013 follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts Due</u> <u>in One Year</u>
Compensated absences	\$ 39,433,696	\$ 2,748,864	\$ (1,954,735)	\$ 40,227,825	\$ 1,825,674
Net pension obligation	98,572	1,390	-	99,962	-
Net OPEB obligation	251,560,144	33,678,756	(7,222,623)	278,016,277	-
Claims payable	5,481,648	1,103,124	(1,237,160)	5,347,612	-
Equipment capital leases	10,001,173	-	(1,523,079)	8,478,094	1,517,749
	<u>\$306,575,233</u>	<u>\$ 37,532,134</u>	<u>\$ (11,937,597)</u>	<u>\$332,169,770</u>	<u>\$ 3,343,423</u>

Long-term liabilities are normally paid from the General Fund.

CPS leases certain equipment under noncancelable capital leases that expire over the next ten years. At June 30, 2013, \$16,832,834 of equipment financed under capital leases is included in the accompanying statement of net position. The amortization charge of \$1,455,732 is included in depreciation expense. Accumulated amortization on these assets at June 30, 2013 is \$8,171,935.

The present value of future minimum capital lease payments as of June 30, 2013 is as follows:

Fiscal years:	
2014	\$ 1,818,530
2015	1,818,530
2016	1,818,530
2017	1,342,437
2018	1,144,071
2019 - 2022	<u>1,567,300</u>
Total minimum lease payments	9,509,398
Less amounts representing interest	<u>1,031,304</u>
Present value of minimum capital lease payments	<u>\$ 8,478,094</u>

The future payments by year of compensated absences and net pension obligation are not determinable.

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(6) Defined Benefit Pension Plan**

**(a) Plan Description**

CPS contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer, defined benefit pension plan administered by the VRS. All full-time, salaried permanent employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Professional employees participate in a VRS statewide teacher cost-sharing pool and nonprofessional employees participate as a separate group in the VRS. Members earn one month of service credit for each month they are employed and their employer is paying into VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. CPS employees are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least thirty years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. CPS employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equal 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for CPS employees is 1.70%.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950) (the Code), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2012-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(b) Funding Policy**

Plan members are required by Title 51.1 of the Code to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of 5 years and CPS is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. CPS has assumed 2% of the member's contribution. In addition, CPS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code and approved by the VRS Board of Trustees. CPS' contribution rate for nonprofessional employees for the fiscal year ended June 30, 2013 was 13.40% of annual covered payroll. CPS' contribution rate for professional employees for the fiscal year ended June 30, 2013 was 13.66% of annual covered payroll.

The following table relates to CPS' contribution for professional employees:

	<b>Annual Required Contributions</b>	<b>Actual Amount Contributed</b>	<b>Amount Contributed in Percent</b>
Fiscal year ended June 30:			
2013	\$ 28,707,084	\$ 28,707,084	100%
2012	23,589,821	23,589,821	100%
2011	18,835,577	18,835,577	100%

**(c) Annual Pension Cost and Net Pension Obligation**

For fiscal year 2013, CPS' annual pension cost and net pension obligation for nonprofessional employees were as follows:

Annual required contribution	\$ 2,757,882
Interest on net pension obligation	6,900
Adjustment to annual required contribution	(5,510)
Annual pension cost	<u>2,759,272</u>
Contributions made	<u>2,757,882</u>
Increase in net pension obligation	1,390
Net pension obligation at July 1, 2012	98,572
Net pension obligation at June 30, 2013	<u><u>\$ 99,962</u></u>

The required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) a 7.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% to 6.20% per year, and (c) cost-of-living adjustments of 2.50% per year for Plan 1 members and 2.25% per year for Plan 2 members. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of CPS' assets is equal to the modified market value of assets. This method was

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. CPS' unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the UAAL was 30 years.

**(d) Trend Information for Nonprofessional Employees**

The trend information for CPS' nonprofessional employees is as follows:

**Three-Year Trend Information**

	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
Fiscal year ended June 30:			
2013	\$ 2,759,272	100%	\$ 99,962
2012	2,949,881	100%	98,572
2011	2,958,157	100%	97,102

**(e) Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 88,437,402
Less actuarial value of plan assets	62,016,430
Unfunded actuarial accrued liability (UAAL)	<u>\$ 26,420,972</u>
Funded ratio	70.12%
Covered payroll	\$ 20,446,608
UAAL as a percentage of covered payroll	129.22%

The Schedule of Funding Progress, presented as RSI following the Notes to Basic Financial Statements, presents multiyear trend information about whether the actuarial present value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(7) Contingent Liabilities**

**(a) Litigation**

Various claims and lawsuits are pending against CPS. In the opinion of legal counsel, resolution of these cases would not involve a significant liability to CPS.

**(b) Federal Award Programs**

CPS participates in a number of federal award programs. Although CPS was audited in accordance with the provisions of OMB Circular A-133 in conjunction with the audit of the City, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Based on prior experience, CPS' management believes such disallowances, if any, will not be significant.

**(c) Encumbrances**

CPS has outstanding purchase orders representing goods or services not received as of June 30, 2013. These amounts are encumbrances of fiscal year 2012-2013 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 1,573,837
Capital Projects	5,187,252
Total Encumbrances	<u>\$ 6,761,089</u>

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(8) Self-Insurance**

CPS is self-insured for its workers' compensation, health and dental insurance through the General Fund. The health insurance program became self-insured during the fiscal year ended June 30, 2009. Expenditures are charged to the various departments at amounts that approximate what third-party insurers would have charged. Workers' compensation has a \$750,000 limit per claim. Health insurance has a specific stop loss limit of \$300,000 per member covering both medical and drug expenses. Dental care has a cap at 120% of expected claims as calculated by the third-party administrator. Commercial insurance is purchased to cover other types of losses including property and casualty damage, personal and real property damage, and personal liability. The insurance coverage is substantially the same as in prior fiscal years. Claims processing and payments for the workers' compensation, medical and dental claims are made through a third-party administrator. The settlements using commercial insurance did not exceed insurance coverage for each of the past three years. CPS uses the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. Amounts due in future years on claims as of June 30, 2013 are recognized as a long-term liability in the statement of net position. Changes in the claims payable amount during the fiscal years ended June 30, 2013, 2012 and 2011 were as follows:

	<b>Balance July 1</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance June 30</b>
<b>Worker's Compensation Claims</b>				
2012 - 2013	\$ 5,481,648	\$ 1,103,124	\$ 1,237,160	\$ 5,347,612
2011 - 2012	5,825,602	845,741	1,189,695	5,481,648
2010 - 2011	5,745,325	2,110,912	2,030,635	5,825,602
<b>Medical Claims</b>				
2012 - 2013	\$ 6,063,518	\$ 59,404,787	\$ 60,034,228	\$ 5,434,077
2011 - 2012	5,444,635	61,797,164	61,178,281	6,063,518
2010 - 2011	5,249,226	56,612,700	56,417,291	5,444,635

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(9) Other Post-Employment Benefits**

***Plan Description***

The Schools' Pre-Medicare and Post-Medicare Medical Plans are single-employer defined benefit plans that provide medical and dental insurance benefits to eligible retirees and their dependents. Plan membership as of July 1, 2012, consisted of 5,389 active service participants and 1,435 retirees and beneficiaries currently receiving benefits. The Schools' administrative policies and regulations outline the benefits provided and criteria for eligibility. City Ordinance established the CPS Other Post-Employment Benefits (OPEB) Trust for the purpose of accumulating and investing assets to fund other post-employment benefits obligations. The School Board, in accordance with this election, has agreed to become part of the Virginia Pooled OPEB Trust Fund (the Trust). Amounts contributed to the Trust by the Schools are irrevocable and must be used solely to discharge the Schools' obligations for other post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the Schools' financial statements.

***Significant Accounting Policies***

The OPEB Trust is a fiduciary-type component unit of the Schools. 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 Schools 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 fiscal year 2013, the Schools contributed \$7,222,623 to the plan to pay for current premiums (69% of total premiums). Plan members receiving benefits contributed \$3,309,521, or 31% of the total premiums, through their required monthly contributions. Costs to administer current benefits are paid from the general fund.

