

# *Comprehensive Annual Financial Report*

*City of Portsmouth, Virginia School Board*

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

*For the Fiscal Year Ended June 30, 2012*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**City of Portsmouth, Virginia School Board  
Component Unit of the City of Portsmouth, Virginia**

For the Fiscal Year Ended June 30, 2012

Prepared by the Department of Finance

Meera Phaltankar, CPA  
Director of Finance

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2012**

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## ***INTRODUCTORY SECTION***





## Department of Budget and Finance

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November 27, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Portsmouth, Virginia School Board ("School Board" or "PPS") for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School Board. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

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

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

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

The Governmental Accounting Standard Board (GASB) issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, in November 2010. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

The GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, in November 2010. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2012.

The GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, in December 2010. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

The GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, in June 2011. This Statement amends Statement No. 34 relating to net asset reporting requirements. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011.

The GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, in June 2011. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2011.

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

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

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

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

## **The Reporting Entity and Organization**

Founded in 1752, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33<sup>rd</sup> largest Metropolitan Statistical Area with over 1.5 million residents. The City encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations.

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

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

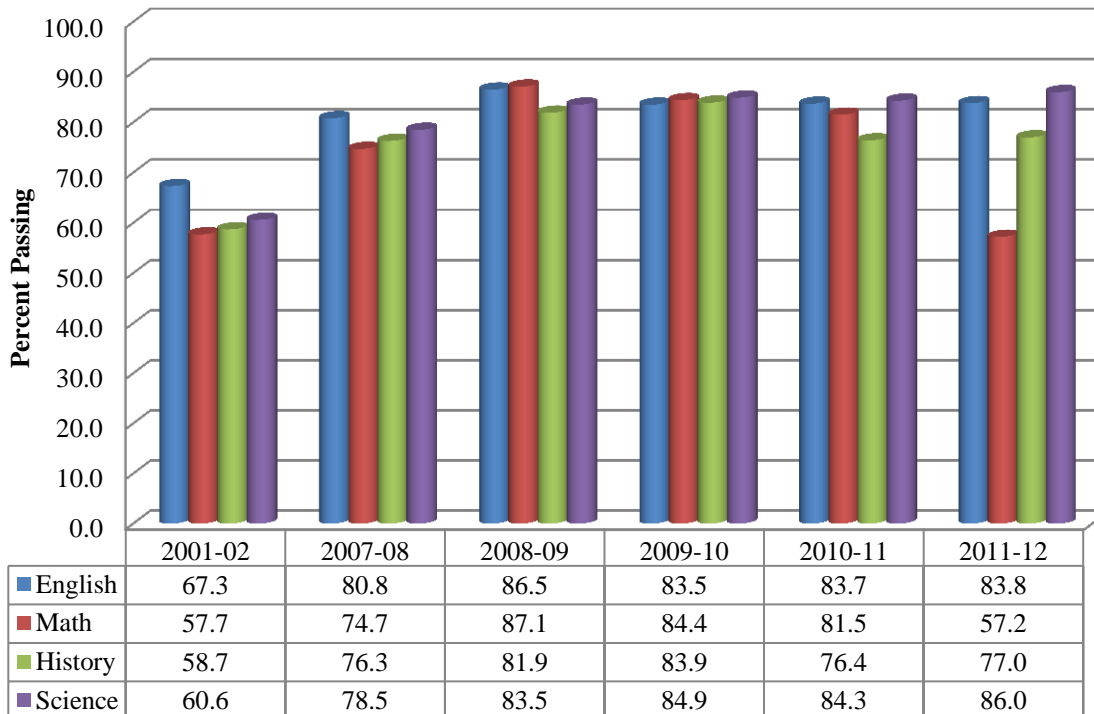
## **Economic Condition and Outlook**

Old Dominion University's Regional Studies Institute recently published The State of The Region - Hampton Roads 2012. According to the studies, we are seeing a modest acceleration in our economic activity. Despite having to overcome several major economic setbacks, such as the closing of the Joint Forces Command and actual or planned cuts in defense spending, per capita income is growing and consumer spending has increased. Median household income continues to be higher than that of the nation as a whole, but the uncertainty and slowing down of the world economy will have an effect on the Hampton Roads economy. The prosperity of the Port of Virginia and the prosperity of Hampton Roads are intertwined. The Port of Virginia reports that the dollar value of its exports in 2011 was \$23.98 million. The economic and financial problems in Europe will reduce exports and diminish activity at the Port of Virginia. Tourism and hotel traffic has experienced a significant decline in its share of regional tourism. In the short run, most of the factors that influence our economic prosperity are beyond our control. In the long run, we can invest wisely in education, research and development, and transportation.

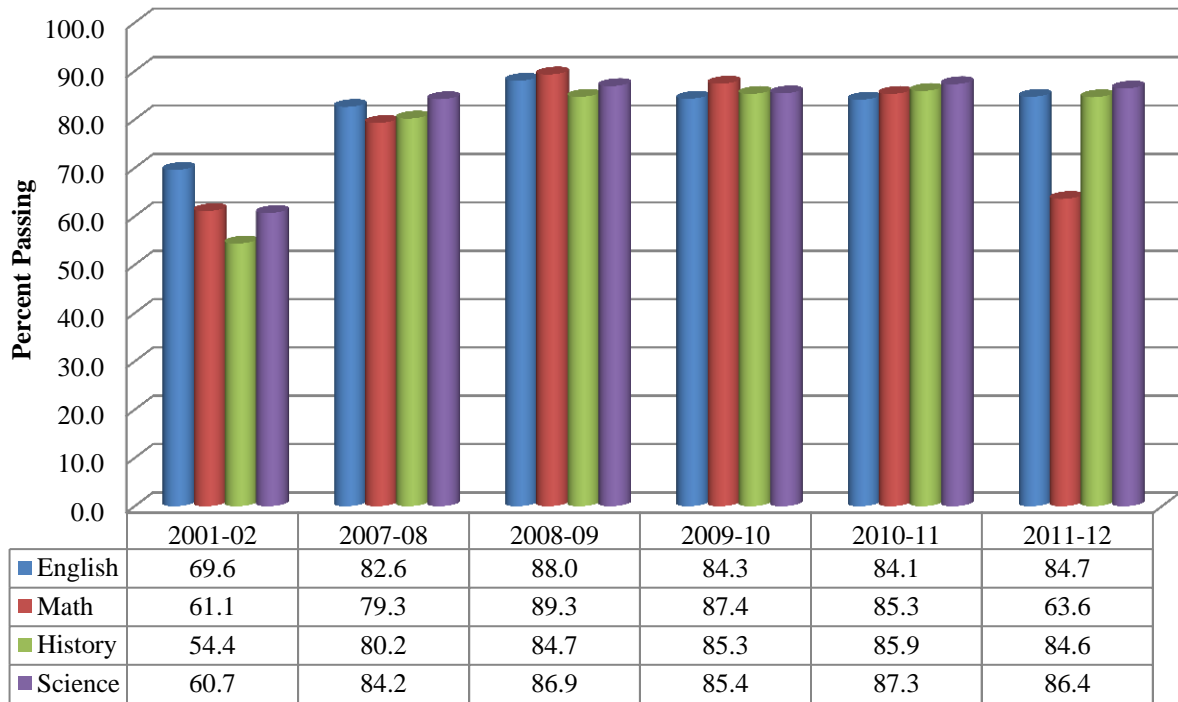
According to 2011 statistics, Portsmouth has a population of 95,684 of which 52.9% is African-American, 42.7% is white, and 4.4% is other. PPS served 15,129 students in thirteen elementary schools (twelve are Title I schools), three middle schools, three high schools, four pre-k centers, an alternative school, and an adult learning center. Based on the 2011-12 Enrollment Percentages by School and Ethnicity, prepared by the PPS Office of Research and Evaluation, 70% of our student population is African-American. School-wide, 13% of all students are identified as having special needs. There are approximately 2,125 employees.

