

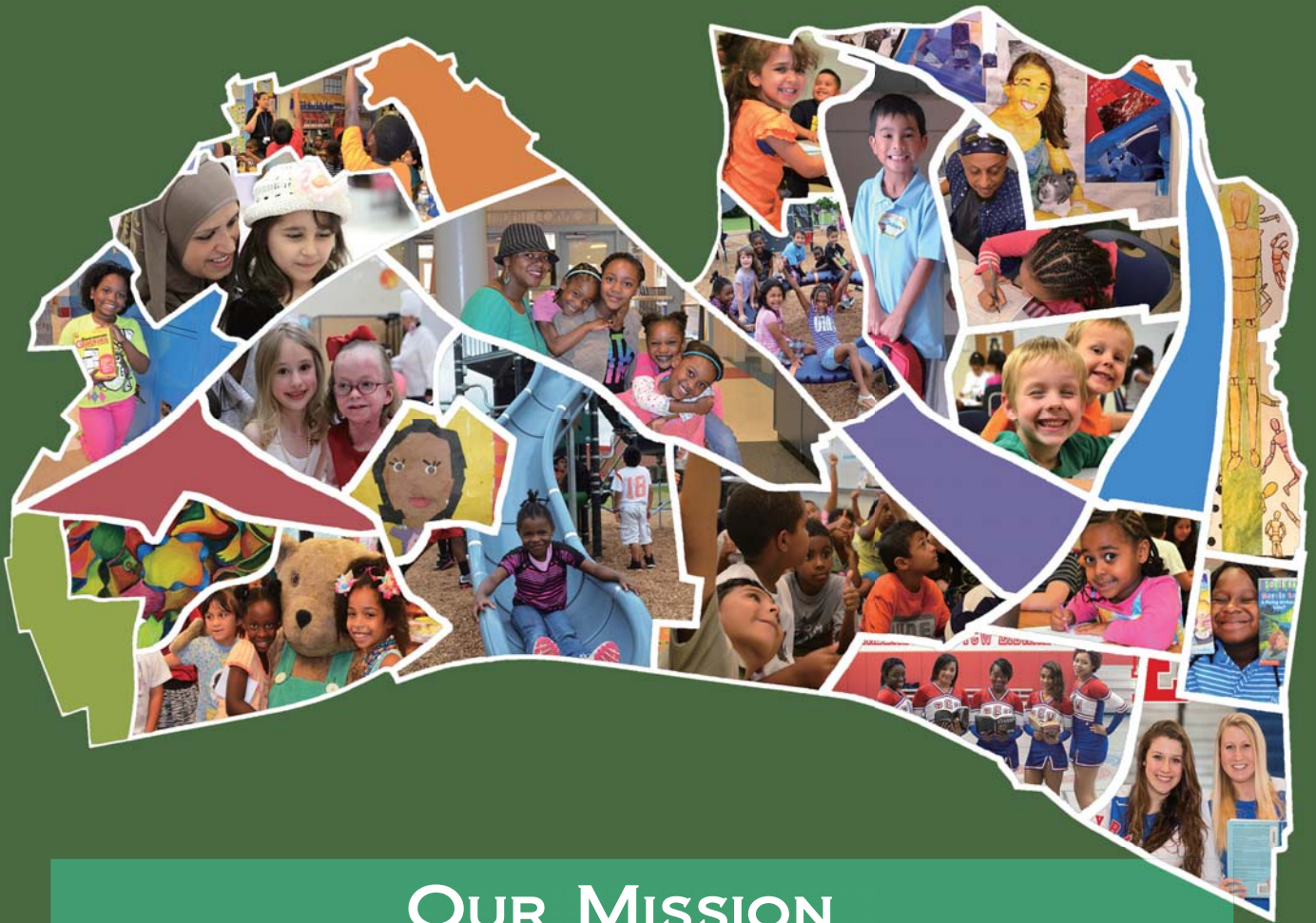


Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

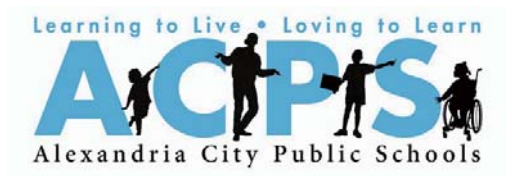
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



OUR MISSION...

TO PROVIDE THE ENVIRONMENT, RESOURCES, AND COMMITMENT TO
ENSURE THAT EACH AND EVERY STUDENT SUCCEEDS — ACADEMICALLY,
EMOTIONALLY, PHYSICALLY, AND SOCIALLY.



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared by:

Financial Services Department

Alvin L. Crawley, Ed.D., Superintendent of Schools

Stacey Johnson, Chief Financial Officer

Michael Covington, Director, Accounting

Farah Afrasiabi, Financial Analyst

Shelly Sikhammountry, Budget Analyst



<u>Introductory Section</u>	Page
Letter of Transmittal.....	3
Principal Officials.....	13
Alexandria City Public Schools Organizational Chart.....	14
2013 ASBO Certificate of Excellence in Financial Reporting.....	15
2013 GFOA Certificate of Achievement for Excellence in Financial Reporting.....	16
 <u>Financial Section</u>	
Independent Auditors' Report.....	19
Management's Discussion and Analysis.....	23
Basic Financial Statements:	
Government-wide Financial Statements	
Exhibit I Statement of Net Position.....	40
Exhibit II Statement of Activities.....	41
Fund Financial Statements	
Governmental Funds	
Exhibit III Balance Sheet.....	42
Exhibit III-1 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	43
Exhibit IV Statement of Revenues, Expenditures, and Changes in Fund Balances.....	44
Exhibit IV-1 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	45
Proprietary Funds	
Exhibit V Statement of Net Position.....	46
Exhibit VI Statement of Revenue, Expenditures, and Changes in Net Position.....	47
Exhibit VI-1 Statement of Cash Flows.....	48
Fiduciary Funds	
Exhibit VII Statement of Fiduciary Net Position.....	49
Exhibit VIII Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefits Trust Funds.....	50
Notes to the Basic Financial Statements.....	51

Required Supplementary Information**Page**

Exhibit IX	Budgetary Comparison Schedule - General Fund.....	88
Exhibit X	Budgetary Comparison Schedule - Grants and Special Projects Fund.....	89
Exhibit XI	Budgetary Comparison Schedule - School Nutrition Fund.....	90
Exhibit XII	Schedule of Funding Progress - Pension and Other Employee Benefits Trust Funds.....	91
Exhibit XIII	Required Supplementary Information - Pension and Other Employee Benefit Trust Funds.....	93
	Notes to the Required Supplementary Information.....	95

Other Supplementary Information

	Fund Description: Fiduciary Funds.....	98
Exhibit XIV	Combining Statement of Fiduciary Net Position - Pension and Other Post-Employment Benefit Trust Funds.....	99
Exhibit XV	Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds.....	100
Exhibit XVI	Statement of Changes in Assets and Liabilities - Student Activity Fund.....	101

Statistical Section (unaudited)

Table 1	Net Position - Last ten fiscal years.....	S-3
Table 2	Changes in Net Position - Last ten fiscal years.....	S-4
Table 3	Fund Balances - Governmental Funds - Last ten fiscal years.....	S-5
Table 4	Changes in Fund Balances - Governmental Funds - Last ten fiscal years.....	S-6
Table 5	General Fund Expenditures by Detail Object - Last ten fiscal years.....	S-7
Table 6	Capital Improvement Expenditures - Last ten fiscal years.....	S-8
Table 7	Ratios of Capital Lease Payments to Total General Expenditures - Last ten fiscal years.....	S-9
Table 8	Cost Per Pupil - Last ten fiscal years.....	S-10
Table 9	Demographic Statistics - Last ten fiscal years.....	S-11
Table 10	Total Student Membership by Grade - Last ten fiscal years.....	S-12
Table 11	School Nutrition Services Meals Served - Last ten fiscal years.....	S-13
Table 12	School Nutrition Services Revenues and Expenditures - Last ten fiscal years.....	S-14

	Page
Table 13	School Nutrition Services Sale Prices - Last ten fiscal years.....S-15
Table 14	School Nutrition Services Principal Clients - Current year and nine years ago.....S-15
Table 15	Full-time Equivalent by Function - All Funds - Last ten fiscal years.....S-16
Table 16	Capital Assets Information by Function - Last ten fiscal years.....S-17
Table 17	Teachers' Education and Experience.....S-18
Table 18	Teachers' Base Salaries - Last ten fiscal years.....S-19
Table 19	Principal Employers - Current year and nine years ago.....S-20
Table 20	Real and Personal Property Tax Assessments and Rates - Last Ten Years Calendar Years.....S-21
 Compliance	
	Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>S-22

INTRODUCTORY SECTION



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' vision is to set the international standard for educational excellence, where all students achieve their potential and actively contribute to our local and global communities.





1340 Braddock Place
Alexandria, Virginia 22314

Telephone: (703) 619-8000
Facsimile: (703) 619-8091
TTY: 711 (Virginia Relay)
www.acps.k12.va.us

November 25, 2014

The Honorable Chairman Graf and
Members of the Alexandria City School Board and
Citizens of the City of Alexandria, Virginia:

Superintendent
Alvin L. Crawley, Ed.D.

School Board

Chairman
Karen A. Graf

Vice Chairman
Christopher J. Lewis

Members

Kelly C. Booz
Ronnie Campbell
William E. Campbell
Patricia Ann Hennig
Stephanie A. Kapsis
Justin P. Keating
Marc Williams

We are pleased to submit the *Comprehensive Annual Financial Report* (CAFR) of the Alexandria City Public Schools (ACPS) for the fiscal year ended June 30, 2014. It has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to local government entities. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of ACPS for the fiscal year ended June 30, 2014. ACPS is considered a component unit of the City of Alexandria, Virginia (City) and, accordingly, the financial position and results of operations of ACPS are also reflected in the financial statements included in the City's CAFR.

An independent audit of the Board's finances is required each fiscal year by either the Virginia Auditor of Public Accounts or a firm of independent Certified Public Accountants. The Code of Virginia (Section 15.2-2510) requires ACPS to submit its audit report to the Auditor of Public Accounts by November 30 of each year. This document will be submitted in fulfillment of this requirement. An audit was also conducted to meet the requirements of the Federal Single Audit Act Amendment of 1996 and related Office of Management and Budget Circular A-133 Audits of State and Local Governments.

ACPS' financial statements were audited by CliftonLarsenAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of ACPS for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial

The Alexandria City School Board does not discriminate on the basis of race, color, national origin, sex, disability, age, religion, sexual orientation, marital status, status as a parent, or pregnancy in its programs and activities. Please direct all inquiries regarding ACPS non-discrimination policies to the Chief Human Resources Officer, 1340 Braddock Pl., Alexandria, VA 22314, 703-619-8010.

statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the ACPS financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP).

The independent audit of the financial statements of the school division was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal awards. The independent auditors' report is available in the Other Supplementary Information section of the CAFR.

The report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, financial institutions and the Board. GAAP requires that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. ACPS' MD&A can be found immediately following the independent auditors' report.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, a list of principal officials, and an organizational chart. The financial section includes the basic financial statements as well as the unmodified opinion of independent public accountants on the basic financial statements. The financial section also includes the management's discussion and analysis (MD&A), which should be read in conjunction with this transmittal letter. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The statistical section contains selected financial and demographic information, generally presented over multi-year basis.

The annual report complies with the Governmental Accounting Standards Board (GASB) Statement No. 34. By providing a broader, government-wide perspective while maintaining the traditional features, the annual reports are easier to understand and more useful to stakeholders, such as investors, creditors, and citizens. As a result of GASB 34, ACPS provides information about the cost of delivering services on a full accrual basis including the cost of depreciating fixed assets.

The annual report also complies with the new Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* for the reporting period ending June 30, 2014. This Statement, along with Statement No. 68, *Accounting and Financial Reporting for Pensions*(to be

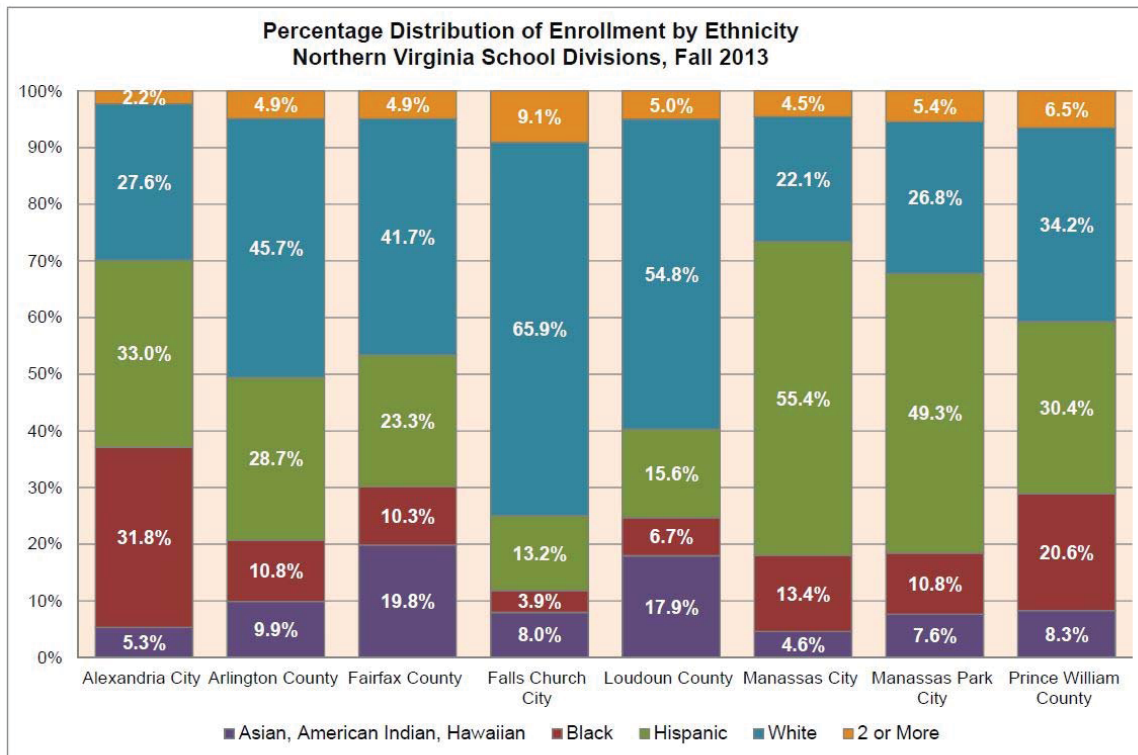
adopted in FY 2015), establishes a definition of a pension that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial for activities of pension plans that are administered through trusts that have certain specified characteristics.

Profile of the Alexandria City Public Schools

The Alexandria City Public Schools is a school division within the City of Alexandria. The School Board of the City of Alexandria (Board) is the elected body established under Virginia law to provide public education from kindergarten through twelfth grade to children residing within the City of Alexandria, Virginia. The Board determines educational policy and employs a superintendent of schools to administer the school division. ACPS has no component units for financial reporting purposes. The Board consists of nine members who each serve a three-year term. The Board members elect one member to serve as Chairman of the Board and a second member to serve as Vice-Chairman of the Board.

The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. The City is located on the west bank of the Potomac River across from Washington, D.C. Alexandria was established in 1749 by an Act of the Virginia General Assembly. ACPS serves the citizens of the City of Alexandria which has a total area of 15.8 square miles and a population of approximately 143,737 as of the 2012 American Community Survey. The City is a primary government that is financially accountable for a legally separate entity, the Board. The Board has no power to levy or collect taxes or increase the City appropriation. Because of its relationship with the City, ACPS is considered a component unit of the City, as defined by GAAP.

ACPS is a small school system, but large enough to command the resources for state-of-the-art teaching and learning. ACPS is the 23rd largest of 132 school divisions in the Commonwealth of Virginia and is surrounded by three of the five largest Virginia school divisions (Fairfax, Prince William, and Loudoun County Public Schools). It has a vibrant multicultural community, and our students reflect an even broader diversity than that of our City. ACPS served a student population of approximately 13,623 students in the 2013-2014 school year, who came from more than 128 different countries, speak more than 100 languages, and represent a rainbow of cultural and socioeconomic groups. The chart below illustrates this rich diversity compared to our neighboring school divisions.



Source: Virginia Department of Education, Fall 2013

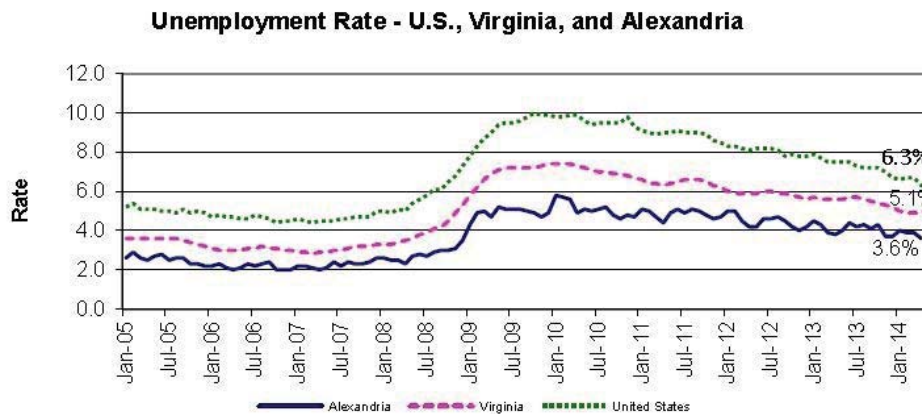
ACPS has experienced significant enrollment increases over the past six years and estimates that this growth trend will continue in the upcoming years. This year alone, ACPS received an additional 509 students, or a 3.9% increase in enrollment over the prior year. The City of Alexandria and Alexandria City Public Schools are dedicated to ensuring the academic success for each and every student.

Currently, the school division operates one high school with two campuses (9th grade campus and a traditional campus for 10-12 grades), five middle schools (6-8 grades), one (K-8) elementary school and twelve (K-5) elementary schools. In FY 2015, the five middle schools will be restructured as two separate middle schools to operate as a one school per campus structure. Each middle school will be led by a principal, who is supported by an academic principal for each grade level in the school. ACPS also operates a program at the Alexandria City Detention Center and an alternative education program, which includes a flexible learning satellite campus.

Most of ACPS school buildings were built between the 1940's and the 1960's. Over the next five years, five of the 20 ACPS facilities will be older than the recommended 75 year life span. Over the next 20 years, an additional seven schools will reach 75-plus years old. This underlines our concern for maintenance and replacement of our aged systems and infrastructure.

Local Economic Outlook and Long-term Financial Planning

Since 2009, the Greater Metropolitan Washington DC area economic performance has shown improvement in several key areas, increased volume in the number of job changes among our local labor force and increased real estate listings and sales prices. The City of Alexandria and Northern Virginia usually outperform the rest of the Commonwealth. The May 2014 unemployment rate for the City and the Commonwealth are 3.6% and 5.1%, respectively, and remained relatively steady compared to 4.6% and 5.8% in 2013. These rates continue to be significantly lower than the average national unemployment rate of 6.3% for 2014 and 7.2% for 2013, respectively.



Source: U.S. Department of Labor, Bureau of Labor Statistics

Alexandria through April, Virginia, US data through May

**Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally adjusted.*

After four years of declines through 2010, real estate assessments, which generate over half of the City's General Fund revenues, are continuing to grow. Residential assessments increased by 4.5% of value compared to 2013, while commercial assessments increased by 1.8%. This marks the fourth year in a row that assessed values have increased.

Each year, ACPS staff develop and present a five-year fiscal forecast with varying revenue and expenditure assumptions to facilitate informed decision-making as a part of the budget process. With nearly 82% of our operating revenue derived from the City appropriation, assumptions regarding the City's revenue growth and the resulting increase or decrease in the City appropriation can drive forecast results. Similarly for expenditures, salaries and benefits comprise approximately 87% of the total operating expenditures and assumptions related to salary increases as well as the growth of healthcare and retirement costs can also drive forecast results. Under the Code of Virginia, School Boards are required to adopt a balanced budget which means the

projected revenues plus beginning fund balance must fully cover the total estimated expenditures.

Major Initiatives

The ACPS Strategic Plan is one of only 15 programs to receive a first-place honor in the Magna Awards 2013, co-sponsored by "American School Board Journal," the National School Boards Association (NSBA) and Sodexo School Services to recognize "school board best practices and innovative programs that advance student learning."

Created by the ACPS School Board, the five-year strategic plan features high-quality preschools, a focus on special education, individual achievement plans for students, a richer array of course offerings, increased accountability of school employees and the adoption of a rigorous new curriculum that emphasizes critical thinking and project-based learning. The School Board plan includes five major goals:

1. Ensure all students demonstrate significant academic growth, and dramatically improve achievement outcomes for students below grade level.
2. Provide a rigorous, relevant, and internationally benchmarked education to enable all students to succeed as citizens in the global community.
3. Create an exceptional learning environment.
4. Implement a focused, transparent governance model which incorporates effective communication and evidence-based decision making.
5. Provide clean, safe and conducive learning environments that utilize best practices for energy efficiency and environmental sustainability.

In working towards each of these goals, ACPS focused resources and staff efforts in FY 2014 on student achievement and professional development.

Student learning continues to be a priority for the school division. Virginia, under the No Child Left Behind Act flexibility waivers granted by the U.S. Department of Education, established annual measurable objectives (AMOs) for reducing proficiency gaps between students in the commonwealth's lowest-performing and highest-performing schools. These objectives in reading and mathematics have replaced the Adequate Yearly Progress (AYP) targets schools were previously required to meet under the federal education law. Preliminary results indicate that ACPS, as a division, met all 19 Federal Mathematics AMOs and 11 out of 19 Federal Reading AMOs.

Thirteen (13) of our schools were fully accredited, five (5) were accredited with warning and one (1) school was denied accreditation during the 2013-2014 school year. ACPS also continues the implementation of individual achievement plans (IAPs) for math and English which are created collaboratively between the student, teacher, parent, and counselor to chart student progress and provide a structured set of actions for students to achieve at their best. In

addition, ACPS maintains support of elementary and secondary exemplary programs, K-5 tutoring, Book Buddies and the Writing Project in an effort to support academic growth.

The Curriculum and Instruction Department continues to develop programs using innovative instructional techniques and strategies with the single goal of increasing student achievement. A major goal is to close the learning and achievement gaps among student sub-groups, with a specific focus on each and every student.