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

The Schools' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**CHESAPEAKE PUBLIC SCHOOLS**  
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Notes to Basic Financial Statements

June 30, 2013

**(9) Other Post-Employment Benefits** (continued)

For the year ended June 30, 2013, the Schools' annual OPEB cost and net OPEB obligation were as follows:

Annual required contribution	\$ 37,604,581
Interest on net OPEB obligation	10,062,406
Adjustment to annual required contribution	<u>(13,988,231)</u>
 Annual OPEB cost	 33,678,756
Less employer contributions made	<u>(7,222,623)</u>
 Increase in net OPEB obligation	 26,456,133
Net OPEB obligation at June 30, 2012	<u>251,560,144</u>
 Net OPEB obligation at June 30, 2013	 <u><u>\$ 278,016,277</u></u>

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 33,678,756	\$ 7,222,623	21.4%	\$ 278,016,277
June 30, 2012	53,753,073	6,624,530	12.3%	251,560,144
June 30, 2011	57,145,295	8,048,372	14.1%	204,431,601

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Notes to Basic Financial Statements

June 30, 2013

**(9) Other Post-Employment Benefits** (continued)

*Funded Status and Funding Progress*

Based on the most recent actuarial valuation dated July 1, 2012, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 362,045,590
Less actuarial value of plan assets	8,547,297
Unfunded actuarial accrued liability (UAAL)	<u>\$ 353,498,293</u>
Funded ratio (actuarial value of plan assets/AAL)	2.4%
Covered payroll	\$ 231,925,031
UAAL as a percentage of covered payroll	152.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the Schools' annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2013, the sixth year of implementation. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Method and Assumptions*

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an annual healthcare cost trend rate of 8.00% initially, reduced by 0.5% each year to an ultimate rate of 5.0% after 6 years and thereafter. The Schools' unfunded actuarial accrued liabilities (UAAL) are being amortized as a level dollar amount on an open basis within a period of 30 years.

**Required Supplementary Information  
Other Than Management's Discussion and Analysis  
(Unaudited)**

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**CHESAPEAKE PUBLIC SCHOOLS**  
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General Fund

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
City of Chesapeake	\$ 171,438,112	171,438,112	168,773,000	(2,665,112)
Commonwealth of Virginia	209,369,348	206,479,436	204,066,021	(2,413,415)
Federal government	30,178,493	32,277,802	27,979,170	(4,298,632)
Charges for services	3,082,920	3,082,920	3,300,266	217,346
Interest	—	—	79,024	79,024
Miscellaneous	638,135	639,038	823,953	184,915
Total revenues	<u>414,707,008</u>	<u>413,917,308</u>	<u>405,021,434</u>	<u>(8,895,874)</u>
Expenditures:				
Education:				
Administration	7,845,955	7,989,604	7,961,686	(27,918)
Instruction	319,510,443	321,673,421	310,861,806	(10,811,615)
Attendance and health services	5,721,432	5,713,492	5,719,760	6,268
Pupil transportation	23,690,851	24,382,314	24,413,037	30,723
Operations and maintenance	41,933,314	41,483,369	41,178,223	(305,146)
School facilities services	624,566	609,566	606,667	(2,899)
School technology services	13,588,295	12,501,184	11,851,003	(650,181)
Capital Outlay	—	—	—	—
Total education	<u>412,914,856</u>	<u>414,352,950</u>	<u>402,592,182</u>	<u>(11,760,768)</u>
Debt service:				
Principal	1,523,079	1,523,079	1,523,079	—
Interest	269,073	269,073	269,073	—
Total debt service	<u>1,792,152</u>	<u>1,792,152</u>	<u>1,792,152</u>	<u>—</u>
Payment to primary government – return of interest income	<u>—</u>	<u>—</u>	<u>79,024</u>	<u>79,024</u>
Total expenditures	<u>414,707,008</u>	<u>416,145,102</u>	<u>404,463,358</u>	<u>(11,681,744)</u>
Total revenues over (under) expenditures	<u>\$ —</u>	<u>(2,227,794)</u>	<u>558,076</u>	<u>2,785,870</u>
Fund balance at beginning of year			26,633,678	
Increase in reserve for inventory			<u>655,379</u>	
Fund balance at end of year			<u>\$ 27,847,133</u>	

See accompanying note to required supplementary information and independent auditor's report.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Schools' Food Services Fund

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budgetary Basis

Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Commonwealth of Virginia	\$ 156,000	156,000	251,910	95,910
Federal government	6,316,000	6,316,000	7,295,544	979,544
Charges for services	6,591,000	6,591,000	4,328,540	(2,262,460)
Interest and investment losses	5,509	5,509	(11,609)	(17,118)
Miscellaneous	65,000	65,000	74,207	9,207
Total revenues	<u>13,133,509</u>	<u>13,133,509</u>	<u>11,938,592</u>	<u>(1,194,917)</u>
Expenditures:				
Operating costs:				
Purchases for resale	4,772,500	4,528,976	4,085,489	(443,487)
Food service salaries and fringe benefits	6,723,502	6,723,502	6,308,837	(414,665)
General and administrative	1,353,757	1,596,609	1,266,712	(329,897)
Other repairs and supplies	260,500	262,000	190,854	(71,146)
Capital outlay	10,000	10,952	642	(10,310)
Other expenditures	13,250	13,250	12,965	(285)
Total expenditures	<u>13,133,509</u>	<u>13,135,289</u>	<u>11,865,499</u>	<u>(1,269,790)</u>
Revenues over (under) expenditures	\$ <u>—</u>	<u>(1,780)</u>	73,093	<u>74,873</u>
Fund balance at beginning of year			3,003,969	
Decrease in reserve for inventory			<u>(4,587)</u>	
Fund balance at end of year			\$ <u>3,072,475</u>	

See accompanying note to required supplementary information and independent auditor's report.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

School Textbook Fund

Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual

Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Interest and investment losses	\$ 35,000	35,000	(21,861)	(56,861)
Miscellaneous	5,000	5,000	16,733	11,733
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>(5,128)</u>	<u>(45,128)</u>
Expenditures:				
Instruction:				
Textbooks	5,466,460	5,466,460	2,066,676	(3,399,784)
Expendable workbooks	10,000	45,637	341,381	295,744
Total expenditures	<u>5,476,460</u>	<u>5,512,097</u>	<u>2,408,057</u>	<u>(3,104,040)</u>
Revenues and other financing source over (under) expenditures	\$ <u>(5,436,460)</u>	<u>(5,472,097)</u>	(2,413,185)	<u>3,058,912</u>
Fund balance at beginning of year			<u>10,742,908</u>	
Fund balance at end of year			\$ <u>8,329,723</u>	

See accompanying note to required supplementary information and independent auditor's report.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Schedule of Funding Progress (unaudited)

Year Ended June 30, 2013

**Schools' nonprofessional employees:**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>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, 2012	\$ 62,016,430	88,437,402	26,420,972	70.1%	\$ 20,446,608	129.2%
June 30, 2011	\$ 62,210,606	85,712,381	23,501,775	72.6%	\$ 20,528,970	114.5%
June 30, 2010	\$ 60,621,268	82,740,524	22,119,256	73.3%	\$ 20,517,369	107.8%
June 30, 2009	\$ 59,853,949	75,675,711	15,821,762	79.1%	\$ 20,917,830	75.6%
June 30, 2008	\$ 58,067,113	71,507,633	13,440,520	81.2%	\$ 20,744,338	64.8%
June 30, 2007	\$ 52,011,985	66,405,313	14,393,328	78.3%	\$ 19,713,778	73.0%
June 30, 2006	\$ 45,136,547	59,266,035	14,129,488	76.2%	\$ 18,602,631	76.0%
June 30, 2005	\$ 42,007,930	56,541,645	14,533,715	74.3%	\$ 17,437,108	83.3%
June 30, 2004	\$ 40,517,147	48,237,485	7,720,338	84.0%	\$ 16,322,205	47.3%
June 30, 2003	\$ 39,855,331	44,286,176	4,430,845	90.0%	\$ 15,293,398	29.0%

See accompanying independent auditor's report.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Schedule of Funding Progress - Other Post-Employment Benefits (unaudited)

Year Ended June 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
July 1, 2012	\$ 8,547,297	362,045,590	353,498,293	2.36%	\$ 231,925,031	152.42%
July 1, 2011	\$ 8,657,970	550,012,749	541,354,779	1.57%	\$ 228,512,576	236.90%
July 1, 2010	\$ 5,511,531	500,493,509	494,981,978	1.10%	\$ 231,297,764	214.00%
July 1, 2009	\$ 421,925	511,308,762	510,886,837	0.08%	\$ 243,345,531	209.94%
July 1, 2008	\$ —	552,551,956	552,551,956	0.00%	\$ 234,879,180	235.25%
July 1, 2007	\$ —	341,903,028	341,903,028	0.00%	\$ 211,208,943	161.88%

The City and Schools implemented GASB Statement Nos. 43 and 45 for the fiscal year ended June 30, 2008. Going forward, the schedule will eventually provide additional multiyear trend information.