## **SOL Passing Rates Comparison**

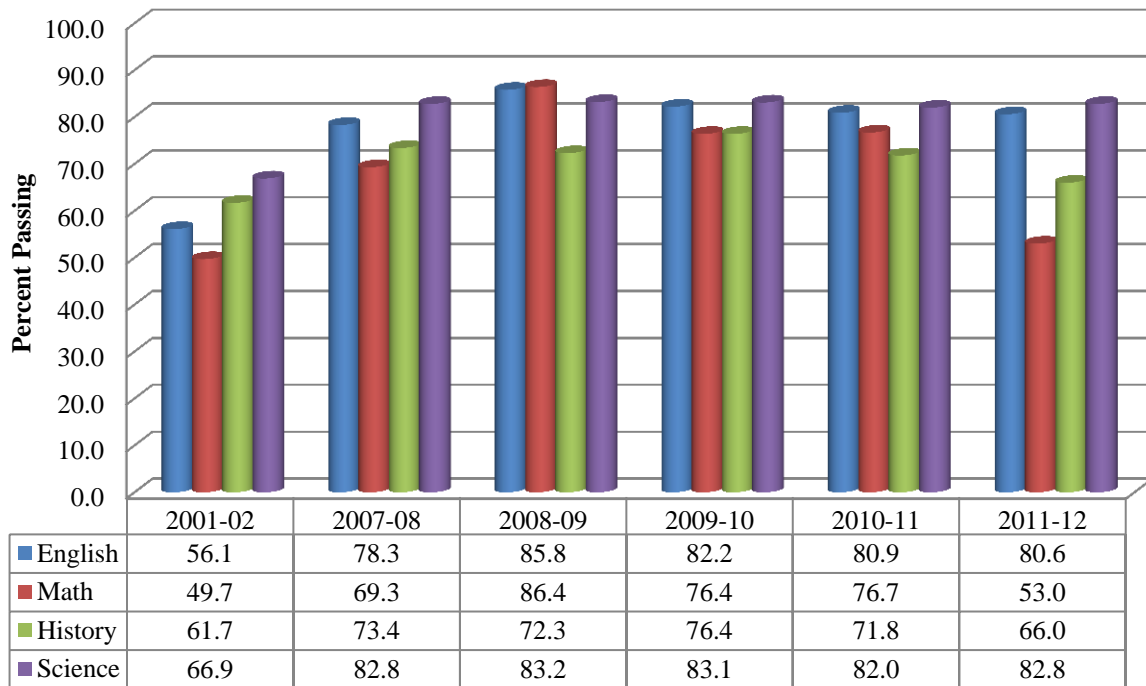
### **DIVISION SUMMARY SOL PASS RATES OVER TIME BY CORE AREAS**



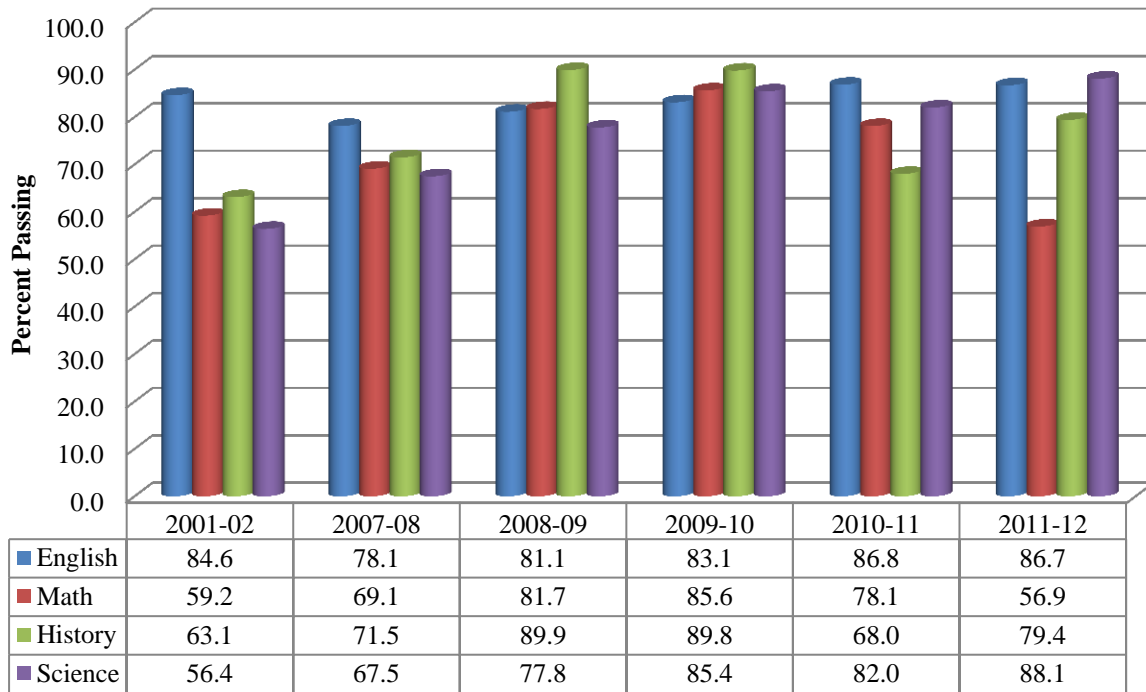
# **ELEMENTARY SCHOOLS SUMMARY SOL PASS RATES OVER TIME BY CORE AREAS**



# **MIDDLE SCHOOLS SUMMARY SOL PASS RATES OVER TIME BY CORE AREAS**



## HIGH SCHOOLS SUMMARY SOL PASS RATES OVER TIME BY CORE AREAS



### **Major Initiatives and Recognition**

#### **Special Education**

In fiscal year 10-11, the Office of Special Education implemented Tienet, a new special education management software. During fiscal year 11-12, we used the new system; it was closely integrated into our new student information system, Power School. Tienet is used to maintain compliance with federal and state special education regulations and procedures that occur from time to time at both state and federal levels. With Tienet, we also found that parents' complaints decreased due to the quick availability of data.

The Office of Special Education used the Reverse Inclusion Program at Churchland Academy where regular education and special education is peered. In fiscal year 12-13, three preschool centers – Churchland, Olive Branch, and Emily Spong -- will have reverse inclusion classrooms.

Mildred Goolsby, Special Education teacher at Victory Elementary, was selected by the Virginia Department of Education for the State Special Education Leadership Academy.

Laura Reig, Early Childhood Special Education teacher at Olive Branch Elementary was selected to receive the 2012 Nancy Fallen Award. This award is presented to an exemplary educator who made significant contributions within Early Childhood special education. The award was presented on July 15, 2012 at the Creating Connections to Shining Stars Conference in Virginia Beach, Virginia.

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

PPS has implemented a STEM (Science, Technology, Engineering, and Mathematics) Pathways Program (currently with an emphasis on Robotics) that serves students in grades four through twelve in the fields of Biotechnology, Geographical Information Systems, Robotics, Oceanography, and Modeling and Simulation. The Pathways are designed to enhance science and mathematics standards content through embedded technology and engineering experiences.

The STEM Pathways Program has an effective partnership base that includes, but is not limited to, institutions of higher learning, such as The College of William and Mary, The Massachusetts Institute of Technology, Hampton University, Old Dominion University, and Norfolk State University. The Office of Naval Research, the Department of Commerce - National Oceanic and Atmospheric Administration (NOAA), and the National Institute of Aerospace are also dynamic partners. Among the division's museum partners are the Elizabeth River Project and the Virginia Aquarium.

Funding for programs is creative, coming from a combination of local PPS funds, donations, and grants. To date, this creative funding has resulted in 1.75 million dollars in professional development funds, materials and supplies, equipment, and technology tools and software.

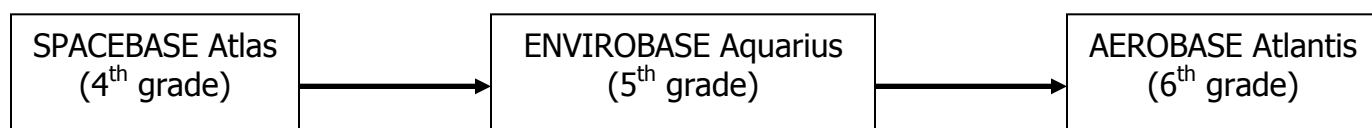
Professional development is dynamic. Science teachers in grades four through twelve are becoming STEM teachers as opposed to simply science teachers.