Teacher training and professional development opportunities continue to be of primary importance as a means for enhancing student achievement. The Teacher Mentoring program will continue with additional funding to support new ACPS teachers by pairing them with an ACPS veteran teacher for guidance and support. Through the Alliance for Learning and Leading Center, ACPS provides opportunities to educators to learn research-based instructional model and promising practices that can be incorporated into their daily teaching and leadership roles. Strategies learned through professional development sessions will be modeled and supported by school-based instructional teams.

We continue to encourage our teachers to undertake the National Board for Professional Teaching Standards (NBPTS) assessment process as a means of elevating student learning and the quality of instruction. In FY 2014, 11 teachers received the NBPTS certificate, bringing the total number of ACPS National Board Certified teachers to 65.

Financial Information

ACPS ended the fiscal year in sound financial condition. General Fund expenditures exceeded revenues by approximately \$991,000, using the modified accrual basis of accounting. This deficit was only 14.9% of the fund balance designated for use in 2014. The year began with uncertain economic conditions, resulting from the effects of the federal sequestration, and ACPS budgeted prudently and instituted fiscal controls. The FY 2014 comprehensive annual financial report reflects continued strong and fiscally prudent management practices. Using the full accrual basis of accounting, ACPS has total assets of \$82.5 million, an decrease of \$2.4 million from fiscal year 2013.

Fund Accounting: ACPS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. (See Note 1 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and descriptions of fund types.)

Internal Control: ACPS 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 are 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 ACPS' management objectives are met. The concept of reasonable assurance is based on the assumption that the cost of internal financial controls should not exceed the benefits expected to be derived from their implementation. For operating fund, school nutrition program and grants and special revenues, ACPS utilizes a fully automated accounting system as well as an automated system of controls for fixed assets and payroll. These systems, coupled with the manual review of each voucher before payment, ensure that the financial information generated is both accurate and reliable.

The audit for the year ended June 30, 2014, disclosed no material internal control weaknesses or material instances of noncompliance or other violations of laws, regulations, contracts and grant agreements.

Budgetary Control: Under Virginia law, the City must adopt a School Board budget no later than the end of May of the current fiscal year. ACPS maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget. The fiscal year begins on July 1 and ends on June 30 with all annual unencumbered appropriations lapsing at year end. Outstanding encumbrances of certain governmental funds at the end of the fiscal year are re-appropriated, as part of the following fiscal year's operating budget.

Budgets are also prepared annually for the Grants and Special Projects Fund and the School Nutrition Fund (special revenue funds). The school lunch program is dependent on federal and state reimbursements and cafeteria sales to support its overall lunch and breakfast feeding activities.

The Capital Projects Fund is budgeted on a project-by-project basis and represents the entire project budget for projects expected to begin that fiscal year. Debt service funds are established by the City in accordance with the requirements of bondholders. All budget and expenditures related to the capital projects fund are currently recorded in the City's financial system.

Management control is exercised over the budget at the budgetary department level within each fund. ACPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at the end of the fiscal year in the general fund and the school food services fund are re-appropriated, as part of the following fiscal year's budget.

Each department administrator and school principal is furnished with monthly financial reports showing the status of the budget accounts for which they are responsible and detailed transaction reports. They are also provided a report

listing outstanding encumbrances for the current and prior years and a report on overtime usage.

Cash Control: The City is the custodian of all primary cash and investments used to support ACPS operations. The primary concerns of the City's cash management and investments program are the safety and preservation of principal, liquidity, and yield.

The City takes full advantage of temporarily idle cash and scheduling of vendor payments. To ensure the most competitive rates of investment, the City's cash resources generally are combined to form a pool of cash and investments. The investment pool's portfolio is primarily composed of State Treasurer's Local Government Investment Pool (LGIP), Certificate of Deposit Account Registry Service (CDARS) and insured cash sweeps. All investments are stated at fair value.

Cash held at the school level for student activities fund (SAF) is deposited with local banks and is maintained by the individual schools.

Risk Management: ACPS maintains a risk management program that includes several comprehensive insurance and self-insurance policies specifically designed to meet its needs, monitor various control activities, and manage a program on claims against ACPS. ACPS' insurance coverage includes a comprehensive property and casualty policy, a comprehensive vehicle liability policy, special equipment coverage, group disability insurance, excess worker's compensation coverage and others. The Board's health insurance coverage includes a self-insured point of service program and health maintenance organization. During 2014, the Board established the Health Benefits Fund, an internal service fund, to manage and track the financial activities associated with these health insurance programs.

Other Information

Awards

Certificate of Excellence (ASBO): The Association of School Business Officials International (ASBO) awarded the Alexandria City Public Schools a Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. This is the 12th consecutive year that ACPS has achieved this prestigious award.

This Financial Reporting award was designed by ASBO to enable school officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. We believe that the current CAFR also conforms to the ASBO Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement (GFOA): The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 4th year ACPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement by the GFOA, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

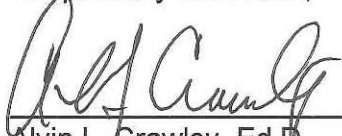
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet GFOA's Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the two awards for excellence in financial reporting described above, ACPS has also earned the *Meritorious Budget Award* from the ASBO and the *Distinguished Budget Presentation Award* from the GFOA for the fiscal year ended June 30, 2014. These awards are valid for one period only and we believe that our budget report continues to conform to the program requirements of both organizations. We will be submitting our fiscal year 2014 budget to ASBO and GFOA to determine the School Board's eligibility for another certificate award.

Acknowledgements

The preparation of this report would not have been possible without the hard work, professional dedication, and continuing efforts of the entire staff of the financial services department. We would like to express our sincere appreciation to everyone in the department who assisted with and contributed to the preparation of this report. We would also like to acknowledge the cooperation and assistance of the ACPS departments and schools throughout the year in their efficient administration of ACPS' financial operations. Appreciation is also extended to the School Board and ACPS leadership team whose continuing support is vital to the financial health of the school division. This report is the result of extensive teamwork throughout ACPS.

Respectfully submitted,


Alvin L. Crawley, Ed.D.
Superintendent


Stacey B. Johnson
Chief Financial Officer


Michael A. Covington
Director, Accounting

Introduction-Principal Officials

School Board

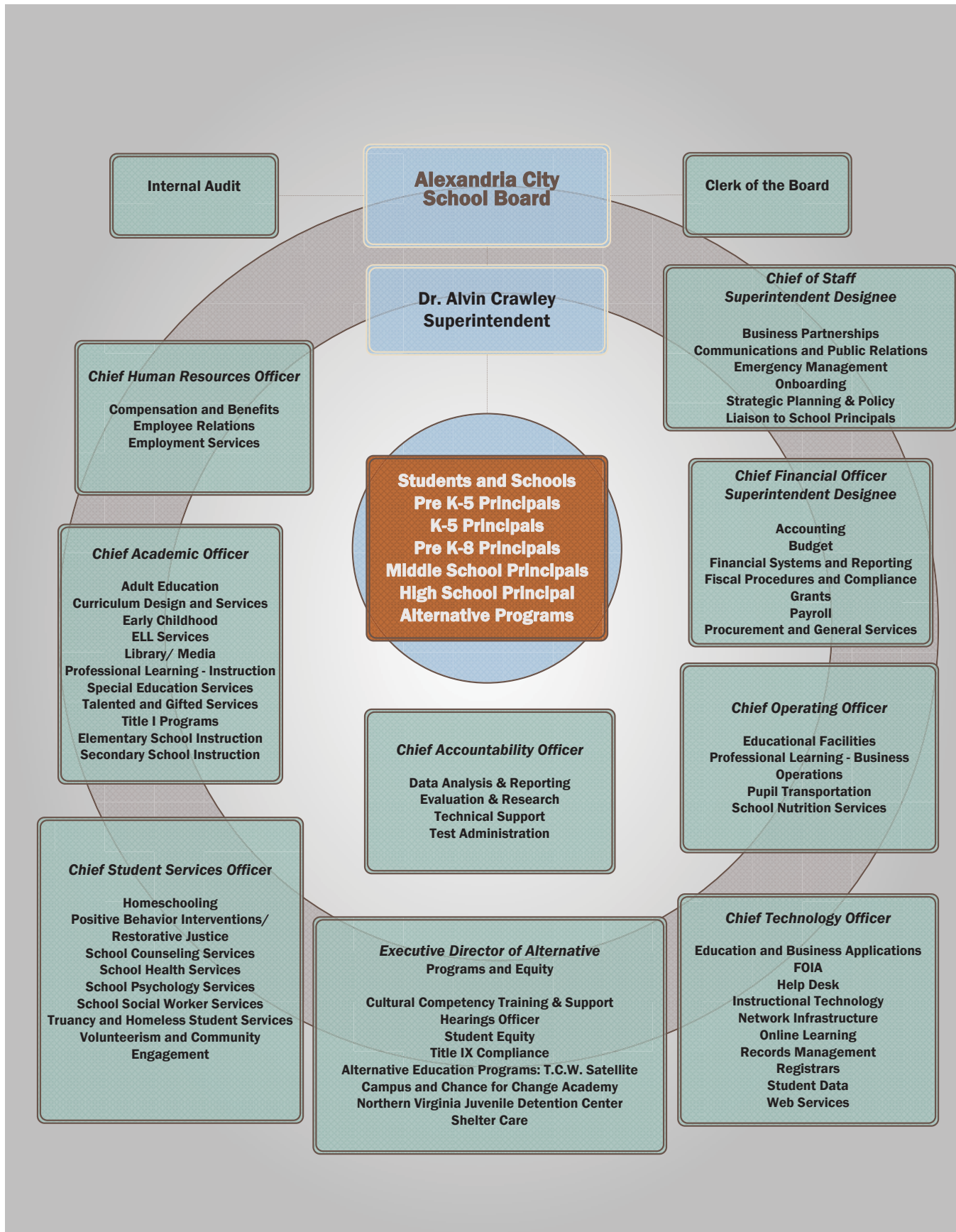
Karen A. Graf	Chairman
Christopher J. Lewis	Vice-Chairman
Kelly C. Booz	Member
Ronnie Campbell	Member
William E. Campbell	Member
Patricia Ann Hennig	Member
Stephanie A. Kapsis	Member
Justin P. Keating	Member
Marc Williams	Member
Tai Smith	Clerk of the Board

Superintendent and Executive Staff

Alvin L. Crawley, Ed.D.	Superintendent of Schools
Tammy Ignacio	Chief of Staff, Superintendent's Designee
Terri Mozingo	Chief Academic Officer, Curriculum & Instruction
Clarence Stukes	Chief Operating Officer, Support Operations
Stacey Johnson	Chief Financial Officer, Financial Services
Kevin North	Chief Human Resources Officer, Human Resources
Margaret May Walsh	Chief Student Services Officer, Student Services
Elizabeth Hoover	Chief Technology Officer, Technology Services
Clinton Page	Chief Accountability Officer, Accountability
Julie Crawford	Executive Director, Alternative Programs and Equity

Central Office Administrators

John Brown	Executive Director, Curriculum Design & Services
Bethany Nickerson	Executive Director, English Language Learning Services
Jane Quenneville	Executive Director, Special Education



Association of School Business Officials International



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

Alexandria City Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

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



A handwritten signature in black ink, reading "Terrie S. Simmons".

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

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

Presented to

**Alexandria City Public Schools
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

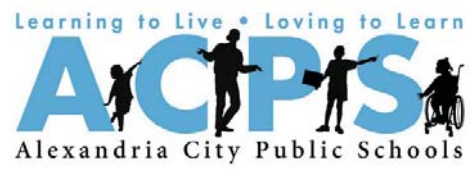
FINANCIAL SECTION



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #1 is to ensure all students demonstrate significant academic growth, and dramatically improve achievement outcomes for students below grade level.





CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Members of the Alexandria City School Board
City of Alexandria, 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 Alexandria City Public Schools (ACPS) (a component unit of the City of Alexandria, Virginia), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise ACPS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ACPS as of June 30, 2014, and the respective changes in financial position and cash flows where applicable, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ACPS's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

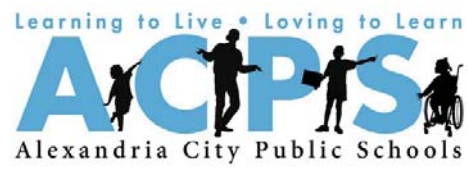
The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of ACPs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
November 25, 2014



FINANCIAL SECTION

Management's Discussion & Analysis



ACPS' goal #2 is to provide a rigorous, relevant, and internationally benchmarked education to enable all students to succeed as citizens in the global community.

Introduction

Our discussion and analysis of Alexandria City Public Schools' (ACPS) financial performance provides an overview of ACPS' financial activities for the fiscal year ended June 30, 2014. The intent of this management discussion and analysis is to consider ACPS' financial performance as a whole. Readers should also review the letter of transmittal, basic financial statements, notes to the basic financial statements, and supplementary information to enhance their understanding of ACPS' financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, as amended. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The reporting model is a combination of both government-wide financial statements and fund financial statements.

Financial Highlights

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The financial status of ACPS, as reflected by net position, increased by \$8.4 million to \$38.7 million at June 30, 2014. Of this amount, \$9.7 million is invested in capital assets, \$3.1 million is restricted for grant programs and \$14.3 million for health benefits reserves and \$11.6 million (unrestricted net position) may be used to meet ACPS ongoing needs.

On a government-wide basis for governmental activities, ACPS' revenues of \$240.0 million exceeded expenses of \$231.6 million by \$8.4 million.

FUND FINANCIAL STATEMENTS

As of the close of the current fiscal year, ACPS' governmental funds reported combined ending fund balances of \$18.3 million, a decrease of \$4.2 million in comparison with the prior year. Of this \$18.3 million combined fund balance, \$4.3 million is available as unassigned fund balance and may be designated for use at the discretion of the School Board or management.

At June 30, 2014, the General Fund reported an ending fund balance of \$11.0 million, a decrease of \$2.1 million from June 30, 2013. The fiscal year 2014 budget included a planned use of fund balance in the amount of \$6.7 million.

Overview of the Financial Statements

This section of the Comprehensive Annual Financial Report consists of four parts: 1) Management's Discussion and Analysis (MD&A), 2) basic financial statements (government-wide and fund statements) including notes to the financial statements, 3) required supplementary information, and 4) other supplementary information.

The basic financial statements consist of two kinds of statements that present different views of ACPS' financial activities. The government-wide financial statements provide both long-term and short-term information about ACPS' overall financial status. The fund financial statements report ACPS' operations in more detail than the government-wide statements.

The Statement of Net Position and Statement of Activities provide information on a government-wide basis. These statements present an aggregate view of ACPS' financial position. Government-wide statements contain useful long-term information as well as information for the just completed fiscal year.

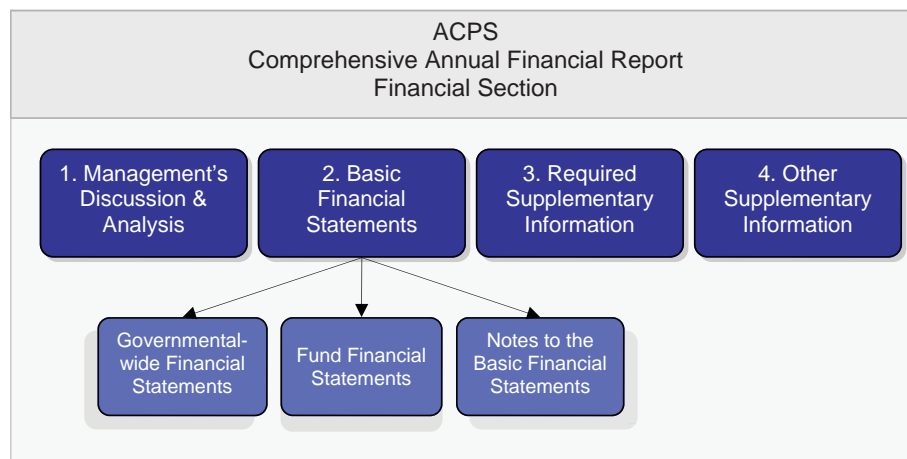
The remaining statements are fund financial statements that focus on the individual funds of ACPS, providing primarily short-term information. Fund statements report operations in more detail than government-wide statements.

The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of ACPS' financial activities and position.

The required supplementary information further enhances the financial statements with budgetary comparisons and pension trend data. The budgetary comparisons provides three separate types of information: the original budget, the final amended budget and the actual expenditures. Two schedules of actuarial information are required to be presented in connection with defined benefit pension plans: a schedule of funding progress and a schedule of employer contributions.

The other supplementary information refers to information about our fiduciary funds and is presented immediately following the required supplementary information on pensions.

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



ACPS implemented the requirements of Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans for the reporting period ending June 30, 2014.

This Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts with certain characteristics. This Statement also establishes standards of financial reporting for separately issued financial reports of pension plans and specifies the required approach to measuring the pension liability of employers for benefits provided through the pension plan. Additional footnote disclosures to our financial statements and schedules in our Required Supplementary Information section are also required by this Statement.

Government-wide Financial Statements

The government-wide statements report information about ACPS as a whole, using accounting methods similar to those used in private-sector companies. The Statement of Net Position and the Statement of Activities provide information about the activities of the school division as a whole, presenting both an aggregate and a long-term view of the financial position. These statements include all assets, liabilities and deferred inflows and outflows of resources using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of ACPS' (1) assets and deferred outflows of resources, (2) liabilities and deferred inflows of resources, and (3) the difference between them reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of the school division is improving or deteriorating.

The Statement of Activities presents information on ACPS' costs of providing services and the resources obtained to finance those services. This statement also highlights to what extent ACPS programs are able to cover their costs with user fees, operating grants and contributions, as opposed to being financed with general revenues. In addition, the statement provides overall information as to whether the financial position has improved or deteriorated during the fiscal year.

Financial Analysis of ACPS as a Whole

In government-wide financial statements, the activities can be divided into two categories: governmental activities and business-type activities. ACPS reports only governmental activities, since it has no business-type activities. The governmental activities of ACPS include most of the schools' basic services, such as instruction, administration, attendance and health, pupil transportation, operation and maintenance of school buildings, summer school, adult education, and food services. These governmental activities are principally supported by the City of Alexandria, State aid and intergovernmental revenues.

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that established the local option of creating, for financial reporting purposes, a tenancy in common between the city and the local school board when the city issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS.

According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the School Board when the bonds are repaid. Capital debt financing activities are not reported in the ACPS' financial statements, but rather in the City's financial statements.

Alexandria City Public Schools, Virginia

Financial-Management's Discussion & Analysis

Net position. Table 1, below, provides a summary of ACPS' net position as of June 30, 2014 compared to June 30, 2013.

Summary of Net Position As of June 30				
	Governmental Activities Activities			Percentage Change
	2014	2013	Variance	2014-2013
ASSETS				
Current and other assets	\$ 72,825,047	\$ 74,826,781	\$ (2,001,734)	-2.68%
Capital assets, net	9,666,296	10,101,429	(435,133)	-4.31%
<i>Total assets</i>	<u>82,491,343</u>	<u>84,928,210</u>	<u>(2,436,867)</u>	-2.87%
LIABILITIES				
Current liabilities	36,330,515	47,780,050	(11,449,535)	-23.96%
Long-term liabilities	7,429,785	6,781,978	647,807	9.55%
<i>Total liabilities</i>	<u>43,760,300</u>	<u>54,562,028</u>	<u>(10,801,728)</u>	-19.80%
NET POSITION				
Invested in capital assets,	9,666,296	10,101,429	(435,133)	-4.31%
Restricted	17,449,685	3,091,635	14,358,050	464.42%
Unrestricted	11,615,062	17,173,118	(5,558,056)	-32.36%
<i>Total net position</i>	<u>\$ 38,731,043</u>	<u>\$ 30,366,182</u>	<u>\$ 8,364,861</u>	27.55%

- **Capital assets, net of depreciation** decreased by \$.4 million or 4.3% from the prior year. This decrease is due to increased current year depreciation, in excess of the capital asset additions. Although ACPS' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The Code of Virginia precludes school divisions from issuing general obligation debt. As a result, the City issues general obligation debt for ACPS and reports, and includes in its financial statements, the general obligation debt related to ACPS' capital assets. See Note 5 for additional information on capital assets.
- **Current and other assets** decreased, respectively by \$2.0 million or 2.7% from fiscal year 2013. The decrease in the current and other assets category was attributed to decreased balances due from the City of Alexandria and reductions in the Supplemental Retirement net pension asset. These decreases were partially offset by increases in amounts reimbursable from Commonwealth and federal grants.
- **Current liabilities** decreased by \$11.4 million primarily due to the reduction of employee health benefits related liabilities as reflected at June 30, 2014 in the newly formed Health Benefits Fund. This fund was established on July 1, 2013, by School Board resolution, as an internal service fund to enable ACPS to better manage health care benefits costs provided to employees and retirees. This fund is further discussed in a section below.

- **Long-term liabilities** increased to \$7.4 million in fiscal year 2014 from \$6.8 million in fiscal year 2013, an increase of \$.6 million or 9.6%. The year-end balance reflects increases in workers compensation liabilities and compensated absences and continued reductions in the Net OPEB obligation. This category also includes the lease expenditures accrued during the rent abatement period for the new Braddock Place 15 year lease agreement. See Notes 6 and 9 for further discussions on this rent abatement.

Changes in net position. The following table presents the changes in net position from fiscal year 2013 to 2014:

Changes in Net Position For the fiscal years ending, June 30				
	<u>Governmental Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,133,727	\$ 2,430,353	\$ (296,626)	-12.2%
Operating grants and contributions	16,199,266	19,240,425	(3,041,159)	-15.8%
General revenues:				
City appropriation	185,939,138	185,841,404	97,734	0.1%
State aid	34,039,898	31,627,807	2,412,091	7.6%
Other local funds	1,651,826	1,139,350	512,476	45.0%
Total revenues	239,963,855	240,279,339	(315,484)	-0.1%
Expenses				
Instructional:				
General instruction	173,706,777	180,228,637	(6,521,860)	-3.6%
Adult education	900,966	889,144	11,822	1.3%
Summer school	668,925	594,626	74,299	12.5%
Support Services:				
Administration	16,686,774	16,617,218	69,556	0.4%
Attendance and health services	5,733,737	4,928,558	805,179	16.3%
Pupil transportation	8,101,913	9,144,732	(1,042,819)	-11.4%
Plant operations and maintenance	16,194,488	16,936,841	(742,353)	-4.4%
Operation of Noninstructional Services:				
Food services	6,507,249	6,919,510	(412,261)	-6.0%
Capital improvement services	3,098,165	3,205,123	(106,958)	-3.3%
Total expenses	231,598,994	239,464,389	(7,865,395)	-3.3%
Change in net position	8,364,861	814,950	7,549,911	926.4%
Net Position-beginning balance	30,366,182	29,551,232	814,950	2.8%
Net Position-ending balance	\$ 38,731,043	\$ 30,366,182	\$ 8,364,861	27.5%

- Net Position increased to \$38.7 million in fiscal year 2014 from \$30.4 million in fiscal year 2013, an increase of \$8.4 million or 27.5%. Total revenues decreased slightly by \$.3 million or .1% from fiscal year 2013, while expenses decreased by \$7.9 million or 3.3%.
- The City appropriation and general state aid accounted for most of ACPS' revenue, representing 92 cents of every dollar of revenue received. The remaining 8 cents of every dollar of revenue is funded with federal and state aid for specific programs, charges for services, and miscellaneous revenues.
- Most of ACPS's expenses, or 85 cents of every dollar spent, are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation and school nutrition. The balance of every dollar spent goes for administrative costs (7 cents), operations and maintenance (7 cents), and construction and renovations (1 cent).