See accompanying independent auditor's report.

**CHESAPEAKE PUBLIC SCHOOLS**  
 (Component Unit of the City of Chesapeake, Virginia)

Schedule of Employer Contributions - Other Post-Employment Benefits (unaudited)  
 Year Ended June 30, 2013

<u>Fiscal Year Ended June 30:</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed in Dollars</u>	<u>Actual Amount Contributed in Percent</u>
2013	\$ 37,604,581	7,222,623	19.21%
2012	\$ 56,943,414	6,624,530	11.63%
2011	\$ 59,569,434	8,048,372	13.51%
2010	\$ 63,233,129	10,700,540	16.92%
2009	\$ 69,969,792	5,787,049	8.27%
2008	\$ 44,939,118	4,051,938	9.02%

The Schools implemented GASB Statement Nos. 43 for the fiscal year ended June 30, 2008. Going forward, the schedule will eventually provide additional multiyear trend information.

See accompanying independent auditor's report.

**CHESAPEAKE PUBLIC SCHOOLS**  
(Component Unit of the City of Chesapeake, Virginia)

Note to Required Supplementary Information  
Year Ended June 30, 2012

**Budgetary Data**

The budgetary data reflected in the required supplementary information was established by Chesapeake Public Schools (CPS) using the following procedures:

- (a) CPS submits to the City Council a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year.
- (b) The budget is legally enacted through passage of an ordinance by the City Council. The School Board then allocates the budget to the various functions.
- (c) The School Board and Superintendent are authorized to make transfers between functions and budgetary line items, respectively. However, revisions that alter the total expenditures of CPS' operating budget must be approved by the City Council. The legal level of budgetary control for the General Fund and Special Revenue Funds is the fund level or the level at which management cannot make transfers or incur expenditures in excess of appropriations without the approval of the School Board. However, management control is exercised over the budget at the individual revenue and expenditure budgetary line item level.

The General Fund and the Special Revenue Funds have legally adopted annual budgets. The budgets are adopted on a budgetary basis which differs from accounting principles generally accepted in the United States of America (GAAP) because revenues and expenditures of \$882,407 resulting from donations of food commodities from the United States Department of Agriculture to Schools' Food Services Fund are not recognized for budgetary purposes.

Appropriations with outstanding commitments or encumbrances are reappropriated in the following year.

The Capital Projects Fund budget is adopted on a project basis by the City Council upon the School Board's recommendation. Any unexpended funds at project completion are returned to the City.

# STATISTICAL SECTION

(Unaudited)

This part of the Chesapeake Public Schools' Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School Board's financial health.

Tables

## ***Financial Trends***

1 - 5

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

## ***Revenue Capacity***

6

This table contains information to help the reader assess the government's most significant local revenue source, school nutrition services sales.

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

7 - 10

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

## ***Operating Information***

11 - 13

These tables 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 tables is derived from the Comprehensive Annual Financial Report for the relevant year.

**CHESAPEAKE PUBLIC SCHOOLS  
Component Unit of the City of Chesapeake, Virginia**

**Net Position by Component (unaudited)  
Last Ten Fiscal Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Primary government, governmental activities:										
Net investment in capital assets:	\$ 214,592,253	\$ 197,394,354	\$ 166,568,308	\$ 145,437,765	\$ 133,168,432	\$ 108,202,223	\$ 83,377,822	\$ 70,526,506	\$ 67,464,238	\$ 62,024,995
Restricted for capital projects	27,122,536	15,625,180	22,133,039	44,293,952	36,422,441	23,851,420	32,955,766	3,559,445	4,922,761	8,533,984
Restricted for other purposes	36,292,289	37,834,510	-	-	-	-	-	-	-	-
Restricted for federal and state projects	-	-	-	-	-	-	-	-	1,679,704	1,866,409
Unrestricted	(317,256,289)	(290,499,327)	(200,948,143)	(154,999,075)	(103,448,681)	(59,963,739)	(15,478,156)	(16,653,637)	(17,652,932)	(17,670,418)
Total primary government net position	<u>\$ (39,249,211)</u>	<u>\$ (39,645,283)</u>	<u>\$ (12,246,796)</u>	<u>\$ 34,732,642</u>	<u>\$ 66,142,192</u>	<u>\$ 72,089,904</u>	<u>\$ 100,855,432</u>	<u>\$ 57,432,314</u>	<u>\$ 56,413,771</u>	<u>\$ 54,754,970</u>

Note: Starting in 2013, CPS implemented GASB 63 and 65; therefore, the format of the schedule has changed to state Net Position versus Net Assets.

The School Board has no business-type activities.

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Changes in Net Position (unaudited)**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Primary Government</b>										
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 8,526,174	\$ 8,224,719	\$ 8,499,835	\$ 9,043,438	\$ 9,510,076	\$ 9,553,914	\$ 9,553,639	\$ 7,559,427	\$ 7,009,771	\$ 6,242,625
Instruction	337,912,999	359,663,535	362,305,236	369,973,636	373,463,572	386,102,359	317,550,130	288,035,079	270,030,783	245,285,360
Attendance and health services	6,125,939	6,308,060	5,895,342	6,413,977	6,766,485	5,794,509	6,043,088	4,758,613	4,426,032	4,031,877
Pupil transportation	27,234,530	29,371,604	27,920,989	27,219,922	29,710,715	25,485,918	23,651,394	21,544,837	19,186,768	17,536,551
Operations and maintenance	42,861,174	42,218,928	42,193,799	42,198,264	48,622,419	42,285,097	39,252,325	36,038,053	34,055,946	31,787,479
School facilities services	650,828	652,296	745,668	872,365	985,530	1,220,416	963,718	1,073,088	968,173	1,231,685
School technology services	12,860,471	12,884,155	12,731,689	15,803,752	14,983,105	-	-	-	-	-
Food service	13,268,389	12,916,234	12,797,151	13,134,230	13,512,266	12,596,082	12,528,248	11,497,611	11,541,756	10,291,434
Interest on long-term liabilities	318,981	377,528	373,239	453,187	408,922	345,988	415,979	223,690	297,988	331,075
Payment to primary government for:										
Returning interest income	119,662	269,357	541,907	960,855	1,546,584	3,745,377	2,315,097	1,100,715	-	-
Debt service	-	-	-	-	682,525	711,203	734,982	758,762	782,542	-
Capital outlay	-	-	-	-	-	-	-	1,601,917	-	-
Capital Outlay	-	-	742,516	-	557,844	7,828,214	-	-	532,463	389,864
Total expenses	<u>449,879,147</u>	<u>472,886,416</u>	<u>474,747,371</u>	<u>486,073,626</u>	<u>500,750,043</u>	<u>495,669,077</u>	<u>413,008,600</u>	<u>374,191,792</u>	<u>348,832,222</u>	<u>317,127,950</u>
<b>Program revenues</b>										
Governmental activities:										
Charges for services	7,628,806	7,097,754	7,243,389	7,245,368	7,426,524	8,227,885	8,398,845	7,870,493	7,287,354	7,536,856
Operating grants and contributions	88,209,959	102,098,651	94,135,909	82,506,111	77,494,672	75,373,793	73,594,383	64,061,438	58,446,998	52,880,132
Capital grants and contributions	1,204,851	1,541,294	1,125,139	955,420	1,895,524	1,907,684	1,922,839	1,343,384	2,181,385	2,212,985
Total program revenues	<u>97,043,616</u>	<u>110,737,699</u>	<u>102,504,437</u>	<u>90,706,899</u>	<u>86,816,720</u>	<u>85,509,362</u>	<u>83,916,067</u>	<u>73,275,315</u>	<u>67,915,737</u>	<u>62,629,973</u>
<b>Primary government net expense</b>	<u>(352,835,531)</u>	<u>(362,148,717)</u>	<u>(372,242,934)</u>	<u>(395,366,727)</u>	<u>(413,933,323)</u>	<u>(410,159,715)</u>	<u>(329,092,533)</u>	<u>(300,916,477)</u>	<u>(280,916,485)</u>	<u>(254,497,977)</u>
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Unrestricted grants and contributions	352,353,194	333,228,147	323,606,904	361,488,733	402,409,630	374,581,076	369,516,110	299,002,764	281,850,424	254,151,142
Investment earnings	86,192	333,931	591,149	1,105,263	1,764,666	4,065,837	2,410,518	1,204,100	73,136	9,668
Miscellaneous	792,217	1,188,152	1,065,443	1,363,181	3,811,315	2,747,274	589,023	936,605	651,726	1,700,533
Payment from primary government - return of prior year reversion	-	-	-	-	-	-	-	791,551	-	-
Total primary government	<u>353,231,603</u>	<u>334,750,230</u>	<u>325,263,496</u>	<u>363,957,177</u>	<u>407,985,611</u>	<u>381,394,187</u>	<u>372,515,651</u>	<u>301,935,020</u>	<u>282,575,286</u>	<u>255,861,343</u>
<b>Change in net position</b>										
Total primary government	<u>\$ 396,072</u>	<u>\$ (27,398,487)</u>	<u>\$ (46,979,438)</u>	<u>\$ (31,409,550)</u>	<u>\$ (5,947,712)</u>	<u>\$ (28,765,528)</u>	<u>\$ 43,423,118</u>	<u>\$ 1,018,543</u>	<u>\$ 1,658,801</u>	<u>\$ 1,363,366</u>