Deliberate attention is given to project-based learning with the use of technology as tools of discovery. These teachers strive to offer an integrated approach to the Virginia Science Standards of Learning.

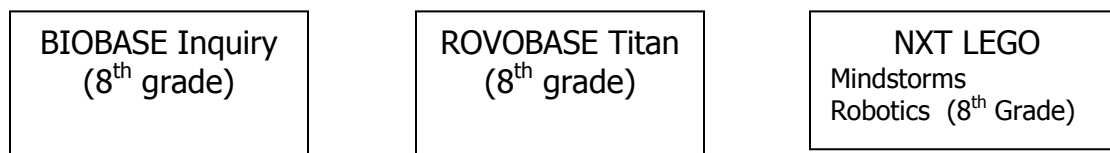
Finally, all elementary (13), middle (3), and high (3) schools have maintained full science accreditation since 2006-07 as assessed by the Virginia Department of Education.

### STEM Course of Study/Academic Progression Chart

#### Elementary School Level (3300 All 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> grade students)



#### Middle School Level (1025 students)



#### High School Level – STEM Experimental Design



**TEACHER - Summer Professional Development  
411 HOURS OF SUMMER STEM PROFESSIONAL DEVELOPMENT**

**COASTAL SYSTEMS**

- Partnership: Hampton University
- Purpose: To understand coastal systems using a problem-based learning (PBL) model by creating Science web quests
- Participation: 26 K-12 Science Teachers

FUNDING SOURCE: State Council for Higher Education in Virginia (SCHEV)

**DUST**

- Partnership: Hampton University
- Purpose: To effectively teach global climate change concepts using NASA and other resources
- Participation: 30 K-12 Teachers

FUNDING SOURCE: NASA

**SMART (Southeast Maritime and Transportation Center)**

- Partnership: Tidewater Community College
- Purpose: To gain knowledge, first-hand experience, and create hands-on curriculum materials of the Maritime and Transportation technologies
- Participation: 4 Middle School Science Teachers

FUNDING SOURCE: National Science Foundation (NSF)

**VISTA (Virginia Initiative for Science Teaching and Achievement)**

- Partnerships: School divisions, Universities (GMU, W&M, VCU, UVA, VT, and JMU), and the Virginia Department of Education
- Purpose: To create an innovative community of support for sustained, intensive science teacher professional development
- Participation: 5 teams of 3-4 Science Teachers each participated in the Elementary Science Institute - Churchland Primary will participate next summer; 3 Program Specialists participated in the Coordinator Academy

FUNDING SOURCE: U. S. Department of Education

**SCIENCE STANDARDS OF LEARNING INSTITUTES**

- Partnership: Virginia State Office of Science Curriculum and Instruction
- Purpose: To deepen Science leaders' understanding and application of the rigorous practices and critical reasoning skills embedded in each of the 2010 Science standards
- Participation: 4 Science Program Specialists

FUNDING SOURCE: Virginia Department of Education (VDOE)

**WEAVING TECHNOLOGY ENHANCED TEST ITEMS INTO LESSONS/ASSESSMENTS**

- Partnerships: Office of Science, PPS Science Teachers
- Purpose: To immerse teachers in a hands-on experience intended to show them how to infuse their lessons and assessments with technology enhanced items
- Participation: 11 Elementary Science Teachers

FUNDING SOURCE: Portsmouth Public Schools

#### VA STEM CoNNECT

- Partnerships: Collaboration between GMU, JMU, The Institute for Teaching through Technology and Innovation Practices (ITTIP) at Longwood, ODU, W&M, VT, UVA, Math-Science Innovation Center, VA Space Grant Consortium, VMASC, VAST, VCTM, Southside VA Regional Technology Consortium, and 48 School Divisions across Virginia
  - Purpose: To integrate the engineering design process into K-12 Science and Mathematics curricula
  - Participation: 30 Middle School Teachers (15 active/15 control group)
- FUNDING SOURCE: National Science Foundation (NSF)

#### SPITZ SUMMER INSTITUTE

- Partnership: Spitz, Inc.
  - Purpose: To explore planetarium education with a focus on full-dome digital display for science learning
  - Participation: 2 Science Program Specialists
- FUNDING SOURCE: Spitz, Inc.

### **STUDENT - Summer Stem Experiences 369 Students Participated in STEM Camps**

#### SPACEBASE - 75 Rising 5th Graders

- Using geospatial technologies, students ventured in Olde Towne Portsmouth on a hunt for an elusive pirate named Calico Jack.
- FUNDING SOURCE: STARBASE Victory, Inc./Adm. Hayden

#### ENVIROBASE - 60 Rising 6th Graders

- Through field studies and engaging labs, students participated in a fun exploration of the Elizabeth River and Chesapeake Bay.
- FUNDING SOURCE: STARBASE Victory, Inc./Adm. Hayden

#### AEROBASE - 54 Rising 7th Graders

- This camp was all about rocketry, flight, experimental design, and laws of motion in which students had a “blast” learning.
- FUNDING SOURCE: STARBASE Victory, Inc./Adm. Hayden

#### Project SEARCH - 13 Rising 6th & 12th Graders

- Students engaged in authentic scientific inquiry by designing building, and deploying a real buoy to collect ecological data.
- FUNDING SOURCE: NOAA B-WET Grant

#### NanoQuest - 15 Rising 5th Graders

- During this nanotechnology camp, Douglass Park Elementary students explored “really small things” through fun games and scientific experiments.
- FUNDING SOURCES: Children’s Museum of Virginia and Norfolk State University

#### DISCOVERYBASE App Design Camp - 14 Rising 7th, 8th, and 9th Graders

- Students formed faux digital design corporations and learned how to design and create several Android Apps to fulfill contracts with Science education companies. The camp included a field trip to two cutting-edge app design centers.
- FUNDING SOURCE: STARBASE Victory, Inc./Admiral Hayden

#### Hampton Roads STEM Academy - 27 Rising 7th/8th Graders

- In collaboration with the Department of Defense and The College of William and Mary, students worked in groups to solve STEM problems with robotics.
- FUNDING SOURCE: National Defense Education Program (NDEP)



#### RIVERQUEST - 36 Rising 9th Graders

- Students explored the environment in and around Portsmouth by working with the Elizabeth River Project, field experiences, and scientific research.  
FUNDING SOURCE: Beazley Foundation Grant

#### BAYQUEST - 16 Rising 10th & 11th Graders

- Through field experiences, students researched and investigated several unique marine communities of the Chesapeake Bay.  
FUNDING SOURCE: Beazley Foundation Grant

#### ROBOTICS CAMP - 15 Rising 9th, 10th, and 11th Graders

- Students honed their VEX robotics skills during this engineering camp while practicing citizen science by presenting to the AEROBASE 6th grade campers  
FUNDING SOURCE: Elizabeth City State University

#### NSU Health & Science Academy— 41 Rising 9th, 10th, 11th

- Working alongside NSU research professors, students gained an in-depth view of the real-world of health and science professions.  
FUNDING SOURCE: Norfolk State University

#### STEM Experimental Design Seminar - 6 Rising 9th Graders

- Incoming Science and Technology Center of Excellence students explored the strategies and skills employed in the experimental design process.  
FUNDING SOURCE: Portsmouth Public Schools

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

The Office of Career and Technical Education offered 603 certifications during fiscal year 11-12 for workplace readiness skills, as compared to 287 certifications prior fiscal year. Each school year, the Office of Career and Technical Education introduces new classes under Career Pathways – AC13. In collaboration with Tidewater Community College, two new classes were introduced – Marine Electric and Marine Welding.

### **Social Studies**

PPS is proud to announce the 2012 recipients of the Hampton University Leadership Academy (HULA): Dennis Chalk from Churchland Academy Elementary School, Delaney Outlaw from Victory Elementary School, and Channing Swinton from Olive Branch Preschool. Each award winner received full tuition and books to Hampton University to pursue a Master's Degree in Education Administration. Additionally, participants in the HULA program receive extensive professional development, including participation at national conferences. This program is highly competitive and is valued at over \$15,000 per recipient.