Key elements of these changes during fiscal year 2014 were as follows:

- Operating grants and contributions decreased \$3.0 million or 15.8%. This is primarily due to continued reductions in federal funding.
- City appropriation increased .1% to \$185.9 million. This includes \$6.2 million for capital projects and \$.1 million to fund expansion of ACPS' pre-kindergarten program.
- State Aid increased 7.6% to \$34.0 million primarily due to increased sales tax and basic aid revenues.
- Other local funds increased \$.5 million or 45.0% due to increases in the indirect cost recovery rates for FY 2014.
- The net revenue of the Health Benefits internal service fund have been included in the government-wide Statement of Activities (Exhibit II) as a reduction of expenses and significantly affect the comparison of expenses between fiscal years 2014 and 2013.
- General Instructional expenses decreased overall by \$6.5 million, primarily due to the allocation of \$9.2 million of net revenue from the Health Benefits Fund. This decrease was partially offset by increases in personnel costs (a full step increase was awarded to eligible staff, halfway through the fiscal year) and adding more kindergarten, English language learner and special education teachers. Instructional expenses also increased due to the continued realignment of our operating budget to dedicate more resources towards classroom instruction in response to enrollment increases and the changing needs of our students.
- Administrative expenses remained relatively steady compared to 2013. The current year amounts were reduced by the allocation of \$2.5 million of net revenue from the Health Benefits Fund. This decrease was offset by higher personnel costs due to the mid-year increase.
- Transportation expenses reflect a decrease of \$1.0 million. This is due to reductions caused by the allocation of \$1.1 million of net revenue from the Health Benefits Fund and increased costs from rising fuel prices and added bus drivers and monitor positions. During 2014, 12 new buses were purchased (eight buses were replacements) for approx. \$1.1 million through the Capital Projects Fund. These vehicles were capitalized and included in Capital Assets on the Statement of Net Position – Exhibit I.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ACPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All ACPS funds are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

ACPS' fund financial statements provide detail information about the most significant funds, and not ACPS as a whole. Governmental fund reporting focus on showing how money flows in and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of ACPS' operations and the services it provides.

The Board adopts an annual appropriated budget for all governmental funds. For fiscal year 2014, all governmental funds have been designated as major funds. The budgetary comparison schedules for the General, Grants and Special Projects and School Nutrition funds have been provided in the Required Supplementary Information section of this report (Exhibits IX, X and XI respectively).

In 2011, ACPS implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which replaced the traditional fund balance components. The new components of fund balance include nonspendable, restricted, committed, assigned, and unassigned.

As of the end of 2014, ACPS' governmental funds reported combined fund balances of \$18.3 million, a decrease of \$4.2 million in comparison with fiscal year 2013. Of this combined total, \$1.1 million or 6.0% constitutes nonspendable fund balance which reflects inventories and prepaid items that are in a non-liquid form and cannot be spent, \$3.1 million or 17.1% constitutes restricted fund balance which is externally restricted for grant programs, \$4.6 million or 25.0% constitutes committed fund balance which has been designated by the School Board for use in fiscal year 2015, \$5.2 million or 28.5% constitutes assigned fund balance which is designated for capital projects, school nutrition programs

and outstanding encumbrances at year-end, and \$4.3 million or 23.5% constitutes unassigned fund balance which is not constrained at all and can be used for any purpose by the Board. See Note 12 for additional information on our fund balance designations.

The following schedules present a summary of the General Fund by type of revenue and expenditures by function for the period ended June 30, 2014 as compared to June 30, 2013. They also depict the amount and percentage increases and decreases in relation to prior year amounts reported.

General Fund Revenues

The General Fund is the general operating fund of the Board that is used to account for all financial resources, except those required to be accounted in another fund.

Revenues for the General Fund totaled \$221.0 million for 2014, which was \$8.7 million or approximately 4.1% higher than revenues received in 2013. ACPS is fiscally dependent upon the City, which provides the largest source of funding to ACPS of \$185.6 million. The second largest source of revenue is from the Commonwealth of Virginia. Income from the Commonwealth increased \$2.4 million or 7.6%, primarily due to additional state sales taxes and basic aid.

Tuition and fees decreased by 13.7% due to lower collections from adult education programs.

Other local revenue sources increased by 52.1%, primarily due to a rate increase for indirect cost recoveries from federal grants.

General Fund Revenues by Source						
Source	FY 2014		FY 2013		Increase (Decrease) from FY 2013	
	Amount (thousands)	Percent of Total	Amount (thousands)	Percent of Total	Amount (thousands)	Percentage Change
City of Alexandria	\$ 185,611	84.0 %	\$ 179,486	84.5 %	\$ 6,125	3.4 %
State Aid	34,040	15.4	31,628	14.9	2,412	7.6
Federal Aid	117	0.1	113	0.1	4	3.5
Tuition and Fees	516	0.2	598	0.3	(82)	(13.7)
Other Local Funds	701	0.3	461	0.2	240	52.1
Total Revenue	<u>\$ 220,985</u>	<u>100.0 %</u>	<u>\$ 212,286</u>	<u>100.0 %</u>	<u>\$ 8,699</u>	<u>4.1 %</u>

Amounts may not add due to rounding

General Fund Expenditures & Other Financing Sources and Uses

General Fund expenditures totaled \$222.0 million for fiscal year 2014, which was an increase of \$6.7 million, or 3.1% from fiscal year 2013. Approximately, \$1.0 million of these program costs were funded by the General Fund fund balance. The following illustration presents the amounts of General Fund expenditures by function and the increase or decrease from the previous year for each function, as well as, the comparison of other financing sources and uses with the prior year.

General Fund Expenditures by Function and Other Financing (Sources) Uses						
Function	FY 2014		FY 2013		Increase (Decrease) From FY 2013	
	Amount (thousands)	Percent of Total	Amount (thousands)	Percent of Total	Amount (thousands)	Percent Change
General instruction	\$ 171,000	77.0 %	\$ 165,604	76.9 %	\$ 5,396	3.3 %
Adult education	529	0.2	684	0.3	(155)	(22.7)
Summer school	669	0.3	595	0.3	74	12.4
Administration	17,484	7.9	16,061	7.4	1,423	8.9
Attendance and health	5,628	2.5	4,846	2.3	782	16.1
Pupil transportation	9,536	4.3	9,442	4.4	94	1.0
Plant operations and maintenance	16,657	7.5	16,594	7.7	63	0.4
Food services	474	0.2	460	0.2	14	3.0
Debt Services						
Principal	-	-	1,013	0.5	(1,013)	(100.0)
Interest	-	-	32	0.0	(32)	(100.0)
Total Expenditures	<u>\$ 221,977</u>	<u>100.0 %</u>	<u>\$ 215,331</u>	<u>100.0 %</u>	<u>\$ 6,646</u>	<u>3.1 %</u>
Other Financing (Sources) Uses						
Transfers In	\$ -		\$ (582)		\$ 582	(100.0)
Transfers Out	1,079		613		466	76.0
Total Other Financing Uses, net	<u>\$ 1,079</u>		<u>\$ 31</u>		<u>\$ 1,048</u>	

Amounts may not add due to rounding

For fiscal year 2014, the School Board awarded a full step increase to all eligible employees midway through the fiscal year. This increase in personnel costs, from 2013, were reflected in all ACPS functions.

The increased costs in general instruction were primarily due to costs associated with additional instruction-based positions caused continued student enrollment growth and student needs. The additional positions included kindergarten, elementary homeroom, English language learners and special education teachers and paraprofessionals.

Administration expenses increased 8.9% due to rising workers compensation costs and additional lease costs incurred with the central office relocation to Braddock Place.

Total Other Financing Uses, net increased to \$1.1 million in 2014 from \$.03 million in 2013. During this fiscal year, no transfer of excessive fund balance from the Grants and Special Projects Fund (Medicaid Fund) was made to the General Fund. The transfer from the General Fund of \$1.1 million reflects ACPS contribution to the Virginia Preschool Initiative program that is maintained in the Grants and Special Projects Fund.

Fund Balances

The School Board adopted, FY14 General Fund Budget reflected the usage of \$6.7 million of fund balance to offset the amount of 2014 budgeted expenditures and funds transfers that exceeded the 2014 budgeted revenues. This budgeted usage of fund balance is consistent in the General Fund budget adoption process of prior years. During 2014, only \$2.1 million of fund balance was needed to offset the amount of actual expenditures and funds transfers that exceeded actual revenues.

The Grant and Special Projects Fund is used to account for federal, state, and local grants restricted for specified school purposes by the grantor. During 2014, federal grant funding decreased by \$2.2 million, or 22.3%, reflecting reductions in the phase-out of federal School Improvement Funds under the American Recovery and Reinvestment Act and decreases in ACPS Title I awards. At June 30, 2014, the Grants and Special Projects Fund balance consisted of \$3.1 million restricted for the purposes specified in the grant awards.

The Capital Projects Fund is used to account for the acquisition, renovation or construction of ACPS facilities. Payments for all capital projects initiated by ACPS, in accordance with the School Board and City Council approved ACPS capital plan, are processed and disbursed by the City. The amounts reflected in the Capital Projects Fund represent those capital projects that were funded by the City without using debt proceeds.

As previously stated, certain school assets and projects may be financed with the City's general obligation bonds and as a result, disbursements for those activities are recorded as part of the primary government. Any capital debt financing activities are reported in the City's financial statements, and are not reflected in ACPS financial statements. According to law, the tenancy in common ends when the associated debt obligation is repaid, at which time; the related assets revert to the School Board. No capital assets reverted to ACPS in 2014, due to the end of the tenancy in common.

The School Nutrition Fund is used to account for the preparation and serving of student meals. At the end of 2014, the School Nutrition fund balance reflected \$0.2 million in nonspendable fund balance for inventory and prepaid items and \$3.4 million in assigned fund balance for school nutrition operations. This fund is self-funded by the revenues earned and does not rely upon the General Fund to support its operations. Currently, the total fund balance represents approximately 5 months of operating costs and reflects the financial stability of this self-funded operation.

Capital assets

At June 30, 2014, ACPS had \$9.7 million invested in land, buildings and building improvements, and furniture and equipment for governmental activities, net of accumulated depreciation (see Note 5 for additional information on capital assets). This amount represents a decrease of \$.4 million from last year, due to depreciation exceeding capital additions for the current year. ACPS student enrollment has steadily increased since 2007 to reach the 2014 enrollment of 13,623, an increase of 1,228 students from 2012 and 3,291 students from 2007. Approximately 70% of this increase comes from student growth at the elementary level, where we have grown by 1,728 elementary students from FY 2009 through FY 2014. Over the next five years through FY 2019, enrollment growth is projected to increase by over 2,532 students, or a total growth of 18.6% compared to our current level.

During 2014, significant progress was made in the construction of the new Jefferson-Houston PreK-8th Grade School. Approximately \$27.7 million was spent during FY 2014 and the school is on target

to open in September for the start of the 2014-2015 school year. The new school replaces an 80,000 sq. ft., one story building, with a new state-of-the-art LEED-certified building, with 125,000 sq. ft., designed specifically for a PreK-8 curriculum program. This new school will feature Smartboards in every classroom, a rainwater harvesting system that recycles rainwater for use in flushing toilets and landscaping, a rooftop classroom space and solar observatory and distributed dining program that provides multiple eating areas in flexible use spaces in the building, eliminating the need for a cafeteria.

Other major capital asset activities during fiscal year 2014 included the following:

- New school bus replacements- 12 buses/vehicles were purchased for \$1.1 million. Eight of the buses were planned replacements and four buses were added to the fleet to accommodate increased enrollments and reduce bus overcrowding.
- Additional classroom expansion and improvement projects at several elementary schools – these projects totaled \$1.3 million and created approximately 10 additional classrooms in our schools to help address our increasing enrollment needs.
- Master key replacement project – this project will span several years and replaces the entire master key system at each school as part of our security and door hardware upgrade program to allow better control of keys and help minimize the possibility of unauthorized access to our facilities. Approximately \$.3 million was spent during the fiscal year on this project.

Under legislation passed by the General Assembly of Virginia, projects under construction and any school assets funded by the City's long-term debt are carried in the City's financial records until the associated debt has been paid in full. When the bonded debt is retired, the assets and any remaining asset value are transferred to ACPS. The table below reflects only assets that have been transferred to ACPS.

Capital Assets (net of accumulated depreciation) As of June 30				
Governmental Activities				
	2014	2013	Increase (Decrease)	Percentage Change
Land and land improvements	\$ 999,381	\$ 999,381	\$ -	- %
Buildings and building improvements	2,247,504	2,592,570	(345,066)	(13.3)
Furniture and equipment	6,419,412	6,509,478	(90,066)	(1.4)
Totals	\$ 9,666,297	\$ 10,101,429	\$ (435,132)	(4.3) %

General Fund Budgetary Highlights

The annual budget is prepared on a basis consistent with accounting principles generally accepted in the United States for the General Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The budget is prepared by fund, organizational unit and account. Certain funding allocations (primarily Federal and General State Aid) are made to schools but are not budgeted by account. During the

Financial-Management's Discussion & Analysis

fiscal year, upon receiving the final allocation from the State, transfers and adjustments are made to the budget allocation.

The following schedule presents a summary of the General Fund revenues and expenditures by type compared to the original and final budgets for the period ended June 30, 2014.

**Revenues and Expenditures
General Fund
Budget to Actual Comparison**

	FY 2014			Variance from Final Budget Positive/(Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
City of Alexandria	\$ 185,611,472	\$ 185,611,472	\$ 185,611,472	\$ -
State aid	32,570,464	33,470,464	34,039,897	569,433
Federal aid	90,000	90,000	116,617	26,617
Tuition and fees	519,902	519,902	516,272	(3,630)
Other local funds	1,410,004	222,879	701,036	478,157
Total Revenues	<u>220,201,842</u>	<u>219,914,717</u>	<u>220,985,294</u>	<u>1,070,577</u>
Expenditures				
Salaries	145,458,779	144,956,293	142,806,798	(2,149,495)
Benefits	49,537,483	49,429,005	49,626,807	197,802
Purchased Services	11,472,624	12,243,701	10,783,815	(1,459,886)
Other Charges	8,234,477	8,078,189	7,577,902	(500,287)
Materials and Supplies	9,519,835	9,504,887	8,422,464	(1,082,423)
Capital Outlay	2,360,984	2,909,758	2,758,917	(150,841)
Total Expenditures	<u>226,584,182</u>	<u>227,121,833</u>	<u>221,976,703</u>	<u>(5,145,130)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(6,382,340)</u>	<u>(7,207,116)</u>	<u>(991,409)</u>	<u>6,215,707</u>
Other Financing Sources (Uses)				
Transfers In	582,000	-	-	0
Transfers Out	(869,125)	(1,210,000)	(1,079,387)	(130,613)
Total Other Financing Sources and Uses	<u>(287,125)</u>	<u>(1,210,000)</u>	<u>(1,079,387)</u>	<u>(130,613)</u>
Change in Fund Balance	<u>\$ (6,669,465)</u>	<u>\$ (8,417,116)</u>	<u>\$ (2,070,796)</u>	<u>\$ 6,346,320</u>

- Actual General Fund revenues exceeded budget by \$1.1 million, while expenditures came in under budget by \$5.1 million or 2.3% of the final budget.
- Actual combined salaries and benefits expenditures were less than budget by \$2.0 million, due to cost savings from position vacancies and corresponding benefits, and lower expenditures for disability insurance. These savings were partially offset by higher than expected costs for workers compensation claims.
- Actual purchased services were less than budget by \$1.5 million, due to lower than planned expenditures for professional and contractual services, particularly for student testing and evaluation, staff development services and general services.

- Actual other charges were less than budgeted by \$.5 million due to lower costs for staff development travel and utilities and fuel costs.
- Actual materials and supplies were less than budget by \$1.1 million, primarily due to lower than planned expenditures for software/online charges, instructional supplies, replacement and newly adopted textbooks and equipment.

The budget variances above do not include the value of any outstanding encumbrances that remained open at year end. There were outstanding encumbrances for the general fund totaling \$1.3 million, that were carried over into 2015.

Fiduciary Funds

ACPS is the trustee for its employees' pension plan and other post-employment benefit trust. It is also responsible for an agency fund which covers the student activity fund (SAF) program. All of the fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from ACPS' government-wide statements because ACPS cannot use these assets to finance its operations. The financial statements for the plan are prepared on the accrual basis of accounting. The student activity monies are also accounted for in this fund type as an agency fund. The School Activity Account Fund is presented in Exhibits VII and XVI of this report.

The basic Fiduciary Fund financial statements are presented in Exhibits VII and VIII, and the combining statements for the Fiduciary Fund are presented in Exhibits XII and XIII of this report.

Economic Factors and 2015 Fiscal Year Budget

The School division considers many factors when developing the next year's budget. Primary factors include student enrollment compared to the student teacher ratios in each classroom and the number of new staff needed to meet those program goals, employee benefit increases, utility cost and other factors. ACPS continues to experience significant increases in student enrollment.

Alexandria City Public Schools enrollments have grown from 10,557 in FY 2008 to 13,623 in FY 2014. This reflects an increase of 3,066 students, for an overall increase of 29.0% and an average increase of 4.1 % per year. During this period, Combined Funds budget has increased on an average of approximately 3.5% per year.

Projected enrollment for the 2014-15 school year includes a 4.0% growth (about 548 students). ACPS has proudly maintained smaller class sizes for an enhanced learning environment for students. Class size caps remain competitive in Northern Virginia — 22 for kindergarten, 24 for grades 1 and 2, and 26 for grades 3 to 5 in elementary schools.

The significant capacity needs that face ACPS require additional resources of space and staff to serve the needs of students. The major capacity projects currently underway include the new Jefferson-Houston School construction project and Patrick Henry Elementary School new school planning. Achieving the capacity to serve our growing population of students is a challenge that provides significant spending pressure on our capital projects budget.

ACPS' growing student population continues to reflect very diverse demographics and special needs. Our students represent 128 different countries and speak 100 native languages. The enrollment in the

English Language Learners (ELL) program represents 27.1% of total student population for FY 2014 and is one of the highest percentage of students receiving ELL services in the Northern Virginia school divisions. The proportion of our students participating in the free and reduced-price meal program in FY 2009 was 52.3% and this has increased in FY 2014 to 59.6%, one of the highest percentage of the Northern Virginia school divisions. This is significantly different than the general Alexandria City population, which has only 8.3% of the population living under the poverty line based on the U.S. Census Bureau, 2010-2012, data.

All of these factors contribute towards increased costs to educate our students and provide significant challenges towards balancing our budget.

In order to meet the changing needs of a rapidly growing student population with fewer resources available and in order to be respectful of the economic situation, ACPS has looked deeply and analytically on how and where existing resources are being spent and their impact on student learning. Using the School Board approved strategic plan, students' needs and data-driven, evidence-based research as the framework for resources allocation; ACPS has realigned or re-purposed budgeted funds to ensure that each and every student meets the expectations of the 21st Century education of excellence. ACPS has developed a budget that supports excellence for Alexandria students, families, teachers, leaders, employees and taxpayers while, at the same time, being responsive to and respectful of the difficult economic environment.

Despite these very difficult economic times and the financial challenges associated with continued increased student enrollment and more diverse student needs to address, ACPS will continue to put its limited resources where it matters the most: To improve student learning for each and every child in the school division. Through resource realignment, ACPS will maintain small class sizes, dedicate more money to instruction, add more teachers for core classes, physical education, ELL and special education programs, fund school exemplary programs and teacher professional development.

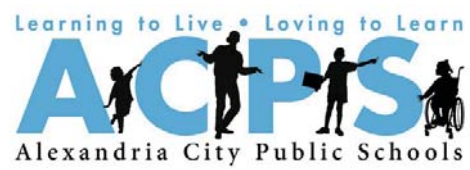
Also considered in the development of the budget is the local economy and inflation of the surrounding area.

In May 2014, the School Board adopted a balanced budget for fiscal year 2015 that reflected total resources, including \$4.6 million of available fund balance and appropriations of \$228.4 million for the General Fund.

The FY 2015 budget reflects a thorough review of all programs and services to focus on student achievement. The FY 2015 final operating budget totals \$235.3 million, an increase of 3.5% compared to the FY 2014 final budget. The appropriation to ACPS from the City of Alexandria is \$191.8 million, an increase of 3.7% compared to the FY 2014 final budget. Total positions funded through combined funds show a net increase of 54.73 FTE or 2.4%.

Contacting the Alexandria City Public Schools Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of ACPS' finances and to show ACPS' accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Financial Services Department at Alexandria City Public Schools, 1340 Braddock Place, Alexandria, Virginia 22314, telephone 703-619-8040 or visit the school's web site at <http://www.acps.k12.va.us/financial-services/finance/>.



FINANCIAL SECTION

Basic Financial Statements



ACPS' goal #3 is to create an exceptional learning environment.

Exhibit I

Alexandria City Public Schools, Virginia*Statement of Net Position**June 30, 2014*

	Governmental Activities
Assets	
Due from the City of Alexandria	\$ 61,319,459
Due from other governments	5,581,686
Other receivables	622,260
Prepaid items and other assets	5,130,275
Inventories	171,367
Capital assets:	
Land	999,381
Other capital assets, net	8,666,915
Total assets	82,491,343
Liabilities	
Accrued personnel services	23,141,893
Accounts payable and accrued liabilities	9,104,058
Unearned Revenue	2,256,139
Long-term liabilities:	
Due within one year	1,828,425
Due in more than one year	7,429,785
Total liabilities	43,760,300
Net Postion	
Invested in capital assets	9,666,296
Restricted for,	
Grant programs	3,141,450
Health benefits	14,308,235
Unrestricted	11,615,062
Total net postion	\$ 38,731,043

See accompanying notes to the basic financial statements.