Note: Starting in 2013, CPS implemented GASB 63 and 65; therefore, the format of the schedule has changed to state Net Position versus Net Assets.

The School Board has no business-type activities.

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Fund Balances, Governmental Funds (unaudited)**  
**Last Ten Fiscal Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ 27,780,249	\$ 26,234,676	\$ 7,894,289	\$ 9,405,544	\$ 3,130,016	\$ 5,408,807	\$ 5,538,200
Nonspendable	1,504,982	849,603	836,324	-	-	-	-	-	-	-
Restricted	25,280,147	24,482,276	28,597,716	-	-	-	-	-	-	-
Assigned	1,062,004	1,301,799	1,725,053	-	-	-	-	-	-	-
Total general fund	<u>\$ 27,847,133</u>	<u>\$ 26,633,678</u>	<u>\$ 31,159,093</u>	<u>\$ 27,780,249</u>	<u>\$ 26,234,676</u>	<u>\$ 7,894,289</u>	<u>\$ 9,405,544</u>	<u>\$ 3,130,016</u>	<u>\$ 5,408,807</u>	<u>\$ 5,538,200</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ 13,317,552	\$ 21,698,928	\$ 430,895	\$ 3,003,495	\$ 3,220,066	\$ 1,624,894	\$ 1,226,093
Unreserved, reported in:										
Schools' food services	-	-	-	341,662	689,555	987,119	939,827	1,792,796	1,423,645	1,544,816
School textbooks	-	-	-	10,444,045	11,287,349	7,465,457	3,408,447	3,707,719	2,236,915	1,480,721
Capital projects	-	-	-	31,999,259	15,180,070	23,851,420	30,739,784	778,122	3,553,926	7,734,951
Nonspendable	390,056	394,643	391,396	-	-	-	-	-	-	-
Restricted	38,134,678	28,977,414	34,511,451	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 38,524,734</u>	<u>\$ 29,372,057</u>	<u>\$ 34,902,847</u>	<u>\$ 56,102,518</u>	<u>\$ 48,855,902</u>	<u>\$ 32,734,891</u>	<u>\$ 38,091,553</u>	<u>\$ 9,498,703</u>	<u>\$ 8,839,380</u>	<u>\$ 11,986,581</u>
Total fund balances, governmental funds	<u>\$ 66,371,867</u>	<u>\$ 56,005,735</u>	<u>\$ 66,061,940</u>	<u>\$ 83,882,767</u>	<u>\$ 75,090,578</u>	<u>\$ 40,629,180</u>	<u>\$ 47,497,097</u>	<u>\$ 12,628,719</u>	<u>\$ 14,248,187</u>	<u>\$ 17,524,781</u>

Note: CPS implemented GASB 54 in fiscal year 2011. For years prior to 2011, conversion of fund balance data to the GASB 54 format is not possible at this time.  
Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

Table 4

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Intergovernmental										
From City of Chesapeake	\$ 168,773,000	\$ 169,581,035	\$ 171,309,720	\$ 191,564,441	\$ 181,558,576	\$ 194,183,814	\$ 186,655,407	\$ 149,860,565	\$ 136,398,571	\$ 126,876,092
From Commonwealth of Virginia	204,317,931	198,891,112	197,758,979	206,149,334	240,111,837	221,404,006	217,554,392	189,874,820	182,747,635	159,500,303
From Federal government	35,274,714	41,945,642	49,070,850	32,029,361	22,608,614	24,847,540	24,425,724	23,610,417	22,020,163	22,001,121
Federal donated commodities	882,407	703,432	836,231	752,531	708,357	942,431	594,842	759,797	924,153	630,407
Local										
Charges for services	7,628,806	7,097,754	7,243,389	7,245,368	7,426,524	8,227,885	8,398,845	7,870,493	7,287,354	6,215,940
Interest	86,192	333,931	591,149	1,105,263	1,764,666	4,065,837	2,410,518	1,204,100	73,136	12,800
Miscellaneous	914,893	1,434,845	1,099,198	1,377,791	3,853,651	2,827,327	618,504	945,745	677,969	3,046,952
<b>Total revenues</b>	<b>417,877,943</b>	<b>419,987,751</b>	<b>427,909,516</b>	<b>440,224,089</b>	<b>458,032,225</b>	<b>456,498,840</b>	<b>440,658,232</b>	<b>374,125,937</b>	<b>350,128,981</b>	<b>318,283,615</b>
<b>Expenditures</b>										
Current										
Education										
Administration	7,961,686	7,239,304	7,486,758	7,955,711	8,147,608	9,426,436	9,466,123	7,540,160	6,917,697	6,047,761
Instruction	313,269,863	319,568,692	316,179,177	312,179,376	312,952,590	334,750,717	308,786,443	282,291,055	265,590,387	241,016,328
Attendance and health services	5,719,760	5,562,585	5,125,814	5,604,907	5,722,172	5,726,979	5,979,267	4,748,322	4,415,116	3,998,918
Pupil transportation	24,413,037	25,533,344	24,199,725	23,546,059	25,137,180	24,711,116	22,432,580	20,827,794	18,519,154	15,699,498
Operation and maintenance	41,178,223	39,137,393	38,787,776	38,988,352	44,359,403	42,058,757	38,683,190	36,028,126	34,016,292	31,636,663
School facilities services	606,667	569,626	653,816	774,729	850,629	1,211,589	954,372	1,071,653	966,305	1,225,221
School technology services	11,851,003	11,354,483	11,156,090	14,234,184	13,426,743	-	-	-	-	-
Food services	12,747,906	11,984,239	11,857,855	12,061,206	12,249,575	12,296,354	12,560,555	11,524,797	11,467,589	10,305,666
Debt service	1,792,152	2,333,600	2,557,533	2,557,534	4,346,115	3,179,802	4,335,898	2,464,393	2,967,727	2,606,443
Return of interest income to primary government	119,662	269,357	541,907	960,855	1,546,584	3,745,377	2,315,097	1,100,715	-	-
Debt payment to primary government	-	-	-	-	682,525	711,203	734,982	758,762	782,542	-
Payment to primary government for capital outlay	-	-	-	-	-	-	-	1,601,917	-	-
Capital outlay	21,023,031	35,960,532	27,076,729	27,003,588	35,491,287	40,122,765	22,880,184	9,177,081	11,741,629	10,363,337
<b>Total expenditures</b>	<b>440,682,990</b>	<b>459,513,155</b>	<b>445,623,180</b>	<b>445,866,501</b>	<b>464,912,411</b>	<b>477,941,095</b>	<b>429,128,691</b>	<b>379,134,775</b>	<b>357,384,438</b>	<b>322,899,835</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(22,805,047)</b>	<b>(39,525,404)</b>	<b>(17,713,664)</b>	<b>(5,642,412)</b>	<b>(6,880,186)</b>	<b>(21,442,255)</b>	<b>11,529,541</b>	<b>(5,008,838)</b>	<b>(7,255,457)</b>	<b>(4,616,220)</b>
<b>Other financing sources (uses)</b>										
Proceeds from capital leases	-	3,700,000	-	-	4,114,116	4,300,000	7,600,000	2,500,000	4,000,000	4,000,000
Proceeds of VPSA bonds from primary government	30,684,282	15,002,673	-	13,253,099	37,000,026	10,003,048	15,863,928	-	-	-
Return of prior year reversion from primary government	-	-	-	-	-	-	-	791,551	-	-
Payment from primary government for capital outlay	1,836,105	10,750,000	-	900,000	76,934	380,075	-	-	-	-
Transfers in	-	2,000,000	-	-	7,483,790	7,772,825	9,486,877	4,182,985	4,002,664	5,907,561
Transfers out	-	(2,000,000)	-	-	(7,483,790)	(7,772,825)	(9,486,877)	(4,182,985)	(4,002,664)	(5,907,561)
<b>Total other financing sources (uses)</b>	<b>32,520,387</b>	<b>29,452,673</b>	<b>-</b>	<b>14,153,099</b>	<b>41,191,076</b>	<b>14,683,123</b>	<b>23,463,928</b>	<b>3,291,551</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Total net change in fund balances</b>	<b>\$ 9,715,340</b>	<b>\$ (10,072,731)</b>	<b>\$ (17,713,664)</b>	<b>\$ 8,510,687</b>	<b>\$ 34,310,890</b>	<b>\$ (6,759,132)</b>	<b>\$ 34,993,469</b>	<b>\$ (1,717,287)</b>	<b>\$ (3,255,457)</b>	<b>\$ (616,220)</b>
<b>Ratio of debt service expenditures to noncapital expenditures</b>	0.43%	0.55%	0.62%	0.62%	1.19%	0.90%	1.27%	0.89%	1.10%	0.84%