### **Human Resources**

The 2011 Teacher of the Year Selection Committee, coordinated by HR, announced the division winners at the Annual Teacher of the Year Banquet. Tom Shenk, a Physical Education teacher from John Tyler Elementary School, was selected as the 2011 Portsmouth Teacher of the Year. He was also selected as the State Regional winner for 2011. Mr. Shenk's research and emphasis on brain research show how physical education and academics, aligned together, prove successful to the students.

The Instructional Personnel Report provided by the State Department has reported 99.01% highly qualified teachers for the 2011-12 school year.

A new on line exit interview survey has been implemented for employees who are leaving the division.

## **Financial Information**

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

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

The School Board pays the City a yearly fee to manage the School Board's risk management program. The School Board is "fully insured" for auto liability and for general liability through the Virginia School Board Association. For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$450,000. Workers Compensation claims are handled by PMA, a third party claims administrator.

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

## **Awards**

### **Certificate of Excellence**

The Association of School Business Officials ("ASBO") awarded the School Board its Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Excellence is valid for a period of one year only. This is the fifth consecutive year that PPS has achieved this prestigious award.

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

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

## **Certificate of Achievement**

The Government Finance Officers Association (“GFOA”) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to PPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This is the fifth consecutive year that PPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the School Board must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## **Meritorious Budget Award for Excellence**

ASBO awarded the Meritorious Budget award for excellence in the preparation and issuance of the School Board’s budget for the fiscal year 2012-13. The budget is judged on its conformity to the principles and standards of ASBO’s budget award program. The program promotes and recognizes excellence in school budget presentation and enhances the school business officials’ skills in developing, analyzing and presenting a school system budget.

## **Gold Level Facilities Masters Award**

We are pleased to announce that Ms. Alicia Hart, on behalf of PPS, accepted the Gold Level Facilities Masters Award at the Virginia School Plant Managers Association (VSPMA) meeting. Each year, VSPMA recognizes an applicant for its Facility Master’s Award. Applicants must meet criteria established in the Planning Guide for Maintaining School Facilities. The criteria were established by the 2003 School Facilities Maintenance Task Force in Washington, D.C. from recommendations made by the U.S. Department of Education, the National Center for Education Statistics, and the National Forum on Education Statistics. Aspects for the award include facilities planning, school maintenance, including cleaning, safety, facility condition, and performance metrics. The award can be made at the silver, gold, or platinum level.

## **Milken Educator Award**

LaKeisha Ames, a fourth grade teacher at Churchland Primary and Intermediate School, was the recipient of the prestigious Milken award on October 18, 2012. This Milken Educator Award is a \$25,000 check from the Milken Family Foundation honoring a recipient’s early to mid-career achievements. Unlike most teacher awards, this program has no formal nomination or application process. Every participating state’s department of education appoints an independent blue ribbon committee to recommend candidates according to strict criteria, with final selections made by the Milken Family Foundation. New awardees are inducted into the Milken Educator Network, a unique group of innovative, results-oriented leaders dedicated to reforming and strengthening American K-12 education.

## **Champions of Change**

On October 2, 2012, the White House honored Laura Reig as one of eleven members who are “Champions of Change”. The Champions of Change program was created to honor ordinary Americans doing great work in their communities. Laura Reig is an early development special education teacher that provides early childhood development opportunities for needy families. As a member of the Portsmouth Children First Lions Club, Laura uses her skills to meet the educational needs of the young people in her community. Formed specifically to aid children, Portsmouth Children First Lions Club provides hearing aids and glasses for kids, purchases adaptive playground equipment and conducts a monthly preschool session.

### **Girls Inc. Strong, Smart, & Bold Award**

The mission of Girls Inc. Center for Youth SWHR is to inspire all girls to become strong, smart, and bold. For the past 14 years, Girls Inc. has recognized women who have demonstrated **Strong, Smart, and Bold** qualities and are recognized as role models by their friends, families, and colleagues. This year, Mrs. Costella Williams, School Board Member, and Laura Nelson, Director of Science, were two of those women in Hampton Roads to receive the Strong, Smart and Bold Award. The 2012 celebration banquet was held at noon on October 18, 2012 at the Renaissance Portsmouth Hotel.

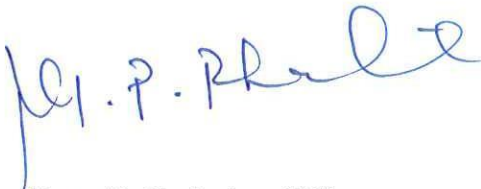
### **Acknowledgements**

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "David C. Stuckwisch".

David C. Stuckwisch, Ph.D.  
Superintendent

A handwritten signature in blue ink, appearing to read "Meera P. Phaltankar".

Meera P. Phaltankar, CPA  
Director of Budget and Finance

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2012**

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

**School Board**

Mr. James E. Bridgeford ..... Chairman  
Dr. Elizabeth Daniels ..... Vice Chairman  
Mr. James M. Hewitt, IV  
Mr. Edward P. "Ned" McCabe  
Mr. B. Keith Nance, Sr.  
Mr. Claude C. Parent  
Mr. Ernest L. Reid  
Dr. Mark M. Whitaker  
Mrs. Costella Williams

**Officials**

Dr. David C. Stuckwisch ..... Superintendent  
Dr. Patricia H. Fisher ..... Assistant Superintendent for Curriculum and Instruction  
Mr. Dan Pendarvis ..... Assistant Superintendent for Budget and Planning  
Mrs. Meera Phaltankar, CPA ..... Director of Finance  
Mrs. Kathy L. Chambliss ..... Clerk of the School Board  
Mrs. Laura Chandler ..... Deputy Clerk of the School Board  
Mr. James L. Williams ..... City Treasurer

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

## MISSION AND VISIONS

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

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

6. *By 2017, the Portsmouth City School Board will provide educational facilities – including technology – that contribute to the learning environment for students and provide safe and accessible facilities for students and staff.* The Board expects to provide facilities that support the 21st Century Learning Environment and will participate in the Virginia School Boards Association (VSBA) Green Schools challenge by implementing environment-friendly solutions. In addition to providing and maintaining safe facilities and equipment, they will also build processes, responsibilities, and technologies that provide information to understand the past and present and enable the shaping of the future.

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

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

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

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

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



ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

*is presented to*

**City of Portsmouth, Virginia School Board**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2011  
upon recommendation of the Association's Panel of Review  
which has judged that the Report substantially conforms  
to principles and standards of ASBO's Certificate of Excellence

*Brian M. Mason*

President

*John D. Mason*

Executive Director

JSSCO



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portsmouth, Virginia  
School Board