Exhibit II

Alexandria City Public Schools, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Instructional:				
General instruction	\$ 173,706,777	\$ 151,854	\$ 10,876,665	\$ (162,678,258)
Adult education	900,966	75,620	-	(825,346)
Summer school	668,925	64,631	-	(604,294)
Support Services:				
Administration	16,686,774	-	-	(16,686,774)
Attendance and health services	5,733,737	-	-	(5,733,737)
Pupil transportation	8,101,913	-	-	(8,101,913)
Plant operations and maintenance	16,194,488	135,101	-	(16,059,387)
Operation of Noninstructional Services:				
Food services	6,507,249	1,706,521	5,322,601	521,873
Capital Improvement Services	3,098,165	-	-	(3,098,165)
<i>Total governmental activities</i>	<u>\$ 231,598,994</u>	<u>\$ 2,133,727</u>	<u>\$ 16,199,266</u>	<u>(213,266,001)</u>
General revenues:				
Intergovernmental:				
City of Alexandria				185,939,138
Commonwealth of Virginia				34,039,898
Other				1,651,826
<i>Total general revenues</i>				<u>221,630,862</u>
Change in net position				8,364,861
<i>Net position-July 1, 2013</i>				<u>30,366,182</u>
<i>Net position-June 30, 2014</i>				<u>\$ 38,731,043</u>

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Assets					
Due from the City of Alexandria	\$ 57,281,373	\$ 4,038,086	\$ -	\$ -	\$ 61,319,459
Due from other governments	1,610,994	-	3,570,384	400,308	5,581,686
Due from other funds	-	-	172,799	3,379,247	3,552,046
Other receivables	750	-	514,168	1,286	516,204
Prepaid items and other assets	895,404	-	7,648	7,027	910,079
Inventories	-	-	-	171,367	171,367
<i>Total assets</i>	<u>\$ 59,788,521</u>	<u>\$ 4,038,086</u>	<u>\$ 4,264,999</u>	<u>\$ 3,959,235</u>	<u>\$ 72,050,841</u>
Liabilities					
Accrued personnel services	\$ 23,620,984	\$ -	\$ 865,058	\$ 280,531	\$ 24,766,573
Accounts payable and accrued liabilities	4,011,721	3,471,458	99,627	50,023	7,632,829
Unearned revenue	-	-	158,864	88,825	247,689
Due to other funds	21,128,830	-	-	-	21,128,830
<i>Total liabilities</i>	<u>48,761,535</u>	<u>3,471,458</u>	<u>1,123,549</u>	<u>419,379</u>	<u>53,775,921</u>
Fund Balances					
Nonspendable	882,390	-	-	176,555	1,058,945
Restricted	-	-	3,141,450	-	3,141,450
Committed	4,565,941	-	-	-	4,565,941
Assigned	1,283,707	566,628	-	3,363,301	5,213,636
Unassigned	4,294,948	-	-	-	4,294,948
<i>Total fund balances</i>	<u>11,026,986</u>	<u>566,628</u>	<u>3,141,450</u>	<u>3,539,856</u>	<u>18,274,920</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 59,788,521</u>	<u>\$ 4,038,086</u>	<u>\$ 4,264,999</u>	<u>\$ 3,959,235</u>	<u>\$ 72,050,841</u>

See accompanying notes to the basic financial statements.

Exhibit III-1

Alexandria City Public Schools, Virginia
*Reconciliation of the Governmental Fund Balance Sheet to
the Statement of Net Position
June 30, 2014*

Total fund balances-governmental funds	\$ 18,274,920
---	----------------------

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

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the governmental funds. (Note 5)

Non-depreciable assets	\$ 999,381	
Depreciable assets	55,229,538	
Less: Accumulated depreciation	(46,562,623)	9,666,296

Amount of pension contribution to the School Supplement Retirement
Plan is greater than the pension cost and is recorded as a prepaid
item in the Statement of Net Position (Note 7)

3,712,331

Liabilities applicable to the ACPS' governmental activities are not
due and payable in the current period and accordingly are not
reported as fund liabilities. Long-term obligations are not recorded in
the governmental funds but they are reported in the Statement of
Net Position. All liabilities, both current and long-term, are reported
in the Statement of Net Position (Notes 6, 8 & 9)

Compensated absences, long term	\$ (6,476,319)	
Compensated absences, current increase	(203,747)	
Workers' compensation claims	(311,137)	
Other postemployment benefits	(239,536)	(7,230,739)

The Internal Service Fund is used by management to track and
record the costs of the health insurance programs offered to
employees and retirees. The assets and liabilities of the internal
service fund is included in governmental activities in the statement of
net position.

14,308,235

**Total net position of governmental activities in the Statement
of Net Position**

\$ 38,731,043

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Revenues					
Intergovernmental:					
City of Alexandria	\$ 185,611,472	\$ 327,666	\$ -	\$ -	\$ 185,939,138
State aid	34,039,897	-	2,998,309	126,034	37,164,240
Federal aid	116,617	-	7,761,740	5,196,567	13,074,924
Tuition and fees	516,272	-	61,994	-	578,266
Food sales	-	-	-	1,652,483	1,652,483
Other	701,036	-	799,729	54,038	1,554,803
Total revenues	220,985,294	327,666	11,621,772	7,029,122	239,963,854
Expenditures					
Current:					
General instruction	171,000,155	-	11,232,717	-	182,232,872
Adult education	529,071	-	371,895	-	900,966
Summer school and kindergarten prep	668,925	-	-	-	668,925
Administration	17,484,171	-	609,536	-	18,093,707
Attendance and health services	5,627,719	-	375,172	-	6,002,891
Pupil transportation	9,535,629	-	13,946	-	9,549,575
Plant operations and maintenance	16,657,275	-	12,000	-	16,669,275
Food services	473,758	-	36,078	6,392,678	6,902,514
Capital improvement services	-	3,098,165	-	-	3,098,165
Total expenditures	221,976,703	3,098,165	12,651,344	6,392,678	244,118,890
Excess (deficiency) of revenues over (under) expenditures	(991,409)	(2,770,499)	(1,029,572)	636,444	(4,155,036)
Other Financing Sources (Uses)					
Transfers In	-	-	1,079,387	-	1,079,387
Transfers Out	(1,079,387)	-	-	-	(1,079,387)
Total other financing sources (uses)	(1,079,387)	-	1,079,387	-	-
Net change in fund balances	(2,070,796)	(2,770,499)	49,815	636,444	(4,155,036)
<i>Fund Balances-July 1, 2013</i>	<i>13,097,782</i>	<i>3,337,127</i>	<i>3,091,635</i>	<i>2,903,412</i>	<i>22,429,956</i>
<i>Fund Balances-June 30, 2014</i>	<i>\$ 11,026,986</i>	<i>\$ 566,628</i>	<i>\$ 3,141,450</i>	<i>\$ 3,539,856</i>	<i>\$ 18,274,920</i>

See accompanying notes to the basic financial statements.

Exhibit IV-1

Alexandria City Public Schools, Virginia
*Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014*

Net change in fund balances-total governmental funds	\$ (4,155,036)
---	-----------------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Amount of pension contribution is greater than the pension cost. This is the net increase in the pension asset in the current period.(Note 7)	(1,309,605)
---	-------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded new capital outlays in the current period. (Note 5)	(435,133)
--	-----------

In the Statement of Activities, sick pay, vacation pay, workers' compensation, capital leases and other postemployment benefits are measured by the amount accrued during the year. In governmental funds, expenditures for these items are measured by the amount actually paid. (Notes 6, 8 & 9)

Compensated absences. LT Increase	\$ (653,005)	
Compensated absences, Current Increase	201,354	
Workers' compensation	(192,469)	
Other postemployment benefits	600,520	(43,600)

The Internal Service Fund is used by management to track and record the costs of the health insurance programs offered to employees and retirees. The net revenue of the internal service fund is reported with governmental activities.	14,308,235
--	------------

Change in net position of governmental activities in the Statement of Activities	\$ 8,364,861
---	---------------------

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia*Statement of Net Position**Proprietary Funds**June 30, 2014*

	Health Benefits Fund
Assets	
Due from other funds	\$ 17,576,784
Other receivables	106,056
Prepaid items	<u>507,866</u>
<i>Total assets, current</i>	<u>18,190,706</u>
Liabilities	
Accounts payable	840,056
Unearned revenue	2,008,450
Incurred but not reported claims	<u>1,033,966</u>
<i>Total liabilities, current</i>	<u>3,882,472</u>
Net Position	
Restricted	<u>14,308,235</u>
<i>Total net position</i>	<u><u>\$ 14,308,235</u></u>

See accompanying notes to the basic financial statements.

Exhibit VI

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Health Benefits Fund
Operating Revenues	
Charges for services	\$ 26,430,277
Total operating revenues	<u>26,430,277</u>
Operating Expenses	
Claims and benefits paid	12,546,602
Premiums	7,442,630
Administrative costs	662,659
Total operating expenses	<u>20,651,891</u>
Operating income	5,778,386
Non-operating revenue	<u>8,529,849</u>
Change in net position	<u>14,308,235</u>
Net Position- July 1, 2013	<u>-</u>
Net Position- June 30, 2014	<u><u>\$ 14,308,235</u></u>

See accompanying notes to the basic financial statements.

Exhibit VI-1

Alexandria City Public Schools, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Health Benefits Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 26,471,382
Payments to providers for services	<u>20,671,733</u>
Net cash provided by operating activities	<u>5,799,649</u>
 Net change in due from other funds (equity in pooled cash)	 5,799,649
 Due from other funds (equity in pooled cash), beginning of year	 <u>11,777,135</u>
Due from other funds (equity in pooled cash), end of year	<u><u>\$ 17,576,784</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 5,778,386</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease in other receivables	10,060
Decrease in prepaid items	85,053
Increase in accounts payable	840,056
Increase in unearned revenue	31,045
Decrease in incurred but not reported claims	<u>(944,951)</u>
Total adjustments	<u>21,263</u>
Net cash provided by operating activities	<u><u>\$ 5,799,649</u></u>

See accompanying notes to the basic financial statements.

Exhibit VII

Alexandria City Public Schools, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Pension and Other Employee Benefit Trust Funds	Agency Fund- Student Activity
Assets		
Cash held on behalf of student activity fund	\$ -	\$ 560,274
Investments, at fair value:		
Bonds	58,686,783	-
Stocks	7,526,433	-
Mutual funds	35,592,576	-
Real estate	13,217,269	-
Global asset allocation	13,711,323	-
Cash	21,071	-
Total assets	128,755,455	\$ 560,274
Liabilities		
Due to student groups	-	560,274
Total liabilities	-	\$ 560,274
Net Position		
Investments held in trust for pension and other employee benefits	128,755,455	
Total net position	\$ 128,755,455	

See accompanying notes to the basic financial statements.

Exhibit VIII

Alexandria City Public Schools, Virginia
Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2014

	Pension and Other Employee Benefit Trust Funds
Additions	
Employer/Employee contributions	\$ 4,791,937
Net appreciation in investments	<u>14,853,830</u>
Total additions	<u>19,645,767</u>
Deductions	
Benefit payments	6,974,638
Administrative expenses	<u>167,532</u>
Total deductions	<u>7,142,170</u>
Change in net position	12,503,597
Net position-July 1, 2013	<u>116,251,858</u>
Net position-June 30, 2014	<u><u>\$ 128,755,455</u></u>

See accompanying notes to the basic financial statements.

NOTE 1. Summary of Significant Accounting Policies**a) Reporting Entity**

The School Board of the City of Alexandria is a separately-elected governing body operating under the Constitution of Virginia and the Code of Virginia. Since FY 1995, the members of the School Board (Board) have been elected by the citizens of the City of Alexandria (City) to serve three-year terms. The Board determines educational policies and appoints a superintendent of schools to implement the Board's policies. The superintendent is also responsible to the Board for administering the operations of the school system, supervising personnel and advising the Board on all educational matters for the welfare of the students. The mission of Alexandria City Public Schools (ACPS) is to deliver high-quality instruction to a highly-diverse student population so that all students achieve at their highest potential.

The City Council (Council) annually approves the Board's total annual General Fund budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. Funds also are received from state and federal sources for general school aid and specific grant purposes, respectively. The Council is prohibited from exercising any control over specific appropriations within the operating budget of the Board. ACPS is considered to be a discretely presented component unit of the City because ACPS is fiscally dependent on the City and its operations are funded primarily by payments from the City's general fund. The Board has the discretionary authority to expend the amount appropriated to it by the Council.

Basis of Financial Statement Presentation and Fund Accounting

The financial statements of ACPS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing local governmental accounting and financial reporting principles. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (MD&A) The purpose of the MD&A is to provide an analysis of ACPS' overall financial strength and operating results. It also includes a description of currently known facts, decisions, or conditions expected to have a significant effect on the future financial position of the school division.

Government-wide financial statements These include financial statements prepared using full accrual accounting for all of the government's activities. Under the accrual basis, all revenues and costs of providing services are reported, not just those received or paid in the current year or soon thereafter. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities.

Fund financial statements GASB Statement No. 34 requires governmental entities to present financial statements with information about funds with a focus on ACPS major funds.

Budgetary comparison schedule The budgetary comparison schedule requires the presentation of both the original budget and final budget and comparison to the actual results.

b) Basis of Presentation

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities report information on all the activities of ACPS, except for fiduciary funds. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The fund statements are presented on a current financial resources measurement focus and use the modified accrual basis of accounting, except the proprietary and fiduciary fund statements which use the accrual basis. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program within ACPS' governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. Revenues which are not classified as program revenues are presented as general revenues of ACPS. 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 ACPS.

Program revenues are financed by those who use the services of the program or from grants and contributions from parties outside ACPS which are restricted for use in the specific program. These revenues reduce the cost of the functions to be financed from ACPS' general revenues. Charges for services include general and adult education tuition, cafeteria sales, lease of facilities and summer school tuition. Program-specific operating grants and contribution revenues include the National School Lunch program and other federal grants and reimbursements.

Expenses are grouped in four broad categories: instructional, support services, operation of non-instructional services and capital improvement services. Some functions classified under support services include expenses that are, in essence, indirect expenses of instructional functions. However, ACPS does not allocate those indirect expenses to the instructional programs. Depreciation expense is specifically identified by function and is included in the direct expense of each applicable function.

The government-wide financial statements report information on all the activities of ACPS. The effect of interfund activity has been removed from these statements.

Fund Financial Statements Fund financial statements report detailed information about ACPS. Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements, while the internal service fund is presented in separate columns as well. The focus of governmental fund financial statements is on reporting major funds rather than on reporting funds by type. Each major fund is presented in a separate column. All governmental funds have been designated as major funds for 2014. Fiduciary funds include the pension and other employee benefit trust funds and agency funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current resources measurement focus. The financial statements for governmental funds consist of a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows and inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues

and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The proprietary fund, distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Revenues and expenditures not meeting these criteria are reported as non-operating revenues and expenses.

ACPS uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain ACPS functions and activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds Governmental funds are those through which most governmental functions of the Board are financed. The acquisition, use and balances of ACPS' expendable financial resources and the related liabilities are accounted for through governmental funds. ACPS' main operating fund is reported as a major fund. Major funds are determined based on the ratio of each fund compared to the fund category total. The following are ACPS' major governmental funds:

- **General Fund** – the General Fund is the general operating fund of ACPS. It is used to account for all financial resources, except those required to be accounted for in another fund.
- **Capital Projects Fund** – the Capital Projects Fund is used to account for financial resources used in the acquisition, construction or renovation of major facilities of ACPS.
- **Grants and Special Projects Fund** – is a special revenue fund used to account for Federal, State, non-profit, and private industry grants that support instructional programs.
- **School Nutrition Fund** is a special revenue fund used to account for revenues internally restricted to expenditures for the procurement, preparation, and serving of student meals.

Proprietary funds – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations.

- **Health Benefits Fund** – is an internal service fund. This fund was created to better manage health care expenses within ACPS. The primary source of revenue for this fund are employer contributions paid by other funds and employee contributions deducted from employee pay on a semi-monthly basis.

Fiduciary funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Board's programs. The following are ACPS fiduciary funds.

- **Pension and Other Employee Benefit Trust Funds** – Pension and other employee benefit trust funds are fiduciary funds used to account for assets held in a trustee capacity for the members and beneficiaries of the School Supplemental Retirement Plan and for the School Other Post-employment Benefits (OPEB) Trust Fund.
- **Agency Fund** – the Student Activity Fund accounts for student activity monies held by the school principals at each school.

c) Budgetary Comparison Schedule

ACPS is required to present certain required supplementary information (RSI) within its basic financial statements. Demonstrating compliance with the legally-adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the school's annual operating budget and have a keen interest in following the actual financial progress over the course of the year. The budgetary information presents the original budget, the final budget and actual results.

d) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds are reported using the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. ACPS considers all non-reimbursement type revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and workers' compensation. Liabilities for compensated absences and workers compensation are recognized as fund liabilities and expenditures when amounts are due and payable.

State aid is recorded at the time of receipt or earlier, if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Under the accrual basis of accounting, revenues are recognized when earned. Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Grant proceeds received before the eligibility requirements are met are recorded as deferred inflows. Revenue from the United States Department of Agriculture in the form of commodities is considered earned when the commodities are used. The value of unused commodities is reported as deferred revenue.

The pension trust fund is accounted for on a flow of economic resources measurement focus. With this focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member and employer contributions are recognized in the period when due and ACPS has made a formal commitment to fund employees' contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature and do not involve measurement of results of operations.

e) Encumbrance Accounting

Encumbrance accounting, which is the recording of purchase orders, contracts and other monetary commitments in order to reserve applicable portions of an appropriation, is used as an extension of formal budgetary control.

Encumbrances outstanding at year-end are classified as assigned in the General Fund or as assigned or restricted fund balance in the non-General Funds. Annual appropriations that are not spent or encumbered, lapse at year-end.

f) Governmental Accounting Standards Board (GASB) Pronouncements

During the fiscal year ended June 30, 2014, ACPS adopted the following new accounting standard issued by the Governmental Accounting Standards Board (GASB):

Statement No. 67, Financial Reporting for Pension Plans

Issued in June 2012, this statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

This Statement, along with Statement No. 68, Accounting and Financial Reporting for Pensions (to be adopted in FY 2015), establishes a definition of a pension that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Exhibits XIII and Note 7 have been updated to reflect the implementation of Statement 67. This Statement does not apply to OPEB.

ACPS' government wide and governmental financial statements will not be affected until Statement 68 is adopted for the fiscal year ending June 30, 2015.

g) Cash and Investments

ACPS cash balances in all funds, except for fiduciary funds, are held by the City and are invested to the extent available by the City Treasurer. These balances are invested in repurchase agreements and obligations of the federal government and are recorded at fair value. The fair value of investments

is based on quoted market prices. These balances are reflected as amounts due from the City in the financial statements. The pension and OPEB investments reflected in the Fiduciary Funds are discussed in Note 2. The cash in the Agency Fund represents the student activity fund cash balances in the separate bank accounts maintained by the individual schools. Due to the fact that these funds are accounted for on the cash basis of accounting, accrued interest on certificate of deposits with a term of maturity longer than 1 year is not reflected in the cash balance.

h) Due from Other Governments and the City

The amount due from other governments consists primarily of receivables from state entitlements and federal and state reimbursement of grants expenditures. Amounts due from the City consist of ACPS' share of the pooled cash invested by the City to maximize interest earnings.

i) Interfund Receivables and Payables

The composition of interfund receivables and payables balances as of June 30, 2014 was as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		\$ 21,128,830
Grants & Special Projects Fund	172,799	
School Nutrition Fund	3,379,247	-
Health Benefits Fund	17,576,784	
Total	<u>\$ 21,128,830</u>	<u>\$ 21,128,830</u>

The purpose of interfund balances is to present transactions that are to be repaid between major programs at year end. Cash for the governmental and proprietary funds is held by the City in the General Fund.

j) Inventories and Prepaid Items

Inventories consist of various consumable supplies and commodities maintained by the Food and Nutrition Services office. The School Nutrition Fund values and carries its inventory on a cost basis using the weighted-average method. The purchase method of accounting is used in the governmental funds. Reported inventories in the governmental funds are equally offset by a nonspendable fund balance designation which indicates the inventories do not constitute "available spendable resources". Food commodities received from the United States Department of Agriculture (USDA) are stated at fair market value and the amount consumed is recognized as revenue. The amount of unused food commodities is reported as inventory and unearned revenue. Beginning with the school year 2007-2008, ACPS elected to participate in the single food inventory record keeping system which allows the combination of USDA commodity and commercial inventory records. This program was approved jointly by the USDA and Commonwealth of Virginia FNS Child Nutrition and Food Distribution Divisions.

Prepaid Items reflect certain payments to vendors for costs applicable to future accounting periods. These transactions are recorded as prepaid items in both the government-wide and governmental fund financial statements using the consumption method. Prepaid items in the governmental funds are classified as nonspendable in the fund balance. Refer to Note 3 for additional information on prepaid items.

k) Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the ACPS capitalization threshold is met.

Capital assets are defined by ACPS as assets with an initial, individual cost of more than \$5,000. Major additions, including those that significantly prolong a capital asset's economic life or expand its usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenses and are not capitalized. Depreciation expense for capital assets is identified with a specific function and is included as a direct expense on the statement of activities.

All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at estimated value at the date of donation. ACPS does not own any infrastructure. Upon sale or retirement of equipment, the cost and related accumulated depreciation, if applicable, are eliminated from their respective accounts and any resulting gain or loss is included in the results of operations.

All reported capital assets other than land are depreciated. Building improvements are depreciated over the shorter of ten years or the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Building improvements	10 years
Furniture and equipment	5-10 years

l) Deferred Outflows

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of the resources (expenditure) until the future period. At June 30, 2014, ACPS had no items that should be recognized as deferred outflows of resources.

m) Deferred Inflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2014, ACPS had no items that should be recognized as deferred outflows of resources.

n) Compensated Absences

ACPS accrues compensated absences when vested. All annual and vested sick leave benefits are accrued as a liability when earned by the employees and are reported in the government-wide financial statements. The only portion of the accrued compensated absences liability that is reported in the governmental funds is that which pertains to those employees who retired or resigned on or before June 30, 2014, and have not received payment for their accrued compensatory leave as of June 30, 2014.

Annual Leave: Eligible ACPS employees are granted annual leave in varying amounts, based on length of service. Upon retirement, resignation, termination, or death, employees may be compensated for accrued leave at their current per diem rate of pay up to a maximum of 45 annual leave days. Annual leave is accrued as it is earned.