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal year

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Governmental Funds Revenue**  
**Last Ten Fiscal Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Federal revenue sources:</b>										
General Fund	\$ 27,979,170	\$ 35,048,485	\$ 42,682,983	\$ 25,988,821	\$ 17,150,078	\$ 20,005,328	\$ 19,765,391	\$ 19,045,910	\$ 17,602,778	\$ 18,053,722
Schools' Food Services Fund	7,295,544	6,897,157	6,387,867	6,040,540	5,458,536	4,842,212	4,660,333	4,564,507	4,417,385	3,947,399
School Textbooks Fund	-	-	-	-	-	-	-	-	-	-
Total federal sources	<u>35,274,714</u>	<u>41,945,642</u>	<u>49,070,850</u>	<u>32,029,361</u>	<u>22,608,614</u>	<u>24,847,540</u>	<u>24,425,724</u>	<u>23,610,417</u>	<u>22,020,163</u>	<u>22,001,121</u>
<b>State revenue sources:</b>										
General Fund	204,066,021	198,656,388	197,550,896	205,949,845	239,909,945	221,212,933	217,362,646	189,687,624	182,578,999	159,264,101
Schools' Food Services Fund	251,910	234,724	208,083	199,489	201,892	191,073	191,746	187,196	164,341	165,624
School Textbooks Fund	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-	4,295	70,578
Total state sources	<u>204,317,931</u>	<u>198,891,112</u>	<u>197,758,979</u>	<u>206,149,334</u>	<u>240,111,837</u>	<u>221,404,006</u>	<u>217,554,392</u>	<u>189,874,820</u>	<u>182,747,635</u>	<u>159,500,303</u>
<b>Local revenue sources:</b>										
General Fund	172,976,243	173,069,692	169,686,894	174,650,919	184,899,140	186,087,021	170,668,313	152,192,759	136,963,040	128,901,201
Schools' Food Services Fund	4,391,138	5,133,186	5,264,228	5,099,179	5,513,823	6,310,949	6,465,654	6,425,467	5,910,306	5,525,495
School Textbooks Fund	(5,128)	80,358	86,735	163,466	237,275	636,706	69,232	973,093	1,563,684	50,088
Capital Projects Fund	40,638	164,329	5,205,599	21,379,299	3,953,179	16,270,187	20,880,075	289,584	-	1,675,000
Total local sources	<u>177,402,891</u>	<u>178,447,565</u>	<u>180,243,456</u>	<u>201,292,863</u>	<u>194,603,417</u>	<u>209,304,863</u>	<u>198,083,274</u>	<u>159,880,903</u>	<u>144,437,030</u>	<u>136,151,784</u>
<b>Donated commodities from federal government:</b>										
Schools' Food Services Fund	882,407	703,432	836,231	752,531	708,357	942,431	594,842	759,797	924,153	630,407
Total donated commodities	<u>882,407</u>	<u>703,432</u>	<u>836,231</u>	<u>752,531</u>	<u>708,357</u>	<u>942,431</u>	<u>594,842</u>	<u>759,797</u>	<u>924,153</u>	<u>630,407</u>
<b>Total revenues</b>	<u>\$ 417,877,943</u>	<u>\$ 419,987,751</u>	<u>\$ 427,909,516</u>	<u>\$ 440,224,089</u>	<u>\$ 458,032,225</u>	<u>\$ 456,498,840</u>	<u>\$ 440,658,232</u>	<u>\$ 374,125,937</u>	<u>\$ 350,128,981</u>	<u>\$ 318,283,615</u>

Source: Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years.

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Own-Source Revenue (unaudited)**  
**Last Ten Fiscal Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Enrollment Level										
Elementary	16,837	16,510	16,450	16,509	16,344	16,566	16,699	16,996	17,060	17,069
Middle	9,116	9,153	9,186	9,233	9,262	9,307	9,613	9,963	10,137	10,043
High	12,606	12,716	12,992	13,069	13,434	13,332	13,349	13,355	12,940	12,470
Special Centers	32	41	40	53	58	75	60	74	89	74
	<u>38,591</u>									
School Lunch Meals										
Full	\$ 2,841,286	\$ 3,402,909	\$ 3,636,374	\$ 3,575,093	\$ 3,788,992	\$ 3,817,036	\$ 3,815,939	\$ 3,650,674	\$ 3,291,302	\$ 3,042,866
Reduced	720,345	796,815	591,867	719,355	725,046	674,053	666,734	568,296	571,641	556,775
Free	4,143,725	3,891,817	3,720,748	3,401,839	2,994,746	2,682,215	2,590,975	2,643,262	2,510,290	2,296,320
Total	<u>\$ 7,705,357</u>	<u>\$ 8,091,541</u>	<u>\$ 7,948,988</u>	<u>\$ 7,696,287</u>	<u>\$ 7,508,784</u>	<u>\$ 7,173,304</u>	<u>\$ 7,073,649</u>	<u>\$ 6,862,232</u>	<u>\$ 6,373,233</u>	<u>\$ 5,895,961</u>
School Breakfast Meals										
Full	\$ 382,334	\$ 364,515	\$ 364,997	\$ 280,606	\$ 293,443	\$ 314,271	\$ 290,867	\$ 272,371	\$ 211,434	\$ 173,214
Reduced	179,615	173,535	125,020	143,611	142,283	131,342	124,975	101,664	89,101	80,587
Free	1,649,099	1,433,363	1,089,964	961,838	869,095	824,456	760,682	753,532	702,313	600,780
Total	<u>\$ 2,211,048</u>	<u>\$ 1,971,413</u>	<u>\$ 1,579,981</u>	<u>\$ 1,386,055</u>	<u>\$ 1,304,821</u>	<u>\$ 1,270,068</u>	<u>\$ 1,176,524</u>	<u>\$ 1,127,566</u>	<u>\$ 1,002,848</u>	<u>\$ 854,582</u>
School Lunch Price										
Full										
Elementary	\$ 2.10	\$ 2.00	\$ 1.90	\$ 1.90	\$ 1.80	\$ 1.65	\$ 1.65	\$ 1.50	\$ 1.30	\$ 1.30
Middle	2.10	2.00	2.00	2.00	1.90	1.75	1.75	1.60	1.40	1.40
High	2.10	2.00	2.00	2.00	1.90	1.75	1.75	1.60	1.40	1.40
Adult	3.00	2.75	2.60	2.60	2.50	2.35	2.35	2.20	2.00	2.00
Reduced	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
School Breakfast Price										
Elementary	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.80	\$ 0.80
Middle	1.10	1.10	1.10	1.00	1.00	1.00	1.00	1.00	0.80	0.80
High	1.10	1.10	1.10	1.00	1.00	1.00	1.00	1.00	0.80	0.80
Adult	n/a	1.10	1.10							
Reduced	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

n/a Adult paid breakfasts were not offered subsequent to fiscal year 2005. Adults pay for breakfast on an a la carte basis.