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



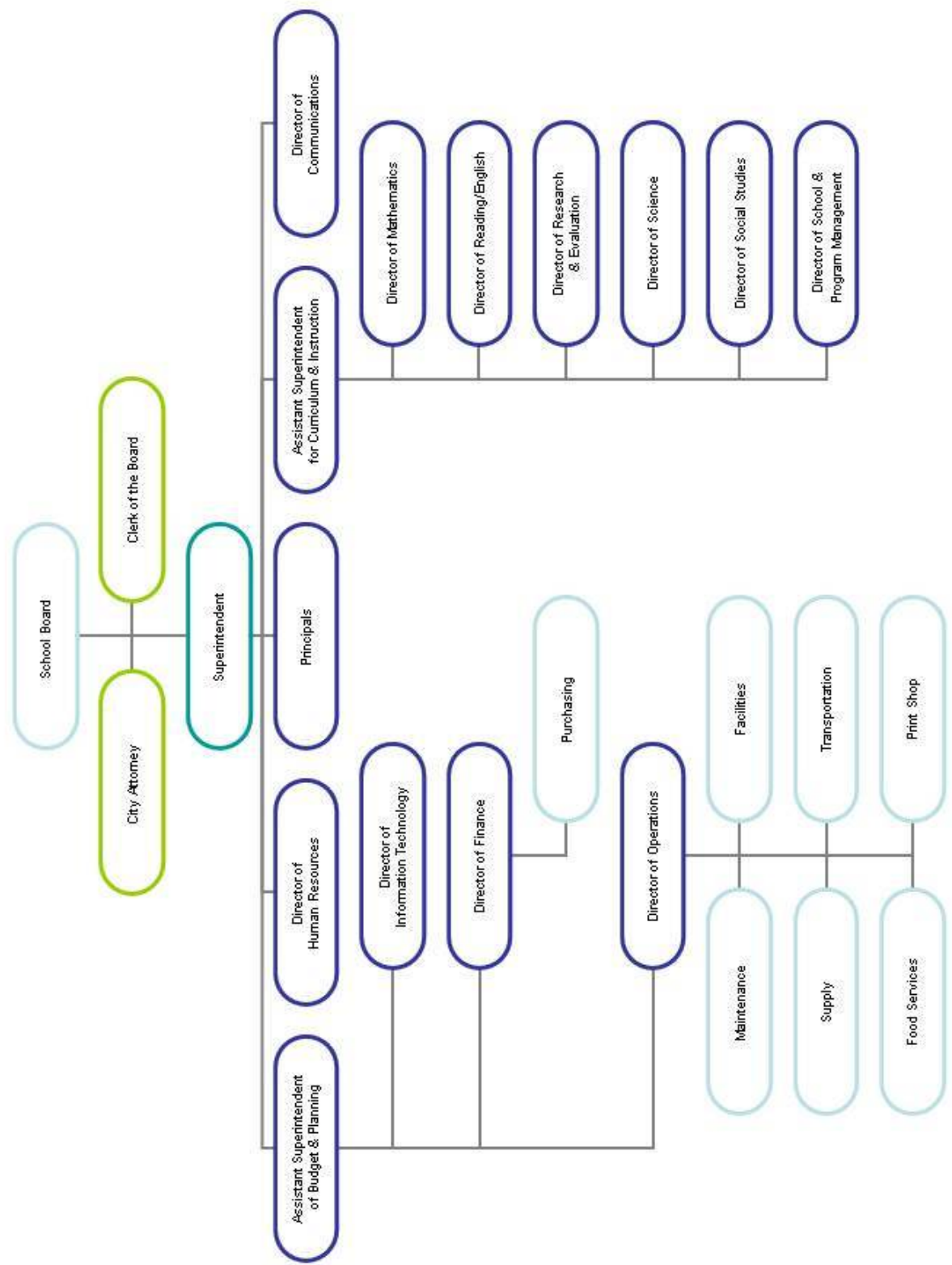
*Linda C. Dandson*

President

*Jeffrey R. Emer*

Executive Director

City of Portsmouth, Virginia School Board  
 Component Unit of the City of Portsmouth, Virginia  
 Organizational Chart (June 30, 2012)



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## ***FINANCIAL SECTION***



## ***Independent Auditors' Report***

Members of the School Board  
City of Portsmouth, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the School Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules of the general fund and major annually budgeted special revenue funds, and the schedule of funding progress and contributions for employer defined benefit pension plan and other post-employment benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of American, 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 inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's financial statements as a whole. The introductory section, other supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section 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.

*Cherry, Bekant & Holland, L.L.P.*

Virginia Beach, Virginia  
November 27, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**June 30, 2012**

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This section of the City of Portsmouth, Virginia School Board's ("School Board" or "PPS") annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights for Fiscal Year Ended June 30, 2012 (FY11-12)**

PPS' financial status, as reflected in total net assets, increased 7% to \$108.7 million. Of that, \$0.5 million of net assets are restricted to ongoing capital projects that consist primarily of various school renovation projects.

On the Statement of Net Assets – Governmental Activities, total liabilities at June 30, 2012 totaled \$26.1 million. The bulk of the current liabilities of \$16.4 million are related to accrued payroll and accounts payable, while the majority of the non-current liabilities relate to compensated absences and capital leases.

On the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, the General Fund, Grants Fund, and Textbooks Fund experienced an increase in fund balance. The Food Services Fund and Construction Fund experienced a decrease in fund balance. The increase in the Grants fund balance was due to a transfer from the General Fund. Year end requests were done earlier this fiscal year than last fiscal year due to a more experienced staff. The General Fund has \$138.3 million in revenues and \$133.7 million in expenditures. The General Fund's fund balance increased from \$6.9 million to \$8.7 million. This increase was due primarily to an approved transfer from the Risk Management Fund. Assigned fund balance represents year end encumbrances. The decrease in the Construction Fund was due to a transfer of funds in the Clarke project back to the City as directed by City Council. Also, projects that were funded last fiscal year incurred expenditures in this fiscal year.

Total intergovernmental revenue was \$164.8 million. Of that, \$49.6 million was from the City of Portsmouth ("City"), \$86.9 million was state aid from the Commonwealth of Virginia, and \$28.3 million was from the federal government. Interest and other charges were \$2.1 million including, \$25.3 thousand in interest, and \$1.1 million in charges for services.

**Operational Highlights for Fiscal Year 2012**

Capital improvements completed during the year were renovation and addition to Lakeview Elementary; James Hurst Elementary gym and parking lot; Churchland High roof replacement; HVAC and overlay projects for various schools; Wilson High special needs renovation, and new Simonsdale Elementary building.

The roof replacement at Norcom High and Churchland Middle continued during the year. HVAC projects at Churchland Middle, Cradock Middle, and Churchland High began during the year. Construction of the Simonsdale Elementary ball fields continued during the year funded by Qualified School Construction Bonds (QSCB) created under the American Recovery and Reinvestment Act (ARRA).

The school district aggressively seeks competitive grant funds to further its mission.

During FY11-12, the School Board received a \$14,786 Federal Equipment Assistance Grant for School Nutrition Programs which funded the purchase of a new commercial mixer. The Board also received donations of \$4,950 from The Energetics Technology Center for high school robotics training and participation in a regional competition, and \$2,150 from The Portsmouth General Hospital Foundation to sponsor student attendance at the Youth Alcohol-Drug Abuse Prevention Project in Roanoke, Virginia.

## **Overview of the Financial Statements**

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

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

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

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



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

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

## Government-Wide Statements

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

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

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

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

## Fund Financial Statements

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

The School Board has three types of funds:

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

- *Fiduciary funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to report resources that are required to be held in a trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment-benefit plans, or employee benefit plans.

## Financial Analysis of the School Board as a Whole

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

### Net Assets

The School Board's net assets at the year ended June 30, 2012 were \$108.7 million, which were composed of \$18.9 million in unrestricted net assets, \$3.5 million in restricted for other purposes, and \$86.3 million invested in capital assets, net of related debt. Capital assets of the School Board for which the City of Portsmouth has incurred related debt are reflected in the City of Portsmouth's financial statements. All capital assets that are School Board assets which are not secured by debt are reported in the School Board's financial statements. Please refer to the Financial Highlights for FY11-12 section for the related construction projects.

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

	2012	2011
Current and other assets	\$ 43,293	\$ 53,260
Capital assets	91,484	76,137
Total assets	134,777	129,397
Long-term debt outstanding	9,674	10,375
Other liabilities	16,391	17,146
Total liabilities	26,065	27,521
Net assets:		
Invested in capital assets, net of related debt	86,270	70,254
Restricted		
Capital Projects	506	509
Grants	578	644
School Food Services	2,037	2,146
Textbook	376	1,181
Unrestricted	18,945	27,142
Total net assets	\$ 108,712	\$ 101,876

## Changes in Net Assets

The breakdown of program revenue is as follows: 93% comes from operating contributions, while the remaining program revenue is from charges for services. Total general revenues for FY11-12 were \$138.9 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 36% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

### Changes in Net Assets

Years Ended June 30,  
(In thousands of dollars)

Revenues:	2012	2011
Program revenues:		
Charges for services	\$ 2,065	\$ 2,261
Operating grants and contributions	26,841	47,395
General revenues:		
Interest and investment earnings	25	56
Grants and contributions not restricted	137,777	113,833
Miscellaneous	1,137	1,261
Total revenues	167,845	164,806
Program expenses:		
Instruction	110,998	116,244
Administration	4,681	4,891
Attendance and health services	2,801	3,280
Pupil transportation	6,995	6,396
Operations and maintenance	14,288	15,072
Information technology	3,917	3,180
Food services	7,174	7,011
Interest on long-term debt	211	234
To local government	9,944	-
Total program expenses	161,009	156,308
Change in net assets	6,836	8,498
Beginning net assets, as restated	101,876	93,378
Ending net assets	\$ 108,712	\$ 101,876

Operating contributions in the program revenues section, decreased by \$20.6 million over the previous fiscal year. Most of this decrease is due to the decrease in Stimulus funding in Title I and Special Education compared to the prior fiscal year.