Sick Leave: Sick leave eligibility and accumulation is specified in the employee handbooks. Upon retirement, resignation, or death, employees receive a lump-sum payment based on daily rates approved by the Board. ACPS does not compensate terminating employees for unused sick leave unless they have completed three consecutive years of employment. Sick leave is accrued for the amount earned and vested.

Personal Leave: Full-time employees are granted four personal leave days per year and may accumulate up to eight days per year. Unused personal leave accumulated in excess of the eight days may be carried forward at the end of the year as accumulated sick leave. Personal leave is credited to each employee at the beginning of each contract year.

o) Net Position

Net position represent the difference between assets and deferred inflows combined and liabilities and deferred inflows combined on the government-wide statements. In the government-wide fund financial statements, ACPS' net position fall into three categories: invested in capital assets, net of related debt; restricted and unrestricted. The first category represents the portion of net position related to capital assets, net of accumulated depreciation and any related debt or capital lease obligations. The restricted category represents the position with constraints placed upon their use. The constraints are either: (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

The unrestricted category represents the remaining amount of net position that may be used to meet ACPS' ongoing programs. In the fiduciary fund financial statements, ACPS' net position is categorized as held in trust for pension benefits, which represent the amount of assets accumulated for the payment of benefits to the beneficiaries of the ACPS Supplemental Retirement Plan. When both restricted and unrestricted net position is available for an expense, ACPS applies restricted resources first.

p) Fund Balance

Fund balance is categorized within one of the five classifications listed below based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of resources on the governmental funds. ACPS classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Criteria include items that are not expected to be converted into cash, for example inventories or prepaid items.

Spendable Fund Balance

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the division through formal action by the School Board, the highest level of decision making authority. Committed balances are classified as such as a result of the School Board taking formal action and adopting a resolution which can only be modified or rescinded by a subsequent formal action.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Chief Financial Officer and Director of Accounting are authorized by the School Board to assign Fund Balance amounts for specific purposes.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

ACPS uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements. Additionally, ACPS would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board approved a resolution to delegate the authority to assign fund balance to the Chief Financial Officer and Director of Accounting.

ACPS does not have a formal minimum fund balance policy, since the division is fiscally dependent upon the City and the City maintains an adequate fund balance.

For further details of the various fund balance classifications, refer to Note 12.

q) Use of Estimates

The preparation of the accompanying financial statements required management to make estimates and assumptions about certain amounts included in the financial statements. Actual results will invariably differ from these estimates.

r) Pension Trust Fund

A trust fund is used to account for assets held in a trustee capacity. The pension trust fund is used to account for the Supplemental Retirement System of Alexandria City Public Schools, a single-employer defined benefit pension plan. The Other Post-employment Benefit Trust Fund accounts for accumulating and investing for post-employment health benefit subsidies.

s) Accrued Personnel Services

At the discretion of ACPS, teachers' payroll is expended over the 10- month school year. Consequently, accrued personnel services at June 30, 2014 include salaries earned prior to year-end but not distributed until the months of July and August 2014.

t) Income Tax

ACPS, as a component unit of the City of Alexandria, is exempt from all income taxes imposed by any governing body, and, accordingly, no provision for income taxes is recorded.

NOTE 2. Deposits and Investments

ACPS cash balances from all funds are combined and invested to the extent available by the City Treasurer. ACPS maintains a controlled disbursement account by which funds are automatically transferred from the City's pooled account to pay ACPS checks drawn on the ACPS account. Since ACPS' cash and investments are maintained and controlled by the City, ACPS' equity in pooled cash held in the City treasury is presented in the financial statements as due from the City of Alexandria.

A. Deposits

As of June 30, 2014, the carrying value of ACPS' deposits held by the City was \$1,969,564 in overdraft, of which the City will guarantee payment. ACPS's balances for student activity agency funds was \$560,274 and the carrying amount of deposits held by area financial institutions was \$630,711. The entire bank balance for each of these accounts was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. Funds deposited in accordance with the requirements of the Act are considered fully secured. The City maintains all ACPS funds except for those of the agency fund, which are maintained by school principals, and the pension trust fund, which is maintained by the pension administrator.

B. Investments

The City Treasurer's investment policies apply to the ACPS investments controlled by the City. The Treasurer's investment policy addresses custodial risk, interest rate risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. There is no foreign currency risk since the City's investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, banker's acceptances and repurchase agreements fully collateralized in obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service), ICS (Insured Cash Sweeps) and NOW accounts (Negotiable Order of Withdrawal).

During fiscal year 2014, most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS, ICS and NOW accounts where deposits are eligible for FDIC insurance. The LGIP is rated 'AAAm' by Standard & Poor's Rating Services. This rating is the highest principal stability fund rating assigned by Standard & Poor.

The City and its discretely presented components units' investments are subject to interest rate, credit and custodial risk as described below.

- **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 at least half of the City's investment portfolio to maturities of less than one year.
- **Credit Risk** – State Statutes authorize the City to invest in obligations of the US or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and Virginia Local Government Investment Pool. The City's current investment policy limits investments to obligations of the US and agencies thereof, commercial paper and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service, a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to \$50 million), Insured Cash Sweeps (ICS) and NOW accounts (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit). During the fiscal year, the City held its investments in LGIP, CDARS, ICS and NOW accounts, commercial paper, and investments of US agencies and VA municipalities.
- **Custodial Risk** – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, CDARS, ICS and NOW accounts. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

ACPS participates in three pension plans, see Note 7. Two of these plans are part of the Virginia Retirement System (VRS) and are managed by the Commonwealth of Virginia. The Board has directed Prudential, a company with an A+ (Superior) rating, the second highest, by A.M. Best rating agency, to invest funds for the School Supplemental Retirement defined benefit pension plan. Assets of the pension plans are invested by the pension carriers in accordance with the provisions of the Code of the Commonwealth of Virginia. The Board requires the pension carrier to invest the funds in a manner that fully guarantees the principal amount of the plan's assets.

At June 30, 2014, the cash and investment balances for ACPS were as follows:

	INVESTMENT MATURITIES (in years)				
	Fair Value	Less than 1 yr.	13-24 months	25-60 months	Long Term
Fixed Agency (Callable) Securities	\$ 9,763,587	\$ -	\$ 256,474	\$ 9,507,113	\$ -
Fixed Agency (Non-Callable) Securities	832,667	-	-	832,667	-
Fixed Certificate of Deposit	10,135,149	5,647,743	3,650,709	836,697	-
Overnight Funds Securities	42,275,835	42,275,835	-	-	-
Taxable Muni (Callable) Securities	274,729	-	274,729	-	-
Taxable Muni (Non- Callable) Securities	7,057	-	7,057	-	-
Total Investments Controlled by the City	63,289,024	47,923,578	4,188,969	11,176,477	-
OPEB Trust Investments	10,535,676	-	-	-	10,535,676
Pension Plan Investments	118,219,779	-	-	-	118,219,779
Total Trust and Pension Plan Investments	128,755,455	-	-	-	128,755,455
Total Investments	<u>\$ 192,044,479</u>	<u>\$ 47,923,578</u>	<u>\$ 4,188,969</u>	<u>\$ 11,176,477</u>	<u>\$ 128,755,455</u>

The pension plan investments consist of unallocated insurance contracts which are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less refunds used to purchase annuities or pay administrative expenses. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

The following is a reconciliation of total deposits and investments to the government-wide financial statements and statement of fiduciary net position at June 30, 2014.

Investments (controlled by the City)	\$ 63,289,024
Excess of outstanding checks over bank balance	(1,969,564)
Investments held in trust for retirement benefits	128,755,455
	<u>190,074,915</u>
Cash held on behalf of student activity funds	560,274
Total	<u>\$ 190,635,189</u>

C. ACPS OPEB Trust Fund**Deposit and Investment Policies**

The authority to establish the trust fund is set forth in Section 15.2-1244 of the Code, which provides for the purchase of investments that meet the standard of judgment and care set forth in Section 51.1-803 of the Code. ACPS, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund. Deposits to this trust are irrevocable and are held solely for the payment of OPEB benefits for ACPS.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACo). The Pooled Trust is a pooled investment vehicle for participating local governments, school districts, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Investment decisions are made by the Board of Trustees (Trustees) of the Pooled Trust.

The ACPS OPEB Trust Fund's investment as of June 30, 2014, is summarized at market below:

Investment Type	Fair Value
Cash	\$ 21,071
Bonds	3,034,275
Mutual Funds	5,288,909
Real Estate	663,748
Global Asset Funds	1,527,673
Total Investments	<u>\$ 10,535,676</u>

NOTE 3. Prepaid Items and Net Pension Assets

Prepaid items represent payments to certain health providers and other vendors applicable to future accounting periods. Net pension assets represent ACPS' prepaid pension benefits as described in Note 7.

Net pension assets	\$ 3,712,331
Prepaid insurance	574,385
Prepaid other	843,559
Total	<u>\$ 5,130,275</u>

NOTE 4. Due from Other Governments

Amounts due from other governments at June 30, 2014 were:

A. Federal Government

National School Meal Program	\$	400,307
JROTC		9,792
Adult Literacy Services		67,066
Carl Perkins		48,660
Title I Part A		1,358,888
Title I Part D		20,758
Title II-Part A		96,729
Title III		129,479
IDEA, Pre-school		21,362
IDEA Part B		545,412
Affordable Care Act Grants		374,573
McKinney Vento		12,383
School Improvement 1003A		389,412
Misc Federal		875
Total due from the Federal Government	\$	<u><u>3,475,696</u></u>

B. Commonwealth of Virginia

Juvenile Detention	\$	457,976
VA Medicaid Assistance		613,520
Technology		544,000
State Sales Tax		443,681
Miscellaneous Commonwealth programs		11,726
Total due from the Commonwealth of Virginia	\$	<u><u>2,070,903</u></u>

C. City of Alexandria

Miscellaneous	\$	<u><u>35,088</u></u>
---------------	----	----------------------

NOTE 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2014.

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital assets not depreciated				
Land and land improvements	\$ 999,381	\$ -	\$ -	\$ 999,381
Total capital assets not depreciated	<u>999,381</u>	<u>-</u>	<u>-</u>	<u>999,381</u>
Other capital assets:				
Buildings and building improvements	38,239,412	-	-	38,239,412
Furniture and equipment	15,780,412	1,614,895	405,181	16,990,126
Total other capital assets	<u>54,019,824</u>	<u>1,614,895</u>	<u>405,181</u>	<u>55,229,538</u>
Less accumulated depreciation for:				
Buildings and building improvements	35,646,842	345,066	-	35,991,908
Furniture and other equipment	9,270,934	1,704,962	405,181	10,570,714
Total accumulated depreciation	<u>44,917,776</u>	<u>2,050,028</u>	<u>405,181</u>	<u>46,562,623</u>
Total other capital assets, net	<u>9,102,048</u>	<u>(435,133)</u>	<u>-</u>	<u>8,666,915</u>
Total Capital Assets, net	<u>\$ 10,101,429</u>	<u>\$ (435,133)</u>	<u>\$ -</u>	<u>\$ 9,666,296</u>

* Depreciation expense was charged to governmental functions as follows:

General instruction	\$ 756,992
Pupil transportation	684,573
Administration	212,196
Plant operations and maintenance	345,067
Food services	<u>51,200</u>
Total governmental activities depreciation expense	<u>\$ 2,050,028</u>

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that establishes local option of creating, for financial reporting purposes, a tenancy in common between the city and the local school board when a city issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS. As of June 30, 2014, the City holds approximately \$260.2 million in gross assets used by ACPS.

According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the ACPS when the bonds are repaid. Capital debt financing activities are not reported in the ACPS', but in the City's financial statements. No capital assets reverted to ACPS in 2014, due to the end of the tenancy in common.

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 3,098,165
Other assets	536,896
Depreciation expense	(2,050,028)
Capital outlay not capitalizable	(2,020,166)
Total adjustments	<u>\$ (435,133)</u>

NOTE 6. Lease Obligations

Operating Leases

ACPS leases office equipment and office space under various long-term leases expiring at various dates. Certain leases contain provisions for possible future increased rentals based on changes in the Consumer Price Index. Total costs for such leases were \$2,821,600 for the year ended June 30, 2014.

During September 2013, ACPS signed a 15 year lease agreement to relocate the central office and various other ACPS departments. The original lease began June 1, 2014 and was amended to begin April 21, 2014. This lease includes a 16.8-month rent abatement period. The period of rent abatement is from April 21, 2014 to September 15, 2015 and the value of the abatement is approximately \$2.91 million. The rent abatement will be amortized over the life of the lease. Total future minimum payments for this lease are included in the schedule of minimum lease payments below.

Scheduled minimum lease payments for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Real Estate	Equipment
2015	\$ 230,644	\$ 760,148
2016	2,107,853	737,336
2017	2,668,779	-
2018	2,742,170	-
2019	2,817,580	-
2020 - 2024	15,133,639	-
2025 - 2029	15,631,020	-
Total	<u>\$ 41,331,685</u>	<u>\$ 1,497,484</u>

Capital Leases

In July 2014, ACPS signed a noncancelable capital lease for 4,471 computer tablets with Amplify Education Inc. The lease term is for 3 years and provides for lease payments totalling \$2,200,872 over the life of the lease. The agreement contains a bargain purchase option.

NOTE 7. Retirement Plans

ACPS participates in three public employee retirement systems (PERS). Two of these systems, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (non-professional), are administered by the Virginia Retirement System (VRS) and are, therefore, not reflected as ACPS pension trust funds. The third plan (School Supplemental) is a single-employer defined benefit plan, where a stated methodology for determining pension benefits is provided. This plan is part of ACPS' reporting entity and, as such, is reflected as a Pension Trust Fund.

The actuarial valuation for the School Supplemental Retirement Plan is performed annually. The actuarial valuation for VRS is performed biennially; however, an actuarial update is performed in the interim year.

In the cost-sharing multiple-employer pension plan, the Commonwealth of Virginia values the benefits of all school professional employees in the aggregate; therefore, individual school net plan assets and pension benefit obligation information is not available.

In the School Supplemental Retirement Plan, no changes occurred in the actuarial valuation assumptions, plan benefits, actuarial cost method or procedures affecting the comparability of costs.

A. Virginia Retirement System**Plan Descriptions**

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer are paying into the 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.

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> State employees* School division employees Political subdivision employees* Judges appointed or elected to an original term on or after January 1, 2014 Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Members of the State Police Officers' Retirement System (SPORS) Members of the Virginia Law Officers' Retirement System (VaLORS) Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members</p>

Financial Section-Notes to the Basic Financial Statements

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as VRS Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as VRS Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options	Calculating the Benefit See definition under VRS Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under VRS Plan 1 Defined Contribution Component:

Financial Section-Notes to the Basic Financial Statements

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: Same as VRS Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as VRS Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as VRS Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as VRS Plan 1 and VRS Plan 2.

Financial Section-Notes to the Basic Financial Statements

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. The member retires on disability. The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><u>Purchase of Prior Service</u> Same as VRS Plan 1.</p>	<p><u>Purchase of Prior Service</u> <u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

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

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. During 2014, all of the 5.00% member contribution was paid by ACPS employees. In addition, the ACPS is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The ACPS non-professional employees' contribution rate for the fiscal year ended June 30, 2014 was 5.43% of the annual covered payroll.

The ACPS professional contribution rate for the year ended June 30, 2014 was 11.66%. Contributions to the VRS state-wide teacher pool for fiscal year 2014 were \$21,201,124 while contributions for fiscal years 2013 and 2012 were \$19,079,597 and \$13,909,469 respectively, equal to the required contribution for each year.

Annual Pension Cost

For the fiscal year ended June 30, 2014, the ACPS annual pension cost of \$801,930 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for Alexandria City Public Schools

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation (NPO)
	Employer Portion	Employee Portion		
June 30, 2012	\$ 20,248	\$ 389,379	100.0%	\$ -
June 30, 2013	\$ 408,380	\$ 397,139	100.0%	\$ -
June 30, 2014	\$ 416,920	\$ 385,010	100.0%	\$ -

The FY 2014 required contribution was 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) an investment rate of return (net of administrative expenses) of 7.00% (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

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

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 95.3% funded. The actuarial accrued liability for benefits was \$38,758,599, and the actuarial value of assets was \$36,933,774, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,824,825. The covered payroll (annual payroll of active employees covered by the plan) was \$7,936,246 and the ratio of the UAAL to the covered payroll was 22.99%.

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

B. Employees' Supplemental Retirement Plan

Plan Description

Plan administration - The Employees' Supplemental Retirement Plan (the Plan) is a single-employer defined benefit plan sponsored by ACPS. The Plan is governed by ACPS, which is responsible for the management of plan assets. ACPS has delegated the authority to manage certain plan assets to a third party. The purpose of the Plan is to provide supplemental retirement benefits to employees of Alexandria City Public Schools. Statutory authority for the establishment of this Plan is provided by the Code of Virginia §51.1-800 through §51.1-803.

All full-time employees are eligible to participate in the Plan as of July 1, 1961, if classified as a twelve month employee. Ten-month employees were eligible to participate in the Plan as of July 1, 1971. The Plan's fiscal year end is August 31. For purposes of implementing GASB No. 67, Financial Reporting for Pension Plans, the measurement period of 09/01/2013 to 08/31/2014 has been used for the plan year ending 08/31/2014. The net pension liability reported for period ending 08/31/2014 was measured as of 08/31/2014, using the total pension liability that was determined by an actuarial valuation as of 08/31/2013 and projected to 08/31/2014.

Benefits provided – The Plan provides disability and death benefits. Benefits at retirement are based upon years of service and the average earnable compensation of an eligible employee during any three years that provide the highest average earnable compensation and are adjusted for inflation after retirement. Benefits at early retirement are reduced by an early retirement factor. Employees are considered vested on or after completing five years of service, or on or after attaining age 60. Employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.40 percent of effective compensation multiplied by credited future service on and after September 1, 1984, and 1.625 percent of effective compensation not to exceed \$100 plus 0.25 percent of the amount by which effective compensation exceeds \$100 multiplied by credited past service before September 1, 1984, and 1.625 percent of past service compensation in excess of \$100 plus 0.25 percent of past service compensation in excess of \$100 times credited past service.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The funding policy of the Plan provides for monthly contributions at actuarially-determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are determined as part of an actuarial valuation performed as of September 1, 2011 using the aggregate actuarial cost method. Starting January 2013, contributions were made at the rate of 1.50% of covered payroll. During FY 2014, only ACPS employees contributed to the Plan. These contributions totaled \$2,166,825 for the fiscal year ended June 30, 2014. Administrative costs of the Plan are paid from the Plan's assets.

Investment policy - The objective of the Plan is to maintain actuarial soundness so that funds will be available to meet contractual benefit obligations. The investment policy may be amended by the Board at any time. Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Plan. The following was the Plan's adopted asset allocation policy as of August 31, 2014.

ACPS Supplemental Retirement Plan

Asset Class	Target Allocation
Domestic Equity	31.81 %
International Equity	8.65 %
Real Estate	1.97 %
Fixed Income	49.28 %
TIPS	8.29 %
Total	100.00 %

Concentrations - As of the measurement date, the following are investments (other than US Government and US Government guaranteed obligations) in any one organization that represents 5 percent or more of the Plan's fiduciary net position.

Principal Financial Group \$118,590,035

Rate of return – For the Plan year ended August 31, 2014, the annual money-weighted rate of return on plan investments for the measurement period is 12.79%. The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. The Plan does not issue a separate, publicly-available financial report.

The following is a summary of fiduciary net position of the Plan as of June 30, 2014.

Summary of Fiduciary Net Position	
Employees' Supplementary Retirement Plan	
As of June 30, 2014	
ASSETS	
Bonds	\$ 55,652,508
Mutual funds	30,303,667
Other Investments	32,263,604
Total assets	<u>118,219,779</u>
LIABILITIES	
Accounts Payable	-
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 118,219,779</u>

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2014.

Summary of Changes in Fiduciary Net Position	
Employees' Supplementary Retirement Plan	
For the Year Ended June 30, 2014	
ADDITIONS	
Contributions	\$ 2,166,825
Investment Income	13,779,519
Total Additions	<u>15,946,344</u>
DEDUCTIONS	
Benefit payments	5,637,109
Administrative expenses	156,947
Total Deductions	<u>5,794,056</u>
Change in net position	10,152,288
NET POSITION, beginning of year	<u>108,067,491</u>
NET POSITION, end of year	<u>\$ 118,219,779</u>

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	1,982
Retirees and beneficiaries currently receiving benefits	1,143
Terminated employees entitled to but not receiving benefits	857
Total	<u>3,982</u>

Normal retirement	65
Benefits age	50 (30 yrs)
Benefits vesting years	5 years
Disability and death benefits	Yes

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Investment earnings	6.50%
Discount rate	6.50%
Projected salary increase attributed to:	
Inflation	2.25%
Seniority /merit	4.88 -8.10%
Retirement increases	-
Actuarial cost method	Aggregate cost method
Open/closed	Open
Remaining amortization period	18 years
Asset valuation method	Contract Basis

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

Employer contribution percentage	0.00%
Employee contribution percentage	1.50%
Employee contribution	\$ 2,166,825
Employer contribution	-
Total amount contributed	<u>\$ 2,166,825</u>
Covered payroll (Annual member compensation)	\$ 125,394,314
Legally-required reserves	None
Long-term contribution contracts	None

Funded Status and Funding Progress

As of September 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$96,257,248 and the actuarial value of assets was \$108,784,515, resulting in assets in excess of actuarial accrued liability (UAAL) of \$12,527,267. The covered payroll of participating employees was \$125,394,314 and the ratio of actuarial value of assets to the actuarial accrued liability was 113.01%. The total normal cost increased as a percentage of covered payroll from 0.77% to 0.86% with a net increase in cost of \$143,219.