Note: Information for years prior to 2002 is not available.

Source: Chesapeake Public Schools - School Nutrition Services Department & StarBase Software

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Demographic and Economic Statistics (unaudited)**  
**Last Ten Fiscal Years**

(1)	(2)	(2)	(3)	(4)	(4)	
Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Chesapeake Unemployment Rate	Virginia Unemployment Rate
2004	213,303	6,896,084	32,350	39,440	3.70%	3.90%
2005	216,644	7,266,605	33,567	40,005	3.70%	3.60%
2006	218,638	7,753,052	35,504	40,121	3.20%	3.20%
2007	221,282	8,102,202	37,025	39,465	3.10%	2.90%
2008	223,743	8,810,046	39,988	39,026	3.30%	3.30%
2009	225,255	8,890,725	39,966	38,868	5.30%	5.60%
2010	226,995	9,103,000	40,812	38,864	6.80%	7.00%
2011	223,647	9,565,620	42,504	38,668	6.60%	6.50%
2012	228,835	n/a	n/a	38,420	6.30%	6.00%
2013	228,513	n/a	n/a	38,591	5.80%	5.60%

n/a - Information not available at this time.

Sources:

- (1) Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (2004 - 2006 as of April 2010) and City of Chesapeake Planning Department Estimates (2007 - 2013). For fiscal year 2011, the population estimates have been adjusted to reflect the official decennial census count conducted by the U.S. Census Bureau. The 2010 Census counts will now become the basis for future population estimates generated by the Planning Department during this decade.
- (2) Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (restated as of November 2012)
- (3) September 30th enrollment of the respective year, as per the Virginia Department of Education
- (4) U.S. Department of Labor, Bureau of Labor Statistics (average for fiscal year - restated through March 2013)

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Principal Employers (unaudited)**  
**Current Year and Nine Years Ago**

Employer	Type of Business	Fiscal Year 2013		Fiscal Year 2004	
		Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
City of Chesapeake Schools (1)	Government	5,707	5.05%	4,961	4.43%
City of Chesapeake (3)	Government	3,592	3.18%	3,085	2.75%
Chesapeake Regional Medical Center	Hospital and healthcare services	2,300	2.03%	2,400	2.14%
Cox Communications	Hampton Roads headquarters/customer care center	1,600	1.41%	800	0.71%
Sentara Home Care Services	Home care nursing	1,100	0.97%	n/a	n/a
General Dynamics Information Technology	Engineering and technical services	780	0.69%	n/a	n/a
Dollar Tree Stores Inc.	Corporate headquarters/distribution facility	900	0.80%	n/a	n/a
Xerox (formerly Hewlett-Packard)	Administration Service Center	800	0.71%	n/a	n/a
Capital One	Credit Intermediation and related activities	650	0.57%	n/a	n/a
Canon Information Technology Services, Inc.	Technical and consumer support	600	0.53%	n/a	n/a
QVC Chesapeake, Inc.	Phone center/order processing facility	580	0.51%	1,276	1.14%
Oceaneeting International	Transportation Equipment Manufacturing	460	0.41%	n/a	n/a
Lifetouch National School Studios Inc.	School photography processing plant	300	0.27%	665	0.59%
First Data Resources	Card processing center	300	0.27%	n/a	n/a
Caci Acquisition	Professional, Scientific and Technical Services	300	0.27%	n/a	n/a
Total		19,969	17.66%	13,187	11.77%
<b>Total Employment (2)</b>		<b>113,076</b>		<b>112,058</b>	

n/a - Information not available at this time.

Source: City of Chesapeake Economic Development Department, unless otherwise noted

(1) Source is Chesapeake Public Schools

(2) Source is Bureau of Economic Analysis, an agency of the U.S. Department of Commerce (restated as of April 2010)

(3) Source is City of Chesapeake Budget Department

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Employees by Class Code (unaudited)**  
**Last Ten Fiscal Years**

<b>Employee Count:</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
School Board Members	9	9	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1	1
Deputy Superintendent	1	1	1	1	1	1	1	1	1	1
Assistant Superintendents	4	4	4	4	4	4	4	4	4	4
Directors, Supervisors and Coordinators	93	92	88	93	92	93	88	75	70	67
Administrative Support	98	95	96	94	111	109	103	98	94	94
Principals	48	48	48	48	49	49	49	48	48	48
Assistant Principals	95	95	96	97	97	101	101	97	93	91
Teachers	2,848	2,861	2,855	2,880	3,005	2,940	2,914	2,917	2,833	2,773
Guidance and other Counselors	117	117	117	117	118	117	111	111	111	109
Media Specialists	57	57	58	58	58	58	56	53	56	55
School Social Workers	10	10	10	9	10	10	10	10	10	10
Technical Specialists	74	75	73	75	80	78	74	73	55	53
Medical staff	52	50	50	50	51	52	51	51	51	51
Psychologists	18	18	18	19	19	20	20	20	20	20
Secretaries - school based	145	145	146	138	147	140	134	121	115	115
Paraprofessionals	766	768	767	784	786	784	775	760	746	731
Transportation operations	592	591	595	587	589	580	534	549	537	527
Security	88	88	88	88	88	79	61	54	43	44
Operations and Maintenance staff	480	484	484	485	486	476	457	459	455	458
Cafeteria staff	111	120	121	124	127	120	120	122	121	124
	<u>5,707</u>	<u>5,729</u>	<u>5,725</u>	<u>5,761</u>	<u>5,928</u>	<u>5,821</u>	<u>5,673</u>	<u>5,633</u>	<u>5,473</u>	<u>5,385</u>

Source: Chesapeake Public Schools Budget Office

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Teachers - Total Number, Average Age, Average Salary (unaudited)**  
**Last Six Fiscal Years**

<b>For the Year Ended June 30, 2013</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1191	49.9	\$ 52,909	447	700	28	16	
Middle	724	47.9	52,987	286	400	30	8	
High	882	47.5	52,620	356	481	31	14	
Other	51	55.4	57,681	28	22	1	0	
<b>For the Year Ended June 30, 2012</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1183	48.2	\$ 51,502	471	673	28	11	
Middle	742	46.7	51,509	299	406	31	6	
High	878	46.5	52,195	376	456	34	12	
Other	58	56.9	59,888	25	30	1	2	
<b>For the Year Ended June 30, 2011</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1172	47.5	\$ 51,981	474	657	32	9	
Middle	727	46.2	51,860	306	379	34	8	
High	900	46.5	52,484	398	462	29	11	
Other	57	56.0	59,645	24	29	2	2	
<b>For the Year Ended June 30, 2010</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1199	48.2	\$ 52,789	453	704	31	11	
Middle	711	46.2	53,016	262	417	25	7	
High	958	46.1	53,581	366	538	42	12	
Other	66	47.8	60,360	7	45	10	4	
<b>For the Year Ended June 30, 2009</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1,260	43.7	\$ 53,069	498	724	27	11	
Middle	736	44.9	53,712	291	417	23	5	
High	984	44.7	54,031	402	536	33	13	
Other	64	44.3	59,376	8	43	10	3	
<b>For the Year Ended June 30, 2008</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1,310	46.1	\$ 51,207	529	751	23	7	
Middle	771	45.7	51,658	310	434	21	6	
High	977	45.3	52,224	403	535	27	12	
Other	115	52.7	60,576	26	68	17	4	
<b>For the Year Ended June 30, 2007</b>								
	# of Teachers	Average Teacher Age	Average Teacher Salary	Education Level				
				BA	MA	CAS	PHD	
Elementary	1,350	47.1	\$ 49,885	547	769	27	7	
Middle	776	46.9	50,083	314	430	24	8	
High	932	45.8	50,566	399	502	21	10	
Other	98	50.6	59,024	23	59	11	5	