Grants and contributions not restricted, in the general revenues section, increased by \$23.9 million over the previous fiscal year. This increase is related to a re-appropriation of the Risk Management Fund Balance and an increase in Commonwealth Funding.

Instruction, in the program expenses section, decreased by \$5.2 million over the previous fiscal year. Most of this decrease is related to attrition of instructors.

## Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$20.4 million for fiscal year ended June 30, 2012. The current year compared to last year is as follows:

### Fund Balance Comparison

Years Ended June 30,  
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Fund:		
General	\$ 8,718	\$ 6,931
Grants	772	(136)
Food Services	2,075	2,188
Textbook	1,476	1,326
Construction	7,321	21,822
Total combined fund balance	<u>\$ 20,362</u>	<u>\$ 32,131</u>

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

- The increase in fund balance in the General Fund is primarily due to a transfer from the Risk Management Fund which authorized to help defray reduced funding.
- The increase in the fund balance in the Grant Fund is due to a transfer from the General Fund.
- The decrease in fund balance in the Food Services Fund is due to purchases for resale increasing because less donated commodities were received.
- The increase in fund balance in the Textbook Fund is due to the adoption of funding by the School Board for social studies textbooks.
- The decrease in fund balance in the Construction Fund is due to the transfer of funds from the Clarke project back to the City as directed by City Council. Also, expenses were incurred on some projects that received funding in the previous fiscal year.

## General Fund Budgetary Highlights

Throughout FY11-12, the School Board monitors its total budget; however, the School Board delegates authority to the superintendent to move budget amounts between line items and organizational units to meet the changing needs of the School Board. The School Board's administration manages actual spending to revenue received.

### General Fund Fiscal Year 2012 (In thousands of dollars)

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Original Budget versus Amended Budget Variance	Amended Budget versus Actual Variance
Revenues:					
Intergovernmental	\$ 135,264	\$ 135,689	\$ 136,974	0%	1%
Other	1,625	3,725	1,351	129%	-64%
Total	136,889	139,414	138,325	2%	-1%
Expenditures and transfers:					
Expenditures	135,876	137,397	135,512	-1%	-1%
Transfers	1,013	2,017	2,813	99%	39%
Total	136,889	139,414	138,325	2%	-1%
Change in fund balance	\$ -	\$ -	\$ -	0%	0%

## Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2012, the School Board had \$91.5 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of the capital assets are the school bus fleet and the maintenance vehicles.

### Capital Assets Years Ended June 30, (Net of depreciation, in thousands of dollars)

	2012	2011
Land	\$ 6,125	\$ 6,125
Buildings and improvements	47,763	44,123
Equipment	8,891	9,197
Intangibles	202	286
Construction in progress	28,503	16,406
Total	\$ 91,484	\$ 76,137

During FY11-12, the School Board completed \$5.03 million in construction in progress. This completion of construction in progress comprised a portion of the decrease in capital assets. Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

## **Long-Term Liabilities**

Long-term liabilities as of fiscal year end were \$12.9 million, with \$9.7 million due in greater than one year and the remaining \$3.2 million due within one year.

The significant portions of long-term liabilities were \$3.4 million in vacation and sick leave, \$4.5 million in energy lease obligations and \$1.8 million in claims payable related to potential workman's compensation claims.

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

## **Outlook for Fiscal Year 2013**

In these tough economic times, the task of forecasting a budget becomes more difficult with each year. Funds that were available for FY11-12 from ARRA expired leaving the division with a deficit of more than \$3 million as we began to plan for FY12-13. The School Board does not want to release any personnel because our staffing barely meets the minimum state requirements already. Any personnel cuts would certainly erode the quality of the education we are providing which would be unacceptable. The only solution will be to resort to cutting materials and supplies, staff development, and facilities expenditures. Certain maintenance expenditures and equipment purchases can be postponed in the short term, but to do so over a long period will also erode the quality of the education environment.

The School Board receives revenue from local (city), state, and federal sources. State funding is based on our Average Daily Membership (ADM) and local composite index. Weldon Cooper Center for Public Services of the University of Virginia gathers and analyzes enrollment information. The Center has forecasted a decline in ADM. They project ADM of 14,465 for FY12-13.

General fund total budget for FY09-10 was \$149 million, FY10-11 was \$139 million, FY11-12 is \$137 million, and FY12-13 is \$140 million. General fund total budget for FY12-13 has increased by \$3 million over the prior fiscal year. It is still short by \$9 million compared to FY09-10. The City took over \$9 million of available balance from the Clarke Renovation Project. Of these funds, \$4.1 million were appropriated back to the School Board as operating budget. The State funding for support positions has reduced over the period FY09-10 to FY11-12. Funding is reduced from 441 to 254 positions. A slight increase in budget is not enough to cover the shortfall; we will continue meeting financial challenges.

The FY12-13 budget contains no funds for school bus replacement, technology hardware upgrades, or facility upgrades (such as roof or HVAC replacements).

The School Board assumes the role of Region II Lead Agency for the Superintendent's Study Group and for Project Graduation. Dr. Stuckwisch, School Superintendent, will be the chairman for two years. Project Graduation is a State grant targeted to improve the academic performance of SOL deficient junior and senior year students and put them on track for an on-time graduation.

In the spring of 2012, the Virginia Department of Education conducted a new competition for Virginia's allocation of federal Adult Basic Education funds authorized under Section 222 (a)(1) of the *Workforce Investment Act of 1998* (WIA). On July 25, 2012, VDOE notified Portsmouth Public School of its award as Region 20's State Lead Coordinating Agency for the following grants: Adult Education & Family Literacy (AEFLA), Corrections and Institutions (C&I), Race to GED, and General Adult Education. The other localities participating in Region 20 are the City of Chesapeake, the City of Franklin, Isle of Wight County, the City of Norfolk, Southampton County, the City of Suffolk, and the City of Virginia Beach.

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

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

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

**Exhibit I**

**STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**

**June 30, 2012**

**ASSETS**

Cash and cash equivalents	\$ 32,640,156
Cash with fiscal agent	505,998
Due from the federal government	2,074,474
Due from the Commonwealth of Virginia	1,152,678
Due from City of Portsmouth	52,247
Receivables - net	83,914
Inventory	243,691
Capital assets not depreciated	34,628,128
Other capital assets - net	56,855,632
Net OPEB asset	6,539,588
<b>Total assets</b>	<b>\$ 134,776,506</b>

**LIABILITIES**

Accounts payable	\$ 5,445,601
Accrued payroll	7,026,602
Accrued payroll taxes	520,822
Accrued interest	191,435
Due to primary government	7,794
Long-term liabilities	
Due within one year	3,198,585
Due in more than one year	9,674,078
<b>Total liabilities</b>	<b>26,064,917</b>

**NET ASSETS**

Invested in capital assets - net of related debt	86,269,945
Restricted	
Capital projects	505,998
Grants	577,712
School food services	2,036,930
Textbook	375,765
Unrestricted	18,945,239
<b>Total net assets</b>	<b>108,711,589</b>
<b>Total liabilities and net assets</b>	<b>\$ 134,776,506</b>