The Plan uses the aggregate actuarial cost method, because this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and that the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

Calculation of Net Pension Assets (NPA)

Annual Required Contributions (ARC)	\$ 1,154,657
Interest on Net Pension Asset (NPA)	(326,426)
Adjustment to Annual Required Contribution	<u>481,374</u>
Annual Pension Cost (APC)	1,309,605
Actual Deposit	<u>-</u>
Change in NPA	1,309,605
NPA Beginning of year (July 1, 2013)	<u>(5,021,936)</u>
NPA End of year (June 30, 2014)	<u><u>\$ (3,712,331)</u></u>

**Employees' Supplemental
Single-employer defined benefit plan**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of Contributions to APC	Net Pension (Assets)
9/1/2011	\$ 1,510,771	0.0%	\$ (6,215,851)
9/1/2012	\$ 1,193,915	0.0%	\$ (5,021,936)
9/1/2013	\$ 1,309,605	0.0%	\$ (3,712,331)

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Statement of Changes in Net Pension Liability (Asset)
Employees' Supplementary Retirement Plan

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance as of 08/31/2013	<u>\$ 96,243,919</u>	<u>\$ 108,598,730</u>	<u>\$ (12,354,811)</u>
<i>Changes for the year -</i>			
Service costs	2,462,314	-	2,462,314
Interest	6,243,019	-	6,243,019
Differences between expected and actual experience	(475,091)	-	(475,091)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions- Employee	-	2,171,044	(2,171,044)
Contributions- Employer	-	-	-
Net investment income	-	13,644,193	(13,644,193)
Benefit payments	(5,712,337)	(5,712,337)	-
Administrative expenses	-	(111,595)	111,595
Net Changes	<u>2,517,905</u>	<u>9,991,305</u>	<u>(7,473,400)</u>
Balances as of 08/31/2014	<u><u>\$ 98,761,824</u></u>	<u><u>\$ 118,590,035</u></u>	<u><u>\$ (19,828,211)</u></u>

The following presents the net position liability of the Employees' Supplementary Retirement Plan, calculated using the discount rate of 6.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	<u><u>\$ (7,262,945)</u></u>	<u><u>\$ (19,828,211)</u></u>	<u><u>\$ (30,275,597)</u></u>

NOTE 8. Other Post Employment Benefits (OPEB)**Plan Description**

The School Board administers a single-employer defined benefits healthcare plan. It provides medical insurance benefits to eligible retired school employees and beneficiaries. In May 2009, the School Board authorized the establishment of a trust for the purpose of accumulating and investing assets to fund Other Postemployment Benefits.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. ACPS' respective shares in the Pooled Trust are reported in the OPEB Trust Fund's financial statements. Investment decisions are made by the Board of Trustees (Board) of the Pooled Trust.

Participants in the ACPS Plan must meet the eligibility requirements based on service earned with ACPS and prior service earned from other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefits. In addition, participants must meet one of the following criteria:

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.
- Attained the age of 65 with at least 5 years of service.

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from \$0.00 to \$1,975.58 based on the medical plan under which the retiree is covered. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees. The subsidies in this program are accounted for in the ACPS OPEB Trust Fund. In FY 2014, ACPS contributed up to \$265.00 for each participant.

For employees hired after July 1, 2008, the following requirements must be met:

- Non-Medicare eligible retirees and spouses (Under age 65) - The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of \$265.00 equal to 5% per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The retiree and spouse/dependent pay the remainder of the premium.
- Medicare eligible retirees and spouses (Age 65+) – The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of \$265.00 equal to 5 % per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The contribution will not exceed the premium for the elected coverage. The retiree and spouse/dependent pay the remainder of the premium.

At January 1, 2014, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and spouses	527
Active plan members	<u>2,208</u>
Total	<u><u>2,735</u></u>

The ACPS OPEB Trust does not issue a stand-alone financial report and is not included in the report of another entity.

The following is a summary of fiduciary net position of the ACPS OPEB Trust as of June 30, 2014:

Summary of Fiduciary Net Position	
ACPS Other Post Employment Benefits Trust	
As of June 30, 2014	
ASSETS	
Bonds	\$ 3,034,275
Mutual Funds	5,288,909
Other Investments	<u>2,212,492</u>
Total assets	<u><u>10,535,676</u></u>
LIABILITIES	
Accounts Payable	<u>-</u>
Total liabilities	<u><u>-</u></u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 10,535,676</u></u>

The following is a summary of the changes in fiduciary position of the ACPS OPEB Trust as of June 30, 2014:

Summary of Changes in Fiduciary Net Position	
ACPS Other Post Employment Benefits Trust	
For the Year Ended June 30, 2014	
ADDITIONS	
Contributions	\$ 2,625,112
Investment Income	1,074,311
Total Additions	<u>3,699,423</u>
DEDUCTIONS	
Benefit payments	1,337,529
Administrative expenses	10,585
Total Deductions	<u>1,348,114</u>
Change in net position	2,351,309
NET POSITION, beginning of year	<u>8,184,367</u>
NET POSITION, end of year	<u><u>\$ 10,535,676</u></u>

Funding Policy

Contribution requirements of ACPS are established and may be amended by the Board. The required contributions were actuarially-determined and are based upon projected pay-as-you go financing requirements with additional amount to prefund benefits. The costs of administering the plan are paid for by the OPEB Trust Fund through the use of investment income and employer contributions. For the period ending June 30, 2014, ACPS contributed \$ 1.34 million for current costs and an additional \$ 1.29 million to prefund benefits.

Annual OPEB Cost

ACPS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially-determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB Statement No. 45 requires recognition of the current program expense based on each ARC, but it does not require funding of the related liability. The current ARC rate is 1.41% of annual covered payroll. The following table shows the components of ACPS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Calculation of Net OPEB Obligation (NOO)

Annual Required Contributions (ARC)	\$ 2,031,235
Interest on Net OPEB Obligation	58,802
Adjustment to Annual Required Contribution	<u>(65,445)</u>
Annual OPEB Cost	2,024,592
Contributions made	<u>2,625,112</u>
Decrease in net OPEB obligation (asset)	(600,520)
Net OPEB obligation -July 1, 2013	<u>840,056</u>
Net OPEB obligation -June 30, 2014	<u><u>\$ 239,536</u></u>

Trend Information

ACPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three year period ended June 30, 2014 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$1,936,090	133.0%	\$1,919,910
June 30, 2013	\$1,796,093	160.1%	\$840,056
June 30, 2014	\$2,024,592	129.7%	\$239,536

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially-determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions reflect an increase in investment rate of return (net of administrative expenses) from 6.0% to 7.0%. The actuarial assumptions also include an annual health care cost trend rate of 8.5% and 6.0% initially, for non-medicare eligible and medicare eligible claims, respectively, reduced by decrements to an ultimate rate of medical inflation of 4.0%. Unfunded actuarial accrued liability is being amortized as an open level dollar amount over a period of 30 years.

Financial Section-Notes to the Basic Financial Statements

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$23,730,119 and the actuarial value of assets was \$8,877,690, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,852,429. The covered payroll of active participating employees was \$143,979,443 and the ratio of the UAAL to covered payroll was 10.32%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of 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 trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 9. Long-term Liabilities

The change in long-term liabilities within the government-wide financial statements during the year consists of the following:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year
Compensated absences	\$ 7,049,914	\$ 10,140,081	\$ (9,611,237)	\$ 7,578,758	\$ 1,102,439
Workers' Compensation Claims	395,559	1,675,011	(1,033,447)	1,037,123	725,986
Net OPEB Obligation	840,056	-	(600,520)	239,536	-
Rent Abatement Accrual	-	402,793	-	402,793	-
Total	<u>\$ 8,285,529</u>	<u>\$ 12,217,885</u>	<u>\$ (11,245,204)</u>	<u>\$ 9,258,210</u>	<u>\$ 1,828,425</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. For compensated absences, the General Fund reflects a liability of \$898,692 for amounts due to terminated or retired employees as of June 30, 2014. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. See Note 6 for an explanation of the Rent Abatement Accrual. The adjustment from modified accrual to full accrual is composed of the items in the table below.

The General Fund is used to liquidate the long-term liabilities for compensated absences, capital leases, workers compensation and the net OPEB obligation.

Compensated Absences, long term decrease	\$ 653,005
Compensated Absences, current increase	201,354
Workers' Compensation	192,469
Other Postemployment Benefits	(600,520)
Total	<u>\$ 446,308</u>

NOTE 10. Risk Management

ACPS is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of ACPS to retain risks of losses in those areas where it believes it is more economical to manage risks internally and account for any claims settlement in the General Fund.

ACPS carries commercial insurance on all other risks of loss, including property, theft, auto liability, physical damage and general liability insurance through the Virginia Municipal League. Settled claims resulting from these risks have not exceeded commercial reinsurance coverage for the past three years. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years. ACPS also carries catastrophic medical insurance for Virginia High School League Student participants.

Self-Insurance

ACPS is self-insured for workers' compensation. Claims are processed by a third-party administrator under contract with ACPS per statutory requirements of the Virginia Workers' Compensation Act. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. There were no material reductions in insurance coverage from the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

In July 2013, ACPS established a Health Benefits Fund to better manage health care expenses within ACPS. ACPS offers several health insurance programs to employees and retirees. Medical insurance is offered through Kaiser Permanente and an ACPS self-insured plan, administered by United Healthcare. Dental and vision care are also offered to employees and retirees.

This fund was established by transferring all healthcare insurance account balances from the General Fund into the Health Benefits Fund, including the liability for estimated healthcare claims that have been incurred but not reported. The amount of expenditures did not exceed funds that are available to pay the claims.

Liabilities for workers compensation and self-insured health plan are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual historical claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. ACPS uses independent contractors to process workers compensation and health claims and records a provision and liability in the government-wide statements and General Fund (current portion only) which includes an estimate of incurred but not reported claims.

Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective.

Financial Section-Notes to the Basic Financial Statements

Changes in the estimated claims payable for worker's compensation and self-insured health plan during the fiscal years ended June 30, 2014 and 2013 were as follows:

	Health Insurance Liabilities (General Fund)	IBNR Accrual (Health Insurance Fund)	Workers Compensation
Liability Balances, July 1, 2012	\$ 9,302,021	\$ -	\$ 763,095
Claims and changes in estimates	18,270,074	-	264,417
Claims payments	<u>(14,470,143)</u>	<u>-</u>	<u>(631,953)</u>
Liability Balances, June 30, 2013	13,101,952	-	395,559
Balances transferred to Health Benefits Fund, including IBNR	(11,777,135)	9,668,710	-
Claims and charges	-	12,441,707	1,675,011
Changes in IBNR estimates	-	(8,529,849)	-
Claims payments	<u>(1,324,817)</u>	<u>(12,546,602)</u>	<u>(1,033,447)</u>
Liability Balances, June 30, 2014	<u>\$ -</u>	<u>\$ 1,033,966</u>	<u>\$ 1,037,123</u>
Due Within One Year	<u>\$ -</u>	<u>\$ 1,033,966</u>	<u>\$ 725,986</u>

NOTE 11. Contingent Liabilities

ACPS receives financial assistance from numerous federal, state and local government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Certain expenditures of these funds are subject to audit by the grantors. ACPS is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management, no material refunds (if any) will be required as a result of expenditures disallowed by the grantor agencies.

NOTE 12. Fund Balance Disclosure

The constraints placed upon fund balance for the governmental funds are presented below:
ACPS' governmental fund balances, as of June 30, 2014, were classified as follows:

Governmental Fund Balances

	<u>General</u>	<u>Capital Projects</u>	<u>Grants and Special Projects</u>	<u>School Nutrition</u>
FUND BALANCES:				
Nonspendable:				
Prepaid Items	\$ 882,390	\$ -	\$ -	\$ 5,187
Inventories	-	-	-	171,368
<i>Total Nonspendable</i>	<u>882,390</u>	<u>-</u>	<u>-</u>	<u>176,555</u>
Spendable				
Restricted for:				
Grant Funded Programs	-	-	3,141,450	-
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>3,141,450</u>	<u>-</u>
Committed for:				
Subsequent Year Fund Balance	4,565,941	-	-	-
<i>Total Committed</i>	<u>4,565,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned for:				
School/Department Programs	1,283,707	566,628	-	-
School Nutrition Program	-	-	-	3,363,301
<i>Total Assigned</i>	<u>1,283,707</u>	<u>566,628</u>	<u>-</u>	<u>3,363,301</u>
Unassigned:				
Unassigned	4,294,948	-	-	-
<i>Total Unassigned</i>	<u>4,294,948</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u><u>\$ 11,026,986</u></u>	<u><u>\$ 566,628</u></u>	<u><u>\$ 3,141,450</u></u>	<u><u>\$ 3,539,856</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

The Required Supplementary Information subsection includes:

- Budgetary comparison schedule for the General Fund
- Budgetary comparison schedule for the Grants and Special Projects Fund
- Budgetary comparison schedule for the School Nutrition Fund
- Schedule of funding progress for the VRS pension and other employee benefit trust funds
- Schedule of employer contributions for the pension and other employee benefit trust funds



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #4 is to implement a focused, transparent governance model that incorporates effective communication and evidence-based decision making.

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budget			Variance from
	Original	Final	Actual	Final Budget Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	185,611,472	185,611,472	185,611,472	\$ -
State aid	32,570,464	33,470,464	34,039,897	569,433
Federal aid	90,000	90,000	116,617	26,617
Tuition and fees	519,902	519,902	516,272	(3,630)
Other local funds	1,410,004	222,879	701,036	478,157
Total Revenues	<u>220,201,842</u>	<u>219,914,717</u>	<u>220,985,294</u>	<u>1,070,577</u>
Expenditures				
Current:				
General instruction	175,371,673	174,580,680	171,000,155	3,580,525
Adult education	642,848	703,137	529,071	174,066
Summer school and kindergarten prep	659,000	696,408	668,925	27,483
Administration	18,717,313	18,035,676	17,484,171	551,505
Attendance and health services	5,888,162	5,946,060	5,627,719	318,341
Pupil transportation	8,633,232	9,598,064	9,535,629	62,435
Plants operations and maintenance	16,140,019	17,030,855	16,657,275	373,580
Food services	531,935	530,953	473,758	57,195
Total Expenditures	<u>226,584,182</u>	<u>227,121,833</u>	<u>221,976,703</u>	<u>5,145,130</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(6,382,340)</u>	<u>(7,207,116)</u>	<u>(991,409)</u>	<u>6,215,707</u>
Other Financing Sources (Uses)				
Transfers In	582,000	-	-	-
Transfers Out	<u>(869,125)</u>	<u>(1,210,000)</u>	<u>(1,079,387)</u>	<u>130,613</u>
Total Other Financing Sources and (Uses), net	<u>(287,125)</u>	<u>(1,210,000)</u>	<u>(1,079,387)</u>	<u>130,613</u>
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	<u>\$ (6,669,465)</u>	<u>\$ (8,417,116)</u>	<u>(2,070,796)</u>	<u>\$ 6,346,320</u>
Fund Balance-July 1, 2013			<u>13,097,782</u>	
Fund Balances-June 30, 2014			<u>\$ 11,026,986</u>	

See accompanying note to the budgetary comparison schedule.

Alexandria City Public Schools, Virginia
Financial-Required Supplementary Information

Exhibit X

Alexandria City Public Schools, Virginia
*Budgetary Comparison Schedule
Grants and Special Projects Fund
For the Year Ended June 30, 2014*

	Budget		Actual	Variance from final budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
City of Alexandria	\$ -	\$ -	\$ -	\$ -
State aid	3,011,855	3,220,846	2,998,309	(222,537)
Federal aid	6,957,994	10,302,909	7,761,740	(2,541,169)
Fees	-	50,203	61,994	11,791
Other local revenue	1,010,638	1,083,388	799,729	(283,659)
Total Revenues	<u>10,980,487</u>	<u>14,657,346</u>	<u>11,621,772</u>	<u>(3,035,574)</u>
Expenditures				
Current:				
General instruction	10,670,306	14,269,134	11,232,717	3,036,417
Adult education	270,650	380,109	371,895	8,214
Administration	668,684	794,344	609,536	184,808
Plants operations and maintenance	-	12,000	12,000	-
Attendance and health services	-	384,882	375,172	9,710
Pupil transportation	-	27,650	13,946	13,704
Food services	-	63,369	36,078	27,291
Total Expenditures	<u>11,609,640</u>	<u>15,931,490</u>	<u>12,651,344</u>	<u>3,280,146</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(629,153)</u>	<u>(1,274,144)</u>	<u>(1,029,572)</u>	<u>(244,572)</u>
Other Financing Sources (Uses)				
Transfers In	932,528	1,210,000	1,079,387	(130,613)
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses, net	<u>932,528</u>	<u>1,210,000</u>	<u>1,079,387</u>	<u>(130,613)</u>
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	<u>\$ 303,375</u>	<u>\$ (64,144)</u>	<u>49,815</u>	<u>\$ (113,959)</u>
Fund Balance-July 1, 2013			<u>3,091,635</u>	
Fund Balances-June 30, 2014			<u>\$ 3,141,450</u>	

See accompanying note to the budgetary comparison schedule.

Exhibit XI

Alexandria City Public Schools, Virginia

Budgetary Comparison Schedule

School Nutrition Fund

For the Year Ended June 30, 2014

	Budget		Actual	Variance from Final Budget Positive/(Negative)
	Original	Final		
Revenues				
Intergovernmental:				
City of Alexandria	\$ -	\$ -	\$ -	\$ -
State aid	131,854	131,854	126,034	(5,820)
Federal aid	5,146,563	5,146,563	5,196,567	50,004
Food Sales	2,046,250	2,046,250	1,652,483	(393,767)
Other local revenue	7,500	7,500	54,038	46,538
Total Revenues	<u>7,332,167</u>	<u>7,332,167</u>	<u>7,029,122</u>	<u>(303,045)</u>
Expenditures				
Food services	<u>7,127,148</u>	<u>7,126,311</u>	<u>6,392,678</u>	<u>733,633</u>
Total Expenditures	<u>7,127,148</u>	<u>7,126,311</u>	<u>6,392,678</u>	<u>733,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 205,019</u>	<u>\$ 205,856</u>	636,444	<u>\$ (430,588)</u>
Fund Balance-July 1, 2013			<u>2,903,412</u>	
Fund Balances-June 30, 2014			<u>\$ 3,539,856</u>	

See accompanying note to the budgetary comparison schedule.

Exhibit XII

Alexandria City Public Schools, Virginia
Schedule of Funding Progress
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2014

VRS-Non-Professional Employees Plan

	[1]	[2]	[3] (Overfunded)	[4]	[5]	[6]
Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) [2-1]	Assets as % of AAL [1/2]	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll [3/5]
6/30/2007	\$ 37,120,774	\$ 32,770,071	\$ (4,350,703)	113.28%	\$ 7,771,269	-52.98%
6/30/2008	39,865,352	34,400,783	(5,464,590)	115.89%	7,956,248	-68.68%
6/30/2009	39,070,547	35,393,745	(3,676,802)	110.39%	7,914,115	-46.46%
6/30/2010	37,999,323	37,500,614	(498,709)	101.33%	7,893,328	-6.32%
6/30/2011	37,681,185	38,176,485	495,300	98.70%	7,630,704	6.49%
6/30/2012	36,433,418	39,094,918	2,661,500	93.19%	7,671,878	34.69%
6/30/2013	36,933,774	38,758,599	1,824,825	95.29%	7,936,246	22.99%

ACPS Supplemental Retirement Plan

	[1]	[2]	[3] (Overfunded)	[4]	[5]	[6]
Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) [2-1]	Assets as % of AAL [1/2]	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll [3/5]
9/1/2007	\$ 74,412,533	\$ 73,202,779	\$ (1,209,754)	101.65%	\$ 96,105,960	-1.26%
9/1/2008	77,664,362	77,829,556	165,194	99.79%	108,298,351	0.15%
9/1/2009	83,251,454	81,867,000	(1,384,454)	101.69%	112,969,077	-1.23%
9/1/2010	88,966,654	84,792,592	(4,174,062)	104.92%	108,108,425	-3.86%
9/1/2011	97,594,611	87,439,645	(10,154,966)	111.61%	114,441,064	-8.87%
9/1/2012	104,956,758	91,795,109	(13,161,649)	114.34%	121,759,006	-10.81%
9/1/2013	108,784,515	96,257,248	(12,527,267)	113.01%	125,394,314	-9.99%

Exhibit XII
(continued)

Alexandria City Public Schools, Virginia
Schedule of Funding Progress
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2014

Other Post-Employment Benefits

	[1]	[2]	[3]	[4]	[5]	[6]
Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL) [2-1]	Assets as % of AAL [1/2]	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll [3/5]
1/1/2009	\$ -	\$13,460,400	\$ 13,460,400	0.00%	\$ 88,738,000	15.17%
1/1/2011	2,858,322	14,147,966	11,289,644	20.20%	98,855,235	11.42%
1/1/2012	4,382,643	18,232,604	13,849,961	24.04%	99,260,162	13.95%
1/1/2014	8,877,690	23,730,119	14,852,429	37.41%	143,979,443	10.32%

* Using the Unit Credit Method

Note: The first OPEB actuarial valuation was conducted as of June 30, 2006. There is no data available prior to the first valuation. This will be expanded when information becomes available.

Exhibit XIII

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2014

Schedule of Employer Contributions

ACPS Other Post-employment Benefit Trust Fund

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2010	\$ 1,706,791	158.6%
2011	\$ 1,415,049	219.5%
2012	\$ 1,963,129	131.2%
2013	\$ 1,816,372	158.3%
2014	\$ 2,031,235	129.2%

Employees' Supplementary Retirement Plan

	2008	2009	2010	2011	2012	2013	2014
Actuarial Determined Contribution ⁽¹⁾	\$ 1,109,811	\$ 1,412,472	\$ 1,344,275	\$ 1,479,660	\$ 1,221,971	\$ 1,002,129	\$ 1,154,657
Actual Contributions	1,862,792	1,624,787	1,764,954	2,754,411	-	-	-
Contribution Deficiency (Excess)	\$ (752,981)	\$ (212,315)	\$ (420,679)	\$ (1,274,751)	\$ 1,221,971	\$ 1,002,129	\$ 1,154,657

Percentage of Actual Contribution Contributed	167.85%	115.03%	131.29%	186.15%	0.00%	0.00%	0.00%
Covered Employee Payroll ⁽¹⁾	\$ 96,105,960	\$ 108,298,351	\$ 112,969,077	\$ 108,108,425	\$ 114,441,064	\$ 121,759,006	\$ 125,394,314
Contribution as a Percentage of Payroll	1.94%	1.50%	1.56%	2.55%	0.00%	0.00%	0.00%

⁽¹⁾ Actuarially determined contributions and covered-employee payrolls are calculated as of August 31, one year prior to the fiscal year in which amounts are reported.