Note: Information for years prior to 2007 is not available.  
Source: Chesapeake Public Schools - Human Resource Department

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Capital Assets Statistics (unaudited)**  
**Last Ten Fiscal Years**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Building										
Elementary	28	28	28	28	28	28	28	28	28	28
Middle	10	10	10	10	10	10	10	10	10	10
High	7	7	7	7	7	7	6	6	6	6
Other	3	3	3	2	3	3	3	3	3	3
Fleet										
School Buses	540	540	537	531	497	497	474	478	461	461
Other	213	213	213	251	234	232	221	206	179	170
Athletics										
Football Fields	24	24	24	24	24	24	22	23	23	23
Running Tracks	14	14	14	14	14	14	12	13	13	13
Baseball/Softball	36	36	36	36	36	36	34	36	36	36
Playgrounds	28	28	28	28	28	28	28	28	28	28

Sources:

- Chesapeake Public Schools - Transportation Division
- Chesapeake Public Schools - Athletics Department
- Chesapeake Public Schools - Operations Division

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**School Building Information (unaudited)**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Elementary Schools:</b>										
Butts Road Intermediate (1991 )										
Square feet	85,450	85,450	85,450	85,450	85,450	85,450	85,450	85,450	85,450	85,450
Capacity (Students)	900	900	900	900	875	900	900	900	900	975
Enrollment	785	735	704	728	768	806	823	818	781	764
Butts Road Primary (1966 )										
Square feet	62,850	62,850	62,850	62,850	62,850	62,850	62,850	62,850	62,850	62,850
Capacity (Students)	675	675	700	700	700	700	700	700	700	750
Enrollment	548	617	651	652	650	645	658	700	697	673
Camelot Elementary ( 1975)										
Square feet	81,670	81,670	81,670	81,670	81,670	81,670	81,670	81,670	81,670	81,670
Capacity (Students)	650	650	675	675	700	700	700	700	700	675
Enrollment	512	490	534	516	535	527	536	567	556	584
G.W. Carver Intermediate ( 1975)										
Square feet	83,471	83,471	83,471	83,471	83,471	83,471	83,471	83,471	83,471	83,471
Capacity (Students)	500	500	500	525	525	525	525	525	550	550
Enrollment	473	491	489	453	443	432	449	447	440	428
Cedar Road Elementary ( 1996)										
Square feet	94,560	94,560	94,560	94,560	94,560	94,560	94,560	94,560	94,560	94,560
Capacity (Students)	875	875	900	900	900	900	900	900	925	950
Enrollment	788	782	827	825	818	803	815	836	838	879
Chittum Elementary (1958)										
Square feet	72,354	72,354	72,354	72,354	72,354	72,354	72,354	72,354	72,354	72,354
Capacity (Students)	600	600	600	600	625	650	650	650	650	650
Enrollment	741	697	700	741	698	717	766	795	780	721
Crestwood Intermediate (1962)										
Square feet	96,700	96,700	96,700	96,700	96,700	96,700	96,700	96,700	96,700	96,700
Capacity (Students)	700	700	700	700	675	675	675	675	675	700
Enrollment	736	769	768	759	707	744	753	752	776	819
Deep Creek Central Elementary (1955)										
Square feet	67,715	67,715	67,715	67,715	67,715	67,715	67,715	67,715	67,715	67,715
Capacity (Students)	550	550	550	550	575	575	575	575	600	650
Enrollment	549	538	524	538	573	550	522	503	517	507
Deep Creek Elementary (1966)										
Square feet	78,144	78,144	78,144	78,144	78,144	78,144	78,144	78,144	78,144	78,144
Capacity (Students)	700	700	725	725	725	700	700	700	700	700
Enrollment	708	720	660	690	709	748	730	720	710	671
Deep Creek Intermediate (1947)										
Square feet	(A)									
Capacity (Students)	(A)									
Enrollment	(A)									

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**School Building Information (unaudited)**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Elementary Schools (continued):</b>										
Georgetown Primary (1960)										
Square feet	103,400	103,400	103,400	103,400	103,400	103,400	103,400	103,400	103,400	103,400
Capacity (Students)	700	700	700	700	700	675	700	800	800	750
Enrollment	790	758	725	733	756	736	700	713	710	694
Grassfield Elementary (2003)										
Square feet	107,455	107,455	107,455	107,455	107,455	107,455	107,455	107,455	107,455	107,455
Capacity (Students)	825	825	875	875	875	900	900	925	950	975
Enrollment	860	827	867	844	830	794	795	776	739	729
Great Bridge Intermediate (1991)										
Square feet	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670
Capacity (Students)	900	900	900	900	900	900	900	875	875	925
Enrollment	612	580	572	616	613	619	672	765	798	801
Great Bridge Primary (1960)										
Square feet	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300	93,300
Capacity (Students)	700	700	700	700	700	700	700	700	725	775
Enrollment	583	544	527	500	535	537	578	611	618	690
Greenbrier Intermediate (1991)										
Square feet	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670	85,670
Capacity (Students)	800	800	825	825	825	850	850	850	850	900
Enrollment	643	668	634	611	613	616	620	640	634	670
Greenbrier Primary (1986)										
Square feet	70,450	70,450	70,450	70,450	70,450	70,450	70,450	70,450	70,450	70,450
Capacity (Students)	600	600	650	650	650	675	675	675	675	750
Enrollment	588	605	591	577	565	530	550	551	564	562
Hickory Elementary (1922)										
Square feet	71,430	71,430	71,430	71,430	71,430	71,430	71,430	71,430	71,430	71,430
Capacity (Students)	575	575	600	600	600	600	600	600	600	625
Enrollment	411	405	408	398	394	364	372	386	488	485
Thurgood Marshall Elementary (1995)										
Square feet	88,538	88,538	88,538	88,538	88,538	88,538	88,538	88,538	88,538	88,538
Capacity (Students)	475	475	475	475	450	450	450	450	450	450
Enrollment	495	503	530	537	514	526	515	502	496	524
Norfolk Highlands Primary (1913)										
Square feet	56,532	56,532	56,532	56,532	56,532	56,532	56,532	56,532	56,532	56,532
Capacity (Students)	350	350	350	350	350	375	375	375	375	350
Enrollment	317	321	312	323	296	279	281	249	279	272
Portlock Primary (1964)										
Square feet	67,530	67,530	67,530	67,530	67,530	67,530	67,530	67,530	67,530	67,530
Capacity (Students)	550	550	550	550	550	550	550	550	550	550
Enrollment	606	563	527	511	515	507	510	509	493	446

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**School Building Information (unaudited)**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Elementary Schools (continued):</b>										
Southeastern Elementary (1952)										
Square feet	77,824	77,824	77,824	77,824	77,824	77,824	77,824	77,824	77,824	77,824
Capacity (Students)	725	725	725	725	700	700	725	725	725	725
Enrollment	716	717	714	722	805	766	807	799	793	813
Southwestern Elementary (1995)										
Square feet	70,779	70,779	70,779	70,779	70,779	70,779	70,779	70,779	70,779	70,779
Capacity (Students)	500	500	500	500	500	500	500	500	500	500
Enrollment	507	491	538	535	522	537	528	519	469	431
Sparrow Road Intermediate (1966)										
Square feet	77,780	77,780	77,780	77,780	77,780	77,780	77,780	77,780	77,780	77,780
Capacity (Students)	625	625	625	625	650	650	650	650	650	650
Enrollment	525	493	470	509	486	490	478	480	482	499
Treakle Elementary (1963)										
Square feet	74,270	74,270	74,270	74,270	74,270	74,270	74,270	74,270	74,270	74,270
Capacity (Students)	525	525	575	575	575	575	575	600	600	600
Enrollment	504	479	489	451	432	437	443	473	503	505
Truitt intermediate (1929)										
Square feet	71,731	71,731	71,731	71,731	71,731	71,731	71,731	71,731	71,731	71,731
Capacity (Students)	350	350	350	350	375	375	375	375	375	375
Enrollment	311	311	285	294	291	290	281	270	281	313
Western Branch Intermediate (1969)										
Square feet	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500
Capacity (Students)	725	725	725	725	725	725	725	750	750	775
Enrollment	741	713	775	789	830	782	776	789	821	819
Western Branch Primary (1982)										
Square feet	69,732	69,732	69,732	69,732	69,732	69,732	69,732	69,732	69,732	69,732
Capacity (Students)	675	675	675	675	675	675	675	675	700	750
Enrollment	619	638	620	623	629	690	659	701	690	703
B.M. Williams Primary (1956)										
Square feet	73,800	73,800	73,800	73,800	73,800	73,800	73,800	73,800	73,800	73,800
Capacity (Students)	700	700	700	700	675	675	675	675	675	675
Enrollment	851	754	709	737	734	786	765	801	789	777
Rena B. Wright Elementary (1971)										
Square feet	65,800	65,800	65,800	65,800	65,800	65,800	65,800	65,800	65,800	65,800
Capacity (Students)	425	425	425	425	400	400	400	375	375	375
Enrollment	318	301	300	297	305	308	317	324	318	290