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

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

**Exhibit II**

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

<b>Year Ended June 30, 2012</b>					
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities					
Administration	\$ 4,681,250	\$ -	\$ -	\$ -	\$ (4,681,250)
Instruction	110,997,918	80,994	21,395,573	-	(89,521,351)
Attendance and health services	2,801,105	70,908	-	-	(2,730,197)
Pupil transportation	6,994,723	101,135	-	-	(6,893,588)
Operations and maintenance	14,288,609	18,587	-	-	(14,270,022)
Information technology	3,917,235	-	-	-	(3,917,235)
Food service	7,173,854	1,793,828	5,444,996	-	64,970
Interest on long-term debt	210,763	-	-	-	(210,763)
To local government	9,943,797	-	-	-	(9,943,797)
<b>Total Primary Government</b>	<b>\$ 161,009,254</b>	<b>\$ 2,065,452</b>	<b>\$ 26,840,569</b>	<b>\$ -</b>	<b>(132,103,233)</b>
<b>General revenues</b>					
From primary government					49,571,413
Unrestricted grants and contributions					88,205,551
Investment earnings					25,317
Miscellaneous					1,136,711
<b>Total general revenues</b>					<b>138,938,992</b>
<b>Change in net assets</b>					<b>6,835,759</b>
<b>Net assets - beginning of year</b>					<b>101,875,830</b>
<b>Net assets - end of year</b>					<b>\$ 108,711,589</b>

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

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

**Exhibit III**  
Page 1 of 2

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2012**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>School Construction</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and temporary investments	\$ 16,739,953	\$ 1,973,943	\$ 1,833,683	\$ 1,423,345	\$ 7,353,402	\$ 29,324,326
Cash with fiscal agent	-	-	-	-	505,998	505,998
Receivables	-	43,891	80	-	-	43,971
Due from federal government	-	1,810,849	263,625	-	-	2,074,474
Due from Commonwealth of Virgir	1,112,151	26,850	13,677	-	-	1,152,678
Due from City of Portsmouth	-	-	-	-	52,247	52,247
Due from other funds	2,596,028	-	3,653	-	590,514	3,190,195
Inventory	135,575	-	38,325	61,027	-	234,927
<b>Total assets</b>	<b>\$ 20,583,707</b>	<b>\$ 3,855,533</b>	<b>\$ 2,153,043</b>	<b>\$ 1,484,372</b>	<b>\$ 8,502,161</b>	<b>\$ 36,578,816</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 3,731,065	\$ 427,876	\$ 76,185	\$ 8,187	\$ 1,181,039	\$ 5,424,352
Accrued payroll	7,012,072	9,311	1,603	535	-	7,023,521
Accrued payroll taxes	520,822	-	-	-	-	520,822
Due to City of Portsmouth	7,794	-	-	-	-	7,794
Deferred revenue	-	50,126	-	-	-	50,126
Due to other funds	594,167	2,596,028	-	-	-	3,190,195
<b>Total liabilities</b>	<b>11,865,920</b>	<b>3,083,341</b>	<b>77,788</b>	<b>8,722</b>	<b>1,181,039</b>	<b>16,216,810</b>
<b>FUND BALANCES</b>						
Nonspendable	135,575	-	38,325	61,027	-	234,927
Restricted	-	527,586	2,036,930	375,765	505,998	3,446,279
Committed	-	-	-	1,038,858	6,778,417	7,817,275
Assigned	8,582,212	244,606	-	-	36,707	8,863,525
<b>Total fund balances</b>	<b>8,717,787</b>	<b>772,192</b>	<b>2,075,255</b>	<b>1,475,650</b>	<b>7,321,122</b>	<b>20,362,006</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,583,707</b>	<b>\$ 3,855,533</b>	<b>\$ 2,153,043</b>	<b>\$ 1,484,372</b>	<b>\$ 8,502,161</b>	<b>\$ 36,578,816</b>

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

---

**June 30, 2012**

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

**Total fund balances - governmental funds** \$ 20,362,006

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Net capital assets of governmental activities	\$ 91,483,760	
Net capital assets of internal service funds	<u>(30,611)</u>	91,453,149

Some of the School Board's revenues will be collected after year-end  
but are not available soon enough to pay for the current period's  
expenditures and, therefore, are deferred in the funds.

50,126

Amounts paid to the trust for other post-employment benefits  
in excess of the required contributions, the net OPEB asset, are not  
financial resources and, therefore, are not reported in the funds.

6,539,588

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

Long-term liabilities		
Governmental funds	(12,872,663)	
Internal service funds - current portion	706,467	
Internal service funds - long-term portion	<u>1,712,134</u>	(10,454,062)
Accrued interest payable		(191,435)

Internal service funds are used by management to charge  
the costs of certain activities, such as printing and insurance  
to individual funds. The assets and liabilities of the internal  
service funds are included in governmental activities in the  
statement of net assets.

952,217

**Total net assets - governmental activities** \$ 108,711,589

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

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

**Exhibit IV**  
Page 1 of 2

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

**Year Ended June 30, 2012**

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>School Construction</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Intergovernmental						
From City of Portsmouth	\$ 49,571,413	\$ -	\$ -	\$ -	\$ -	\$ 49,571,413
From Commonwealth of Virginia	82,718,624	3,610,381	132,078	433,841	-	86,894,924
From federal government	4,684,233	17,810,615	5,444,996	-	-	27,939,844
Donated commodities	-	-	355,290	-	-	355,290
Total intergovernmental	136,974,270	21,420,996	5,932,364	433,841	-	164,761,471
Charges for services	-	-	1,137,316	-	-	1,137,316
Interest	17,931	-	421	47	6,918	25,317
Miscellaneous	1,332,625	179,084	477,428	9,352	66,358	2,064,847
<b>Total revenues</b>	<b>138,324,826</b>	<b>21,600,080</b>	<b>7,547,529</b>	<b>443,240</b>	<b>73,276</b>	<b>167,988,951</b>
<b>Expenditures</b>						
Current						
Education						
Administration	4,151,760	636,599	-	-	-	4,788,359
Instruction	99,733,803	18,245,759	-	1,393,473	-	119,373,035
Attendance and health services	2,465,948	421,927	-	-	-	2,887,875
Pupil transportation	6,593,876	260,091	-	-	-	6,853,967
Information technology	4,023,227	-	-	-	-	4,023,227
Operation and maintenance	14,647,181	-	-	-	-	14,647,181
Food services	-	-	7,302,658	-	-	7,302,658
Capital outlay	1,206,817	2,382,941	361,188	-	7,184,838	11,135,784
Debt service						
Principal	670,048	-	-	-	-	670,048
Interest	231,923	-	-	-	-	231,923
<b>Total expenditures</b>	<b>133,724,583</b>	<b>21,947,317</b>	<b>7,663,846</b>	<b>1,393,473</b>	<b>7,184,838</b>	<b>171,914,057</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,600,243</b>	<b>(347,237)</b>	<b>(116,317)</b>	<b>(950,233)</b>	<b>(7,111,562)</b>	<b>(3,925,106)</b>
<b>Other financing sources (uses)</b>						
To local government	-	-	-	-	(9,943,797)	(9,943,797)
From internal service fund	2,100,000	-	-	-	-	2,100,000
Transfers in	-	1,280,228	3,653	1,100,000	2,554,501	4,938,382
Transfers out	(4,913,204)	(25,178)	-	-	-	(4,938,382)
<b>Total other financing     sources (uses)</b>	<b>(2,813,204)</b>	<b>1,255,050</b>	<b>3,653</b>	<b>1,100,000</b>	<b>(7,389,296)</b>	<b>(7,843,797)</b>
<b>Net change in fund balances</b>	<b>1,787,039</b>	<b>907,813</b>	<b>(112,664)</b>	<b>149,767</b>	<b>(14,500,858)</b>	<b>(11,768,903)</b>
<b>Fund balance - beginning of year</b>	<b>6,930,748</b>	<b>(135,621)</b>	<b>2,187,919</b>	<b>1,325,883</b>	<b>21,821,980</b>	<b>32,130,909</b>
<b>Fund balance - end of year</b>	<b>\$ 8,717,787</b>	<b>\$ 772,192</b>	<b>\$ 2,075,255</b>	<b>\$ 1,475,650</b>	<b>\$ 7,321,122</b>	<b>\$ 20,362,006</b>

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

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

---

**Year Ended June 30, 2012**

---

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

**Net change in fund balances - total governmental funds** **\$ (11,768,903)**

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

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

General government capital outlay expenditures	\$ 18,026,938	
Depreciation of general government assets, net of amount reported in internal service funds	<u>(2,673,182)</u>	15,353,756

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. (143,938)

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

Add debt repayment		670,048
Adjustment of accrued interest on long-term debt		21,160

Some expenses, such as compensated absences and net pension obligation,  
reported in the statement of activities, do not require the use of current  
financial resources and, therefore, are not reported as expenditures in  
governmental funds.