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2014

Schedule of Changes in Net Pension Liability

Last 10 Fiscal Years ⁽¹⁾

Employees' Supplementary Retirement Plan

	2014
Total Pension Liability	
Service costs	\$ 2,462,314
Interest	6,243,019
Differences between expected and actual experience	(475,091)
Benefit payments	(5,712,337)
Net Changes in Total Pension Liability	2,517,905
Total Pension Liability, as of 9/01/2013	96,243,919
Total Pension Liability, as of 8/31/2014	<u>\$ 98,761,824</u>
Fiduciary Net Position	
Contributions- Employee	\$ 2,171,044
Contributions- Employer	-
Net investment income	13,644,193
Benefit payments	(5,712,337)
Administrative expenses	(111,595)
Net Changes in Total Pension Liability	9,991,305
Fiduciary Net Position, as of 9/01/2013	108,598,730
Fiduciary Net Position, as of 8/31/2014	<u>\$ 118,590,035</u>
Net Pension Liability (Asset), as of 8/31/2014	<u>\$ (19,828,211)</u>
Fiduciary Net Position as a percentage of Total Pension Liability	120.08%
Covered Employee Payroll⁽²⁾	123,779,616
Net Pension Liability as a percentage of Covered Payroll	-16.02%

Money-Weighted Rate of Return

Last 10 Fiscal Years ⁽¹⁾

	2014
Employees' Supplementary Retirement Plan	12.79%

⁽¹⁾ Information is only available for the current fiscal year. Future years will be added to the schedule.

⁽²⁾ The Covered Employee Payroll is the reported payroll for the measurement period, as required by GASB 67. This is different from the Annual Member Compensation used in the actuarial valuation (see assumptions in Footnote 7), which is the projected payroll for the upcoming plan year.

A. Budgetary information

The following presents the procedures by the School Board in establishing the budgetary data reflected in the financial statements and other budget information:

The Superintendent is required by Section 22.1-92 of the Code of Virginia to prepare, with the approval of the Board, and submit to the City Council a General Fund budget request of the amount needed during the next fiscal year. The Board holds at least two public hearings before it gives final approval for the requested budget. The City Council is also required by City Charter to hold a public hearing on the General Fund budget at which time all interested persons are given an opportunity to comment. The legal level of budgetary control for the General Fund is at the department level (i.e., Office of the Superintendent, Adult Education, Pupil Transportation, Board of Education Office, and the individual schools).

Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for governmental funds. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule presents GAAP expenditures. Management is authorized to transfer funds within major categories of expenditure (i.e., administration, instruction, salaries, benefits, etc.) up to \$15,000. Transfers in excess of \$15,000 require the approval of the superintendent; however, revisions that alter the total expenditures of the General Fund must be approved by the City Council. The legally-adopted budget cannot be exceeded.

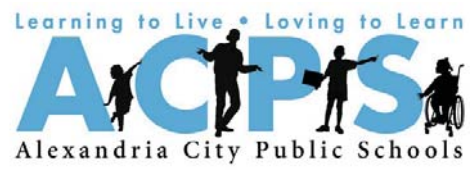
B. Pension and Other Employee Benefits

Multiple year trend information for the ACPS Supplemental Retirement Plan and Other Post-Employment Benefit (OPEB) Trust Fund is presented as required supplementary information. This information is intended to help user assess the funding status on a going concern basis, progress made in accumulating assets to pay benefits when due.

Analysis of the dollar amounts of plan assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

Information pertaining to the Supplemental Retirement Plan and the OPEB Trust Fund can be found in notes 7 and 8, respectively, in the notes to the financial statements.



OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

The Other Supplementary Information subsections include the following:

- Combining statements for the pension and other employee benefit trust funds
- Statement of changes in assets and liabilities for the student activity fund



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #5 is to provide clean, safe, and conducive learning environments that utilize best practices for energy efficiency and environmental sustainability.

FIDUCIARY FUNDS

Pension and Other Employee Benefits Trust Funds are used to account for assets held by Alexandria City Public Schools (ACPS) in a trustee capacity under terms of a formal trust agreement.

- ACPS Supplemental Retirement Plan is a single-employer defined benefit plan for eligible full-time employees. It accounts for assets held by ACPS.
- ACPS Other Post-Employment Benefits Trust (OPEB) accounts for accumulating and investing assets for ACPS' post-employment health benefit subsidies for eligible retirees and their surviving spouses.

The Student Activity Fund is used to account for funds held by a school in a trustee capacity or as an agent for students, club organizations, teachers and the general administration of the school.

Exhibit XIV

Alexandria City Public Schools, Virginia
Combining Statement of Fiduciary Net Position
Pension and Other Post-Employment Benefit Trust Funds
June 30, 2014

	Employees' Supplementary Retirement Plan	ACPS Other Post- Employment Benefit Trust	Total Pension and Other Employee Benefit Trust Funds
Assets			
Investments, at fair value			
Bonds	\$ 55,652,508	\$ 3,034,275	\$ 58,686,783
Stocks	7,526,433	-	7,526,433
Mutual funds	30,303,667	5,288,909	35,592,576
Real estate	12,553,521	663,748	13,217,269
Global asset allocation	12,183,650	1,527,673	13,711,323
Cash	-	21,071	21,071
<i>Total assets</i>	<u>118,219,779</u>	<u>10,535,676</u>	<u>128,755,455</u>
Liabilities			
Accounts Payable	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Investments held in trust for pension and other employee benefits	<u>118,219,779</u>	<u>10,535,676</u>	<u>128,755,455</u>
<i>Total net position</i>	<u><u>\$ 118,219,779</u></u>	<u><u>\$ 10,535,676</u></u>	<u><u>\$ 128,755,455</u></u>

Exhibit XV

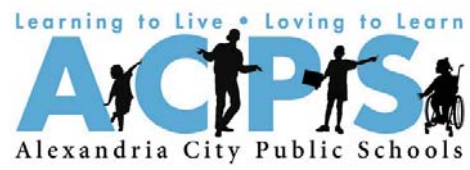
Alexandria City Public Schools, Virginia
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2014

	Employees' Supplementary Retirement Plan	ACPS Other Post Employment Benefits Trust	Total Pension and Other Employee Benefit Trust Funds
Additions			
Employer/employee contributions	\$ 2,166,825	\$ 2,625,112	\$ 4,791,937
Income from investing activities	13,779,519	1,074,311	14,853,830
Total additions	15,946,344	3,699,423	19,645,767
Deductions			
Benefit payments	5,637,109	1,337,529	6,974,638
Administrative expenses	156,947	10,585	167,532
Total deductions	5,794,056	1,348,114	7,142,170
Change in net position	10,152,288	2,351,309	12,503,597
Net position-July 1, 2013	108,067,491	8,184,367	116,251,858
Net position-June 30, 2014	\$ 118,219,779	\$ 10,535,676	\$ 128,755,455

Exhibit XVI

Alexandria City Public Schools, Virginia
Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Year Ended June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets				
Cash held on behalf of student activity fund	\$ 668,229	1,317,316	1,425,271	\$ 560,274
Total assets	<u>\$ 668,229</u>	<u>1,317,316</u>	<u>1,425,271</u>	<u>\$ 560,274</u>
Liabilities				
Due to student groups	\$ 668,229	1,317,316	1,425,271	\$ 560,274
Total liabilities	<u>\$ 668,229</u>	<u>1,317,316</u>	<u>1,425,271</u>	<u>\$ 560,274</u>



STATISTICAL SECTION

This part of the Alexandria City Public Schools Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and require supplementary information says about the School System's overall financial health.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

This schedule presents information to help the reader assess the affordability of the School System's current level of outstanding capital lease debt.

Demographic and Economic Information

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

Operating Information

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

Source:

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



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS believes in higher achievement for all.

Each and every student can learn.

Students will show respect and responsibility for oneself and others, and shall become self-reliant advocates for their learning.

Educational outcomes are not presumed by income, race, disability, gender, language or family background.

We value, respect, and embrace diversity and have high expectations of all students and employees.

We strive to diversify our staff to reflect varied cultural backgrounds and serve as positive role models for our students.

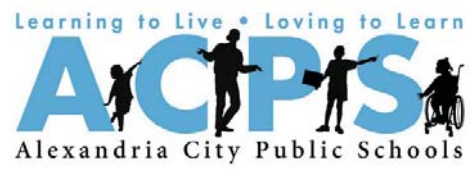


Table 1

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Net Position
Last ten fiscal years

Governmental Activities:

	<u>Invested in capital assets (1)</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total net position</u>
2005	5,988,353	16,512,133	-	22,500,486
2006	6,541,535	11,716,938	-	18,258,473
2007	6,766,066	7,258,018	-	14,024,084
2008	7,280,285	4,206,663	-	11,486,948
2009	7,567,843	8,439,002	-	16,006,845
2010	7,085,154	13,145,935	-	20,231,089
2011	8,184,654	15,391,860	3,763,533	27,340,047
2012	9,848,454	17,140,693	2,562,085	29,551,232
2013	10,101,429	17,173,118	3,091,635	30,366,182
2014	9,666,296	11,615,062	17,449,685	38,731,043

1) Amounts shown are net of any related debt.

2) In response to GASB Statement No. 34, the Virginia Assembly passed a law that establishes local option of creating for financial reporting purposes, a tenancy in common between the city and the school board when the city issues bond for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS.

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 2

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Changes in Net Position
Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
General instruction	\$ 123,657,170	\$ 133,703,058	\$ 147,112,270	\$ 148,262,135	\$ 158,246,046	\$ 157,543,359	\$ 162,112,276	\$ 172,528,593	\$ 180,228,637	\$ 173,706,777
Adult education	1,081,890	1,104,184	1,150,506	1,250,546	1,347,001	1,378,268	1,406,505	1,263,518	889,144	900,966
Summer school	1,980,461	1,964,061	1,902,445	2,046,501	2,113,576	1,936,304	1,488,236	1,086,494	594,626	668,925
Administration	11,952,499	11,726,347	14,242,151	18,882,108	15,648,631	14,685,291	12,715,266	17,331,705	16,617,218	16,686,774
Attendance and health services	3,674,326	4,171,692	4,779,220	5,055,413	4,983,770	4,888,721	4,683,823	4,587,196	4,928,558	5,733,737
Pupil transportation	4,155,942	5,168,493	6,345,873	7,008,642	6,849,868	8,285,171	8,201,645	8,225,165	9,144,732	8,101,913
Plant operations and maintenance	13,797,503	15,051,848	15,876,284	16,343,026	15,657,789	14,048,738	16,076,092	16,667,322	16,936,841	16,194,488
Food services	4,907,089	4,371,644	4,837,436	5,426,369	5,766,168	5,784,936	6,156,504	6,407,033	6,919,510	6,507,249
Capital Improvement Services	5,067,286	5,738,798	3,259,996	3,875,624	3,240,363	2,143,870	2,712,093	3,219,204	3,205,123	3,098,165
Total governmental expenses	170,274,166	183,000,125	199,506,181	208,150,364	213,853,212	210,694,658	215,552,440	231,316,230	239,464,389	231,598,994
Program revenues										
Charges for services										
Instruction	402,343	298,024	302,813	340,414	400,238	580,627	367,919	305,139	335,299	292,105
Plant operations and maintenance	240,006	269,074	264,588	371,854	398,298	306,428	299,672	329,484	328,755	135,101
Food services	1,444,606	1,557,650	1,676,770	1,985,718	2,065,103	1,863,922	1,901,899	1,893,970	1,766,299	1,706,521
Operating grants and contributions	12,028,924	13,097,186	14,779,561	11,263,558	13,028,821	17,342,988	21,376,623	22,343,336	19,240,425	16,199,266
Total program revenues	14,115,879	15,221,934	17,023,732	13,961,544	15,892,460	20,093,965	23,945,913	24,871,929	21,670,778	18,332,993
Net (expenses)	(156,158,287)	(167,778,191)	(182,482,449)	(194,188,820)	(197,960,752)	(190,600,693)	(191,606,527)	(206,444,301)	(217,793,611)	(213,266,001)
General revenues										
Intergovernmental:										
City of Alexandria	141,688,238	139,340,097	150,719,166	164,165,802	171,851,307	166,506,350	170,134,763	178,449,148	185,841,404	185,939,138
State aid	23,410,871	24,075,496	26,950,438	26,626,964	29,862,535	26,511,976	25,786,037	27,984,171	31,627,807	34,039,898
Grants not restricted to specific programs	57,456	77,769	19,362	56,623	28,780	8,323	1,043,535	-	-	-
Other local funds	61,168	42,816	559,094	802,296	738,026	1,798,288	1,751,150	2,222,167	1,139,350	1,651,826
Total general revenues	165,217,733	163,536,178	178,248,060	191,651,685	202,480,648	194,824,937	198,715,485	208,655,486	218,608,561	221,630,862
Change in net position	\$ 9,059,446	\$ (4,242,013)	\$ (4,234,389)	\$ (2,537,135)	\$ 4,519,896	\$ 4,224,244	\$ 7,108,958	\$ 2,211,185	\$ 814,950	\$ 8,364,861

Source: Alexandria City Public Schools Comprehensive Annual Financial Report
Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and fiscal years afterward.

Table 3

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Fund Balances-Governmental Funds
Last ten fiscal years
(In thousands)

Pre-GASB 54					
	2005	2006	2007	2008	2009
General Fund					
Reserved for:					
Encumbrances	\$ 976.6	\$ 1,291.8	\$ 720.2	\$ 734.1	\$ 959.5
Prepaid items	722.6	963.7	834.3	537.0	676.4
Unreserved	6,645.8	6,086.7	3,367.6	6,615.1	11,503.1
Total general fund	\$ 8,345.0	\$ 8,342.2	\$ 4,922.1	\$ 7,886.2	\$ 13,139.0
All Other Governmental Funds					
Reserved for:					
Inventories	\$ 119.5	\$ 205.4	\$ 142.4	\$ 87.3	\$ 158.6
Encumbrances	185.5	195.7	3.7	67.4	31.1
Prepaid items	-	-	23.7	13.4	13.8
Unreserved, reported in:					
Capital projects funds	7,593.5	2,441.7	27.2	77.7	-
Non major governmental funds	635.4	629.0	2,844.5	2,424.2	2,703.6
Total all other governmental funds	\$ 8,533.9	\$ 3,471.8	\$ 3,041.5	\$ 2,670.0	\$ 2,907.1
Post-GASB 54					
	2010	2011	2012	2013	2014
General Fund					
Non Spendable:					
Non Spendable	\$ 628.1	\$ 865.8	\$ 959.3	\$ 910.2	\$ 882.4
Spendable:					
Restricted	-	-	-	-	-
Committed	-	3,900.0	-	6,669.5	4,566
Assigned	7,891.7	8,333.2	8,544.7	952.1	1,928
Unassigned	5,925.3	2,878.8	6,669.4	4,565.9	3,651
Total general fund	\$ 14,445.1	\$ 15,977.8	\$ 16,173.4	\$ 13,097.7	\$ 11,027.0
All Other Governmental Funds					
Non Spendable:					
Special Revenue Fund	\$ 128.0	\$ 144.4	\$ 132.7	\$ 199.2	\$ 176.5
Spendable:					
Restricted					
Special Revenue Fund	2,267.1	2,753.3	2,562.1	3,091.6	3,141
Committed	-	-	-	-	-
Assigned					
Capital Projects	502.7	38.8	312.3	3,337.1	566.6
Special Revenue Fund	1,533.4	1,903.1	2,436.9	2,704.2	3,363.3
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 4,431.2	\$ 4,839.6	\$ 5,444.0	\$ 9,332.1	\$ 7,247.8

Note: Five years of data available for GASB 34 compliance
Five years of data available for GASB 54 compliance which was adopted in 2011.
2010 data was restated for GASB 54 comparable presentation

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 4

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Changes in Fund Balances-Governmental Funds
Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Intergovernmental:										
City of Alexandria	\$ 141,688,238	\$ 139,340,097	\$ 150,719,166	\$ 164,165,802	\$ 167,953,749	\$ 166,506,350	\$ 170,134,763	\$ 178,449,148	\$ 185,841,404	\$ 185,939,138
State aid	24,361,653	25,233,466	30,676,038	28,496,080	32,413,733	29,186,616	28,473,281	31,497,154	35,765,060	37,164,240
Federal aid	10,923,368	11,651,372	11,053,961	9,394,442	10,477,624	14,668,348	19,732,840	18,830,353	15,103,172	13,074,924
Tuition and fees	642,349	567,099	567,401	692,734	797,537	887,054	667,591	634,623	664,054	578,266
Food sales	1,307,791	1,367,578	1,445,583	1,716,098	1,760,739	1,673,573	1,693,935	1,701,929	1,756,982	1,652,483
Gift and donations	57,456	42,816	19,362	56,623	28,780	8,323	-	-	-	-
Other local funds	352,757	553,684	790,281	1,091,450	1,043,389	1,988,638	1,958,989	2,414,208	1,148,667	1,554,803
Total Revenues	179,333,612	178,758,112	195,271,792	205,613,229	214,475,551	214,918,902	222,661,399	233,527,415	240,279,339	239,963,954
Expenditures										
General instruction	123,604,404	133,892,994	147,316,483	149,190,613	155,663,182	157,627,102	163,499,284	173,129,524	179,159,223	182,232,872
Adult education	1,081,890	1,104,184	1,150,506	1,250,546	1,347,001	1,378,268	1,406,505	1,263,517	889,144	900,966
Summer school	1,980,461	1,964,061	1,902,445	2,046,501	2,113,576	1,936,304	1,488,236	1,086,494	594,626	668,925
Administration	12,034,977	12,071,698	13,617,285	13,285,978	16,056,640	17,340,738	16,773,681	16,560,782	16,601,020	18,093,707
Attendance and health services	3,674,326	4,171,692	4,779,220	5,055,413	4,983,770	4,888,721	4,683,823	4,587,196	4,928,558	6,002,891
Pupil transportation	4,650,150	5,426,771	6,691,253	6,804,158	7,531,734	7,912,014	8,251,496	9,062,813	9,441,875	9,549,575
Operation of plants and maintenance	13,708,541	15,090,224	15,613,171	16,168,702	15,522,740	13,889,873	15,823,826	16,337,333	16,593,733	16,669,275
Food services	4,894,889	4,362,564	4,791,958	5,342,989	5,689,337	5,706,699	6,081,273	6,421,638	7,008,020	6,902,514
Capital improvement services	4,665,779	5,738,798	3,259,996	3,875,624	-	2,143,870	2,712,092	3,219,204	3,205,123	3,098,165
Debt Service:	-	-	-	-	-	-	-	1,045,511	1,013,289	-
Principal	-	-	-	-	-	-	-	13,426	32,221	-
Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	170,295,417	183,822,986	199,122,317	203,020,524	208,907,980	212,823,589	220,720,216	232,727,438	239,466,832	244,118,890
Excess (deficiency) of revenues over expenditures	9,038,195	(5,064,874)	(3,850,525)	2,592,705	5,567,571	2,095,313	1,941,183	799,977	812,507	(4,155,036)
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	-	1,195,221	1,079,387
Transfers out	-	-	-	-	-	-	-	-	(1,195,221)	(1,079,387)
Total Other Financing Sources (uses)	-	-	-	-	-	-	-	-	-	-
Total Net Change in Fund Balances	\$ 9,038,195	\$ (5,064,874)	\$ (3,850,525)	\$ 2,592,705	\$ 5,567,571	\$ 2,095,313	\$ 1,941,183	\$ 799,977	\$ 812,507	\$ (4,155,036)
Ratio of debt service expenditures to noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.46%	0.44%	0.00%

Source: Alexandria City Public Schools Comprehensive Annual Financial Report
Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and fiscal years afterward.

Table 5

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
General Fund Expenditures By Detail Object
Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PERSONNEL SERVICES										
Personnel services	\$ 100,039,067	\$ 105,891,953	\$ 115,268,038	\$ 116,586,533	\$ 122,861,904	\$ 122,642,742	\$ 124,375,779	\$ 132,703,464	\$ 138,857,082	\$ 142,806,798
Benefits	30,201,742	32,109,015	40,580,867	43,103,596	45,615,300	44,120,346	41,338,213	43,841,559	47,639,880	49,628,807
Total Personnel Services	130,240,809	138,000,968	155,848,905	159,690,129	168,477,204	166,763,088	165,713,992	176,545,023	186,496,962	192,433,605
NON-PERSONNEL SERVICES										
Professional services	2,029,046	2,589,519	2,560,821	2,926,602	3,260,212	3,148,080	4,273,545	3,544,539	2,981,527	3,207,115
Temporary help service fees	369,640	624,013	695,608	851,782	1,041,777	1,085,076	1,623,562	1,635,059	1,744,523	1,507,817
Maintenance services and contracts	2,434,780	2,602,525	2,505,266	2,490,311	2,886,637	3,587,639	3,800,347	4,300,112	4,255,492	4,081,610
Transportation	311,576	502,775	877,588	691,861	904,163	1,007,425	1,179,986	1,349,859	1,411,008	1,451,944
Printing and binding	238,805	184,546	267,505	215,942	206,223	163,385	197,130	199,400	146,569	194,802
Purchase of services from other govt. entities	834,541	1,198,124	1,526,329	1,233,851	1,050,084	712,917	509,934	399,802	376,375	308,360
Other purchased services	70,093	59,819	59,845	58,060	53,004	57,033	53,357	50,006	32,559	32,167
Internal services	121,687	110,858	124,576	82,882	90,154	101,263	89,599	12,373	(777)	6,443
Utilities	2,171,499	2,635,670	2,748,445	3,041,355	3,052,269	1,691,991	2,293,175	2,814,813	2,753,748	2,637,463
Communications	833,666	866,167	808,646	692,365	640,400	739,419	820,685	804,807	834,353	807,257
Insurance	347,042	375,310	378,069	408,630	365,365	387,114	339,081	300,733	292,202	312,349
Leases and rentals	1,754,290	2,002,474	3,756,201	3,630,369	3,189,449	3,239,017	3,956,231	2,381,312	3,269,711	2,501,502
Travel	436,760	488,379	565,535	369,735	436,791	419,366	561,331	477,103	479,205	530,679
Awards and grants	1,072	3,777	-	-	-	-	1,180	54,200	415,473	537,833
Miscellaneous	161,402	153,134	176,114	165,676	196,715	213,616	232,722	210,466	206,269	244,376
Educational and recreational supplies	1,588,131	1,761,188	1,669,931	1,563,509	1,583,593	1,682,459	1,899,576	1,940,712	2,239,990	1,892,870
Textbooks	1,976,035	2,043,022	1,067,601	1,028,206	912,578	1,097,526	1,114,354	1,342,578	647,396	2,694,179
Food supplies and food service supplies	105,199	116,824	118,911	72,123	82,883	57,954	61,244	353,446	440,840	411,875
Technology	762,397	1,478,500	948,084	983,743	1,034,923	856,002	999,503	1,693,719	2,126,434	1,599,853
Medical and laboratory supplies	15,461	20,929	21,122	19,176	17,386	14,937	78,528	19,756	21,623	21,161
Repair and maintenance supplies	301,615	350,369	357,558	424,822	-	-	-	296,935	212,785	260,433
Laundry, housekeeping and janitorial supplies	364,238	413,286	432,020	394,586	438,602	415,701	410,780	429,144	452,425	427,118
Vehicle and power equipment fuel	283,687	466,763	365,248	453,857	397,915	404,963	378,342	744,831	543,069	580,756
Vehicle and power equipment supplies	207,805	232,279	272,842	300,377	263,103	328,938	478,374	199,905	258,569	242,774
Other operating supplies	168,900	247,463	248,715	729,674	65,803	493,185	504,846	631,732	364,630	291,445
Capital outlay	4,058,545	4,062,450	2,613,595	2,287,111	2,965,402	2,426,022	2,166,190	2,198,171	2,327,968	2,759,917
Total Non-personnel Services	21,947,912	25,600,143	25,166,175	25,116,605	25,135,430	24,281,028	28,023,603	28,385,513	28,833,966	29,543,098
GRAND TOTAL	\$ 152,188,721	\$ 163,601,111	\$ 181,015,080	\$ 184,806,734	\$ 193,612,634	\$ 191,044,116	\$ 193,737,595	\$ 204,930,536	\$ 215,330,928	\$ 221,976,703