Middle Schools:

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**School Building Information (unaudited)**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Crestwood Middle (1952)										
Square feet	128,420	128,420	128,420	128,420	128,420	128,420	128,420	128,420	128,420	128,420
Capacity (Students)	625	700	700	700	700	700	700	700	700	700
Enrollment	601	555	595	587	623	613	597	638	697	679
Deep Creek Middle (1955)										
Square feet	139,550	139,550	139,550	139,550	139,550	139,550	139,550	139,550	139,550	139,550
Capacity (Students)	775	925	925	925	925	925	925	925	900	900
Enrollment	486	493	464	465	456	452	522	525	547	568
Great Bridge Middle										
Square feet	242,244	242,244	242,244	242,244	242,244	242,244	242,244	242,244	242,244	242,244
Capacity (Students)	1,275	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,400	1,400
Enrollment	1,262	1,246	1,166	1,242	1,311	1,339	1,330	1,379	1,389	1,406
Greenbrier Middle (2000)										
Square feet	220,640	220,640	220,640	220,640	220,640	220,640	220,640	220,640	220,640	220,640
Capacity (Students)	1,400	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
Enrollment	848	891	901	894	902	878	920	922	941	926
Hickory Middle (1997)										
Square feet	195,131	195,131	195,131	195,131	195,131	195,131	195,131	195,131	195,131	195,131
Capacity (Students)	1,300	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Enrollment	1,497	1,553	1,711	1,765	1,735	1,679	1,731	1,773	1,869	1,870
Indian River Middle (1963)										
Square feet	139,298	139,298	139,298	139,298	161,088	161,088	161,088	161,088	161,088	161,088
Capacity (Students)	625	700	700	700	950	950	975	975	975	975
Enrollment	756	758	752	750	766	741	777	826	833	842
Jolliff Middle (2001)										
Square feet	209,750	209,750	209,750	209,750	209,750	209,750	209,750	209,750	209,750	209,750
Capacity (Students)	1,150	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,225
Enrollment	730	703	705	700	728	734	769	801	786	686
Hugo Owens Middle (1997)										
Square feet	195,200	195,200	195,200	195,200	195,200	195,200	195,200	195,200	195,200	195,200
Capacity (Students)	1,300	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,500
Enrollment	1,083	1,099	1,067	1,109	1,043	1,074	1,101	1,148	1,039	1,062
Oscar Smith Middle (2010)	(D)	(D)	(D)	(D)						
Square feet	243,786	243,786	243,786	243,786	135,209	135,209	135,209	135,209	135,209	135,209
Capacity (Students)	1,000	1,000	1,000	1,000	775	775	775	775	775	775
Enrollment	964	942	937	869	848	874	943	1,020	1,084	1,070
Western Branch Middle (1964)										
Square feet	138,280	138,280	138,280	138,280	138,280	138,280	138,280	138,280	138,280	138,280
Capacity (Students)	900	1,075	1,075	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	889	913	888	852	850	923	923	931	952	934

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**School Building Information (unaudited)**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>High Schools:</b>										
Deep Creek High (1963)										
Square feet	265,800	265,800	265,800	265,800	265,800	265,800	265,800	265,800	265,800	265,800
Capacity (Students)	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Enrollment	1,354	1,299	1,296	1,162	1,233	1,376	2,091	2,061	2,009	2,038
Grassfield High (2007)										
Square feet	347,320	347,320	347,320	347,320	347,320	347,320	(C)	(C)	(C)	(C)
Capacity (Students)	2,400	2,400	2,400	2,400	2,400	2,400	(C)	(C)	(C)	(C)
Enrollment	2,059	2,081	2,092	2,210	2,127	1,722	(C)	(C)	(C)	(C)
Great Bridge High (1983)										
Square feet	265,356	265,356	265,356	265,356	265,356	265,356	265,356	265,356	265,356	265,356
Capacity (Students)	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725
Enrollment	1,520	1,591	1,665	1,710	1,674	1,794	2,391	2,328	2,251	2,118
Hickory High (1996)										
Square feet	260,200	260,200	260,200	260,200	260,200	260,200	260,200	260,200	260,200	260,200
Capacity (Students)	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Enrollment	1,810	1,855	1,909	1,910	2,010	2,147	2,558	2,595	2,464	2,366
Indian River High (1972)										
Square feet	254,096	254,096	254,096	254,096	254,096	254,096	254,096	254,096	254,096	254,096
Capacity (Students)	1,750	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575
Enrollment	1,625	1,612	1,701	1,687	1,737	1,777	1,805	1,826	1,852	1,797
Oscar Smith High (1994)										
Square feet	275,300	275,300	275,300	275,300	275,300	275,300	275,300	275,300	275,300	275,300
Capacity (Students)	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Enrollment	2,142	2,124	2,124	2,149	2,171	2,240	2,264	2,319	2,166	2,051
Western Branch High (1968) (F)										
Square feet	319,383	319,383	319,383	242,967	242,967	242,967	242,967	242,967	242,967	242,967
Capacity (Students)	2,400	2,400	2,400	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Enrollment	2,096	2,154	2,205	2,241	2,252	2,276	2,240	2,226	2,198	2,100
<b>Alternative Schools:</b>										
Chesapeake Alternative School ( 1955) (E)										
Square feet	21,790	21,790	21,790	21,790	69,369	69,369	69,369	69,369	69,369	69,369
Capacity (Students)	100	100	100	100	75	75	75	75	75	75
Enrollment	32	41	40	53	58	75	60	74	89	74

(A) School closed at the end of fiscal year 2003

(B) School opened in fiscal year 2004

(C) School opened in fiscal year 2008

(D) A newly constructed building opened in fiscal year 2010 and replaced the prior building built in 1954.

(E) Chesapeake Alternative School relocated to the Indian River Middle School Annex in fiscal year 2010.

(F) A major renovation and addition project was completed at Western Branch High School in December 2010.

Sources: Chesapeake Public Schools Planning and Development and New Construction Departments

**CHESAPEAKE PUBLIC SCHOOLS**  
**Component Unit of the City of Chesapeake, Virginia**

**Operating Statistics (unaudited)**  
**Last Ten Fiscal Years**

Year	(1) Expenditures	(2) School Enrollment	(3) Cost per Pupil	Percentage Change	(4) Teaching Staff	Pupil/ Teacher Ratio
2013	\$ 440,682,990	38,591	n/a	n/a	2,848	13.55
2012	459,513,155	38,420	\$ 10,680	1.81%	2,861	13.43
2011	445,623,180	38,668	10,490	0.30%	2,855	13.54
2010	445,866,501	38,864	10,459	-5.24%	2,731	14.23
2009	464,912,411	38,868	11,037	3.25%	2,917	13.32
2008	477,941,095	39,026	10,690	6.09%	2,940	13.27
2007	429,128,691	39,465	10,076	11.32%	2,914	13.54
2006	379,134,775	40,121	9,051	7.25%	2,917	13.75
2005	357,384,438	40,005	8,439	9.26%	2,833	14.12
2004	322,899,835	39,440	7,724	3.51%	2,773	14.22

n/a - Information not available at this time.

Sources:

- (1) Comprehensive Annual Financial Report or Basic Financial Statements for respective fiscal years
- (2) September 30th enrollment of the respective year, as per the Virginia Department of Education
- (3) Table 15 from the Superintendent's Annual School Report for Virginia for respective fiscal years
- (4) Chesapeake Public Schools Budget Office