Source: Alexandria City Public Schools Financial Services Department

Table 6

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Capital Improvement Expenditures
Last ten fiscal years
(in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
John Adams	614	1,093	355	488	33	-	-	6	59	63	\$ 2,711
Charles Barrett	117	-	1	-	-	-	84	-	-	-	202
Patrick Henry	-	-	23	278	2	-	-	348	194	5	850
Jefferson-Houston	-	-	332	-	-	-	-	14	-	-	346
Cora Kelly	-	-	-	-	-	-	-	-	296	6	302
Lyles-Crouch	-	20	-	61	90	-	-	49	3	-	223
Douglas MacArthur	-	128	-	212	-	-	64	-	-	-	404
George Mason	73	-	10	141	143	47	365	-	-	-	779
Maury	-	-	-	-	-	-	-	33	-	-	33
Mount Vernon	393	15	18	-	-	-	-	-	-	3	429
James Polk	14	383	-	-	-	-	13	-	-	-	410
William Ramsay	826	1,611	79	15	-	-	-	211			2,742
F.C. Hammond	898	-	239	13	162	109	241	205	161	103	2,131
George Washington	-	70	411	-	23	7	183	-	-	-	694
T.C. Williams	-	-	-	-	-	-	3	37	-	-	40
Minnie Howard	-	-	47	248	-	-	28	-	-	-	323
Rowing Facility	35	245	-	290	32	-	-	-	43	97	742
System Wide	1,696	2,174	1,745	2,129	2,755	1,981	1,731	2,316	2,449	2,821	21,797
GRAND TOTAL	\$ 4,666	\$ 5,739	\$ 3,260	\$ 3,875	\$ 3,240	\$ 2,144	\$ 2,712	\$ 3,219	\$ 3,205	\$ 3,098	\$ 35,158

Source: Alexandria City Public Schools Financial Services Department

Table 7

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Ratios of Capital Lease Payments to Total General Expenditures ⁽¹⁾
Last ten fiscal years

Fiscal Year	Principal	Interest	Total Capital Lease Payments	General Fund Expenditures ⁽²⁾	Ratio
2014	-	-	-	\$ 221,976,703	0.00%
2013	1,013,289	32,221	1,045,510	215,330,928	0.49%
2012	1,045,511	13,426	1,058,937	204,930,536	0.52%
2011	1,132,990	15,638	1,148,628	193,737,595	0.59%
2010	1,132,990	15,638	1,148,628	191,044,116	0.60%
2009	1,132,991	15,637	1,148,628	193,612,634	0.59%
2008 ⁽³⁾	339,086	2,340	341,426	184,806,734	0.18%
2007	-	-	-		
2006	-	-	-		
2005	-	-	-		
2004	-	-	-		

(1) See Note 6- Lease Obligations in the notes to the financial statements for additional information on ACPS capital lease obligations

(2) See Table 5 for General Fund expenditure totals for years indicated.

(3) ACPS entered into capital lease agreements in FY2008.

Source: Alexandria City Public Schools Comprehensive Annual Financial Reports

Table 8

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Cost Per Pupil
Last ten fiscal years

<u>Fiscal Year</u>	<u>Governmental Funds Expenditures (1)</u>	<u>Actual Enrollment (2)</u>	<u>Per Pupil Cost</u>	<u>Average Daily Attendance [ADA] (3)</u>	<u>Average Daily Membership [ADM] (3)</u>
2005	165,629,638	10,921	\$ 15,166	9,927	10,266
2006	178,084,188	10,521	\$ 16,927	9,587	10,220
2007	195,862,321	10,332	\$ 18,957	9,446	10,019
2008	199,144,900	10,557	\$ 18,864	9,885	10,488
2009	208,907,980	11,225	\$ 18,611	10,416	11,094
2010	210,679,719	11,623	\$ 18,126	10,936	11,482
2011	218,008,124	11,999	\$ 18,169	11,090	11,677
2012	229,508,234	12,395	\$ 18,516	11,496	12,062
2013	236,261,709	13,114	\$ 18,016	12,271	12,913
2014	241,020,725	13,623	\$ 17,692	12,679	13,279

Note: The formula for calculating the cost per pupil is based on Governmental Fund expenditures, less Capital Fund expenditures, divided by the number of student enrolled.

ACPS has revised the actual enrollment data series for FY 2004 through 2007 to include all students. The previous published data series included only students counted in average daily membership (ADM). With this revision students under 5 and over 20 are included, as well as all special placements.

Source: (1) Alexandria City Public Schools Comprehensive Annual Financial Report
(2) Alexandria City Public Schools Budget Office
(3) Alexandria City Public Schools Technology Services Office

Table 9

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
DEMOGRAPHIC STATISTICS
Last ten fiscal years**

Fiscal Year	Personal Income (\$000) ⁽⁶⁾	Per Capita Personal Income ⁽⁶⁾	Number Receiving Free or Reduced Price Meals ⁽¹⁾	Unemployment Rate ⁽²⁾	Number Receiving Special Education ⁽³⁾	Population ⁽²⁾	Number in English as a Second Language ⁽⁴⁾	Number in Gifted and Talented ⁽⁵⁾
2005	7,776,966	61,147	5,493	3.1%	1,979	135,000	2,018	1,469
2006	8,835,057	65,141	5,237	2.6%	1,900	138,000	1,856	1,421
2007	9,507,531	70,632	4,961	2.2%	1,802	139,000	1,882	1,337
2008	10,204,006	72,220	5,012	2.9%	1,786	140,024	2,083	1,249
2009	10,178,071	70,846	5,866	2.8%	1,830	144,100	2,909	1,225
2010	10,441,443	76,362	6,264	4.7%	1,906	150,006	3,430	1,293
2011	10,627,334	-	6,665	4.8%	1,701	141,287	2,698	1,383
2012	10,758,922	-	6,916	4.6%	1,686	144,301	3,005	1,269
2013	11,760,450	-	7,370	4.7%	1,641	146,294	3,406	1,671
2014	12,115,212	-	8,100	4.6%	1,621	148,892	3,642	1,488

Note: Population count is an estimate for calendar year 2010.

Source:

- (1) School Nutrition Services
- (2) The City of Alexandria
- (3) Office of Student Services
- (4) Office of English Language Learners
- (5) Office of Curriculum and Instruction
- (6) Personal income and per capita income represent data from the United States Bureau of Economic Analysis (BEA), as revised, that is generally two years old. The most recent years are estimate based on the City of Alexandria estimates of per capita trends

Table 10

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TOTAL STUDENT MEMBERSHIP BY GRADE
Last ten fiscal years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary										
Pre-K & Kindergarten	1,135	1,170	1,226	1,212	1,303	1,352	1,484	1,643	1,792	1,703
Grades 1-3	2,872	2,685	2,679	2,748	3,023	3,276	3,342	3,454	3,666	3,898
Grades 4-6	2,491	2,345	2,211	2,322	2,420	2,455	2,606	2,782	2,915	3,022
Grades 7-8	1,500	1,459	1,428	1,369	1,415	1,478	1,484	1,492	1,540	1,656
Total Elementary	7,998	7,659	7,544	7,651	8,161	8,561	8,916	9,371	9,913	10,279
Secondary										
9th Grade	754	763	698	731	751	741	758	784	813	892
10th Grade	763	730	720	720	786	813	769	803	847	846
11th Grade	708	697	691	742	756	766	776	713	789	832
12th Grade	590	600	588	601	656	616	715	655	673	714
Total Secondary	2,815	2,790	2,697	2,794	2,949	2,936	3,018	2,955	3,122	3,284
Special Placements- District-wide	108	72	91	112	115	126	65	69	79	60
Grand Total	10,921	10,521	10,332	10,557	11,225	11,623	11,999	12,395	13,114	13,623

Note: This table is based on the September 30 student membership.

Source: Alexandria City Public Schools Budget Office

Table 11

**ALEXANDRIA CITY PUBLIC SCHOOLS
SCHOOL NUTRITION SERVICES MEALS SERVED**
Last ten fiscal years

	2005	2006	2007	2008	2009	2010 ⁽¹⁾	2011	2012	2013	2014 ⁽²⁾	10-year Average
DAYS MEALS SERVED											
National School Lunch Program	183	183	183	183	183	173	183	182	182	175	181
NUMBER OF PUPIL LUNCHES SERVED:											
Paid lunches	350,476	334,952	355,876	388,809	387,071	358,600	379,712	360,061	316,368	277,992	350,992
Reduced price lunches	162,295	172,086	176,533	200,207	224,052	200,052	199,665	222,870	201,473	202,174	196,141
Free lunches	618,032	580,966	565,305	629,393	712,383	712,383	830,026	876,088	932,328	956,096	741,300
Total Pupil Lunches	1,130,803	1,088,004	1,097,714	1,218,409	1,323,506	1,271,035	1,409,403	1,459,019	1,450,169	1,436,262	1,288,432
NUMBER OF PUPIL BREAKFASTS SERVED:											
Paid breakfasts	55,855	54,569	55,646	58,438	51,448	46,660	61,791	76,700	87,558	73,799	62,246
Reduced price breakfasts	52,960	60,423	66,085	80,846	89,922	75,621	85,305	95,741	94,799	89,078	79,078
Free breakfasts	251,263	242,961	258,731	296,015	329,858	321,589	397,465	428,969	452,947	458,130	343,793
Total Pupil Breakfasts	360,078	357,953	380,462	435,299	471,228	443,870	544,561	601,410	635,304	621,007	485,117

Note: (1) Due to the February 2010 snowstorm, ACPS was closed for 10 days. To compensate for the instruction days lost, the school day was lengthened for the remainder of the school year.

(2) Due to snowstorms in January and February 2014, ACPS was closed for 10 days. To compensate for the lost instruction days, the school day was lengthened for the remainder of the school year.

Source: Alexandria City Public Schools School Nutrition Services

Table 12

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
SCHOOL NUTRITION SERVICES REVENUES AND EXPENDITURES
Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	10-year Total	10-year Average
Revenues												
Federal aid	\$ 2,983,808	\$ 2,558,207	\$ 2,661,998	\$ 3,148,929	\$ 3,585,354	\$ 3,780,951	\$ 4,211,055	\$ 4,512,869	\$ 4,995,585	\$ 5,196,567	\$ 37,635,322	\$ 3,763,532
State aid	57,184	61,345	51,993	52,225	57,474	62,872	62,817	107,671	119,895	126,034	759,510	75,951
Local	1,444,606	1,557,649	1,676,769	1,985,718	2,065,102	1,863,922	1,901,624	1,893,969	1,766,299	1,706,521	17,862,180	1,786,218
Total Revenue	4,485,598	4,177,201	4,390,760	5,186,872	5,707,931	5,707,745	6,175,496	6,514,509	6,881,779	7,029,122	56,257,012	5,625,701
Expenditures												
Salaries	1,572,939	1,629,449	1,709,459	1,829,295	1,884,905	1,888,260	1,946,823	2,049,420	2,152,742	2,195,771	18,859,063	1,885,906
Benefits	534,497	610,163	664,485	760,551	790,539	800,823	732,585	808,633	892,643	896,539	7,491,458	749,146
Purchased services	147,601	139,732	246,552	258,666	203,005	212,813	364,693	58,396	39,071	61,592	1,732,121	173,212
Internal services	4,908	4,755	4,554	4,381	2,808	4,558	5,192	8,451	4,590	4,489	48,686	4,869
Other charges	35,036	47,964	35,904	62,649	21,879	17,024	17,305	18,348	16,521	9,482	282,112	28,211
Food supplies	2,139,579	1,559,261	1,803,241	2,074,105	2,420,184	2,440,852	2,566,743	2,911,863	3,244,483	3,214,658	24,374,989	2,437,499
Capital outlay	94,350	25,324	60,302	6,828	54,617	52,221	156,031	137,282	197,917	10,147	795,019	79,502
Other	62,902	70,733	-	46,661	-	-	-	-	-	-	180,296	18,030
Total Expenditures	4,591,812	4,087,381	4,524,497	5,043,136	5,377,937	5,416,551	5,789,373	5,992,413	6,547,967	6,392,678	53,763,745	5,376,375
Revenues over Expenditures	\$ (106,214)	\$ 89,820	\$ (133,737)	\$ 143,736	\$ 329,994	\$ 291,194	\$ 386,122	\$ 522,096	\$ 333,812	\$ 636,444	\$ 2,493,267	\$ 249,327

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 13

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
School Nutrition Services Sales Price
Last ten fiscal years

Fiscal Year	Student Breakfast	Student Lunch			Adult	
		Elementary	Middle	High	Breakfast	Lunch
2005	0.75	1.70	2.00	2.00	1.50	2.50
2006	1.00	2.00	2.30	2.30	1.50	2.50
2007	1.05	2.05	2.35	2.35	1.55	3.10
2008	1.05	2.05	2.35	2.35	1.55	3.10
2009	1.05	2.15	2.45	2.45	1.55	3.10
2010	1.15	2.15	2.45	2.45	1.55	3.10
2011	1.25	2.25	2.50	2.50	1.55	3.25
2012	1.25	2.25	2.50	2.50	1.55	3.25
2013	1.50	2.35	2.60	2.60	N/A(1)	3.30
2014	1.75	2.45	2.65	2.65	N/A(1)	3.40

(1) Starting with FY 13, Alexandria School Board approved a la carte menu items for adult breakfast.

Source: Alexandria City Public Schools School Nutrition Services

Table 14

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
School Nutrition Services Principal Clients
Current year and nine years ago

Client	Current Year			Nine years Ago		
	Sales	Rank	Percentage of Sales	Sales	Rank	Percentage of Sales
Students	\$ 739,583	1	43.7%	\$ 719,478	1	50.3%
A La Carte	533,572	2	31.5%	430,642	2	30.1%
Catering/Other	253,172	3	15.0%	121,204	3	8.5%
Summer School Feeding Program	114,046	4	6.7%	100,251	4	7.0%
Adult	50,391	5	3.0%	50,891	5	3.6%
Vending	573	6	0.0%	6,748	6	0.5%
Total	<u>\$ 1,691,337</u>		<u>100.0%</u>	<u>\$ 1,429,214</u>		<u>100.0%</u>

Source: Alexandria City Public Schools School Nutrition Services

Table 15

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Full-time Equivalent By Function-All Funds
Last ten fiscal years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction	1,595.68	1,625.98	1,625.08	1,595.39	1,628.25	1,663.19	1,761.40	1,770.56	1,768.02	1,746.42
Adult Education	10.00	9.00	9.00	7.00	10.00	10.00	10.00	9.11	4.00	4.00
Administration	65.50	70.50	68.50	63.50	73.25	63.00	65.60	69.60	69.00	75.00
Attendance and Health	52.10	54.10	54.10	53.60	55.64	37.44	34.44	34.44	34.31	54.91
Transportation	125.00	125.00	131.00	129.00	135.00	135.00	134.00	134.00	137.00	141.50
Plant Operations & Maintenance	158.50	157.50	156.50	135.40	122.80	111.22	95.84	90.17	90.50	108.50
School Food Services	75.00	75.00	75.00	74.50	79.60	78.60	79.60	87.03	91.95	103.13
	2,081.78	2,117.08	2,119.18	2,058.39	2,104.54	2,098.45	2,180.88	2,194.91	2,194.78	2,233.46

Source: Alexandria School Board's Final Budget and Human Resources Data

Table 16

ALEXANDRIA CITY PUBLIC SCHOOLS
Capital Assets Information by Function
Last ten fiscal years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Instructions</u>										
Elementary Schools	13	13	13	13	13	13	13	13	13	13
Middle Schools	3	3	3	3	3	5	5	5	5	5
High Schools	1	1	1	1	1	1	1	1	1	1
<u>Plant Operations and Maintenance</u>										
Vehicle	40	40	43	40	44	44	45	45	52	53
<u>Pupil Transportation</u>										
Buses	64	66	71	72	74	98	100	101	101	107

Source: Alexandria City Public Schools Accounting and Finance Office

Table 17

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' EDUCATION AND EXPERIENCE
June 30, 2014**

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	306	21.4%
Master's Degree	883	61.7%
Master's + 30	<u>243</u>	<u>17.0%</u>
Total	<u><u>1,432</u></u>	<u><u>100.0%</u></u>

<u>Years of Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0 - 5	418	29.2%
6 - 10	334	23.3%
11 and over	<u>680</u>	<u>47.5%</u>
Total	<u><u>1,432</u></u>	<u><u>100.0%</u></u>

Source: The Alexandria City Public Schools Human Resources Office

Table 18

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' BASE SALARIES**
(Annual School Year Salary)
Last ten fiscal years

<u>Fiscal Year</u>	<u>Minimum Salary (1)</u>	<u>Mean Salary</u>	<u>Maximum Salary (2)</u>	<u>Percentage Change (3)</u>	
2005	34,866	58,198	81,530	2.0%	(4)
2006	35,563	59,362	83,161	2.0%	
2007	42,040	66,837	91,633	2.0%	
2008	42,671	67,839	93,007	1.5%	
2009	42,671	67,839	93,007	0.0%	
2010	42,671	67,839	93,007	0.0%	
2011	42,671	67,839	93,007	0.0%	(5)
2012	43,633	71,349	99,064	6.5%	
2013	46,773	76,485	106,197	7.2%	
2014	47,242	77,251	107,259	1.1%	

NOTES:

- 1) The minimum salary represents the minimum amount an ACPS teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the professional salary schedule for teachers and paraprofessionals dependent on educational attainment and years of service.
- 2) The maximum salary represents the maximum amount an ACPS teacher with a masters+30 may earn for regular classroom instruction during the school year according to the professional salary schedule for teachers and paraprofessionals dependent on educational attainment and years of service.
- 3) The percentage change is the official increase for that year as approved by the School Board.
- 4) In FY 2005, the teacher work year increased from 197 to 196 days.
- 5) One-time bonus payments were given in lieu of salary increases.

Source: The Alexandria City Public Schools Human Resources Office and Budget Office

Table 19

Principal Employers
Current Year (as of July 1, 2014 and Nine Years Ago)

Current Year	Employees⁽¹⁾	Percentage of Total City Employment⁽²⁾	Nine Years Ago	Employees⁽¹⁾	Percentage of Total City Employment⁽²⁾
LARGEST PUBLIC EMPLOYERS			LARGEST PUBLIC EMPLOYERS		
U.S. Department of Commerce	1,000 & over	3.41%	U.S. Department of Defense	1,000 & over	10.00%
U.S. Department of Defense	1,000 & over	3.41%	City of Alexandria	1,000 & over	2.50%
WMATA (Metro)	1,000 & over	3.41%	Alexandria Public Schools	1,000 & over	2.30%
City of Alexandria	2,538	2.88%	WMATA (Metro)	1,000 & over	1.30%
Alexandria Public Schools	2,285	2.59%	Northern Virginia Community College	500-999	1.10%
Northern Virginia Community College	500-999	0.85%	U.S. Department of Agriculture	500-999	0.70%
U.S. Department of Agriculture	500-999	0.85%	U.S. Postal Services	250-499	0.40%
		17.40%			18.30%
LARGEST PRIVATE EMPLOYERS			LARGEST PRIVATE EMPLOYERS		
The Alexandria Hospital	1000 & over	3.41%	The Alexandria Hospital	1,000 & over	1.70%
ABM Janitorial Services M Inc	1000 & over	3.41%	Institute for Defense Analysis	1,000 & over	1.30%
Institute for Defense Analysis	1000 & over	3.41%	American Diabetes Association	500-999	1.00%
Grant Thornton LLP	1000 & over	3.41%	Center for Naval Analysis	500-999	0.70%
CNA Corporation	500-999	0.85%	Boat Owners Assoc. of the U.S	500-999	0.60%
Oblon Spivak McClelland PC	250-499	0.43%	Public Broadcasting System	500-999	0.60%
Catholic Diocese of Arlington	250-499	0.43%			
		15.35%			5.90%

SOURCE: City of Alexandria

⁽¹⁾ Employment ranges are given to ensure confidentiality.

⁽²⁾ Percentages are based on the midpoint of the employment range.

CITY OF ALEXANDRIA, VIRGINIA
Real and Personal Property Tax Assessments and Rates
Last Ten Calendar Years

Note: Property is assessed each year as of January 1. Property is assessed at actual value, therefore assessed values are equal to actual values.

Tax rates are assessed per \$100 of assessed value.

Page S-21



CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Members of the Alexandria City School Board
Alexandria, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria City Public Schools (ACPS), a component unit of the City of Alexandria, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise ACPS's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

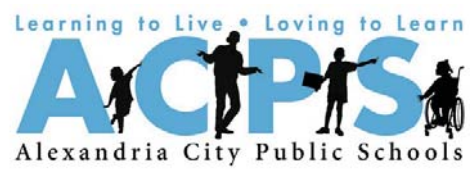
As part of obtaining reasonable assurance about whether ACPS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

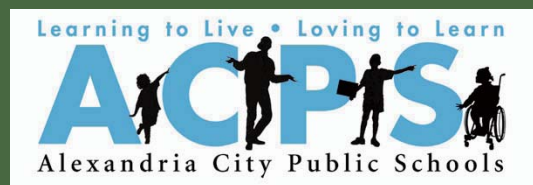
Arlington, Virginia
November 25, 2014





Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia



FINANCIAL SERVICES DEPARTMENT
1340 BRADDOCK PLACE
ALEXANDRIA, VA 22314
WWW.ACPS.K12.VA.US