Change in compensated absences and net pension obligation, net of amount reported in internal service funds	(164,218)	
Change in net OPEB asset	<u>5,952,135</u>	5,787,917

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

(3,084,281)

**Change in net assets of governmental activities** **\$ 6,835,759**

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

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

**Exhibit V**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**June 30, 2012**

<b>ASSETS</b>		<b>Governmental Activities - Internal Service Funds</b>
<b>Current assets</b>		
Cash and temporary investments	\$	3,315,830
Due from other funds		20,262
Due from other agencies		19,681
Inventories		8,764
<b>Total current assets</b>		<b>3,364,537</b>
<b>Noncurrent assets</b>		
Capital assets		
Machinery and equipment		977,583
Less - accumulated depreciation		(946,972)
<b>Total noncurrent assets</b>		<b>30,611</b>
<b>Total assets</b>	<b>\$</b>	<b>3,395,148</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Claims payable - current portion	\$	706,467
Accounts payable and accrued expenses		24,330
<b>Total current liabilities</b>		<b>730,797</b>
<b>Noncurrent liabilities</b>		
Claims payable - net of current portion		1,657,935
Compensated absences		54,199
<b>Total noncurrent liabilities</b>		<b>1,712,134</b>
<b>Total liabilities</b>		<b>2,442,931</b>
<b>Net assets</b>		
Invested in capital assets		30,611
Unrestricted		921,606
<b>Total net assets</b>		<b>952,217</b>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>3,395,148</b>

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

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

**Exhibit VI**

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

**Year Ended June 30, 2012**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues</b>	
Charges for services	\$ 565,284
<b>Total operating revenues</b>	<u>565,284</u>
<b>Operating expenses</b>	
Personnel services	342,658
Insurance claims and expenses	936,725
Contractual	131,459
Other supplies and expenses	131,448
Depreciation and amortization	7,275
<b>Total operating expenses</b>	<u>1,549,565</u>
<b>Operating loss</b>	<u>(984,281)</u>
<b>Nonoperating expenses</b>	
To local government	2,100,000
<b>Total nonoperating expenses</b>	<u>2,100,000</u>
<b>Change in net assets</b>	(3,084,281)
<b>Total net assets - beginning of year</b>	<u>4,036,498</u>
<b>Total net assets - end of year</b>	<u>\$ 952,217</u>

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



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

**Exhibit VII**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**Year Ended June 30, 2012**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 557,049
Payments to suppliers for goods and services	(1,217,369)
Payments to employees	(349,081)
<b>Net cash used by operating activities</b>	<b>(1,009,401)</b>
<b>Cash flows from non-capital financing activities</b>	
Payment to local government	(2,100,000)
<b>Net change in cash and temporary investments</b>	<b>(3,109,401)</b>
<b>Cash and temporary investments - beginning of year</b>	<b>6,425,231</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ 3,315,830</b>
<b>Reconciliation of operating income to net cash used by operating activities</b>	
Operating loss	\$ (984,281)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation and amortization	7,275
Change in assets and liabilities	
Due from other governments	(9,444)
Due from other funds	1,209
Inventories	3,774
Vouchers and accounts payable	(22,397)
Claims payable	(6,596)
Change in compensated absences	1,059
Total adjustments	(25,120)
<b>Net cash used by operating activities</b>	<b>\$ (1,009,401)</b>
<b>Supplemental information on significant non-cash transactions</b>	
There were no significant non-cash transactions.	

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

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

**Exhibit VIII**

**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**

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**June 30, 2012**

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ASSETS	School OPEB	
	Trust Fund	Agency Fund
Cash and temporary investments	<u>\$ 10,241,150</u>	<u>\$ 1,576,603</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Due to students	\$ -	\$ 1,576,603
Net assets		
Held in trust for other post-employment benefits	<u>10,241,150</u>	<u>-</u>
Total liabilities and net asset:	<u>\$ 10,241,150</u>	<u>\$ 1,576,603</u>

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

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

**Exhibit IX**

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

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**For the Year Ended June 30, 2012**

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	<b>School OPEB Trust Fund</b>
Additions	
Contributions	\$ 7,002,500
Investment earnings	48,536
Gains on investments	49,519
Total additions	<u>7,100,555</u>
Deductions	
Benefits - health insurance	<u>170,634</u>
Total deductions	<u>170,634</u>
Change in net assets	6,929,921
Net assets - beginning of year	<u>3,311,229</u>
Net assets - end of year	<u>\$ 10,241,150</u>

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***The Financial Reporting Entity***

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

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

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

***Basis of Presentation***

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

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

The statement of net assets presents the financial condition of the governmental type activities of the School Board at year-end. The School Board does not have any business-type activities. The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with the function or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as grants not specific to a program, not properly included among program revenues, are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

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

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

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

**School Food Services Fund** - The School Food Services Fund is a special revenue fund which accounts for the operations of the cafeterias operating in each school.

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

**School Construction Fund** - The School Construction Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the School Board reports the following fund types:

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

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

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

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

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

The statement of net assets, statement of activities and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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

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

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

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

### ***Inventory***

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

### ***Capital Assets***

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

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

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

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

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



Under Virginia law, certain property maintained by the School Board is subject to tenancy in common with the City, if the City has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of \$75,937,076 will be carried on the City's financial statements until the outstanding debt is repaid.

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

### ***Compensated Absences***

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

### ***Fund Balances/Net Assets***

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

- The *non-spendable fund balance* category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- The *restricted fund balance* is reported as restricted when constraints are placed on the use of resources either externally by creditors, grantors, contributors, laws and regulations or through enabling legislation.
- The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School Board – the highest level of authority.
- The *assigned fund balance* classification is intended to be used by the School Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by School Board or the delegate – an authority delegated by appropriate action such as a resolution.
- The *unassigned fund balance* is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

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

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

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

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

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

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

## **2. DEPOSITS AND INVESTMENTS**

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

### ***Deposits***

At year-end, the carrying value of the School Board's deposits with banks and savings institutions was \$34,722,757 and the bank balance was \$37,389,314. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and as a result are considered insured.

## Summary of Deposits and Investments

Cash and cash equivalents	\$ 32,640,156
Cash with fiscal agent	505,998
Fiduciary fund cash and investments	11,817,753
	<u>\$ 44,963,907</u>

### ***Investments***

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

### ***Investment policy***

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

The School Board has \$505,998 in the School Construction Fund that is held with a fiscal agent. This amount is restricted for capital projects.

The School Board has \$10,241,150 in investments for the School OPEB Trust Fund. These investments include:

		<b>Rating</b>
Cash and money market funds	\$ 1,811,643	Unavailable
Bond mutual funds	623,747	Unavailable
Equity mutual funds	7,805,760	Unavailable
	<u>\$ 10,241,150</u>	

### 3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2012, follows:

	<b>Balance July 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2012</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 6,125,204	\$ -	\$ -	\$ 6,125,204
Construction in progress	16,405,610	17,128,635	5,031,321	28,502,924
<b>Total capital assets - not being depreciated</b>	<u>22,530,814</u>	<u>17,128,635</u>	<u>5,031,321</u>	<u>34,628,128</u>
Capital assets being depreciated/amortized				
Buildings and improvements	73,775,844	5,031,321	-	78,807,165
Equipment	23,155,840	919,504	30,298	24,045,046
Intangible assets	422,270	-	-	422,270
<b>Total capital assets - being depreciated/amortized</b>	<u>97,353,954</u>	<u>5,950,825</u>	<u>30,298</u>	<u>103,274,481</u>
Less accumulated depreciation/amortization				
Buildings	29,653,260	1,391,454	-	31,044,714
Equipment	13,958,448	1,204,549	9,097	15,153,900
Intangible assets	135,781	84,454	-	220,235
<b>Total accumulated depreciation/amortization</b>	<u>43,747,489</u>	<u>2,680,457</u>	<u>9,097</u>	<u>46,418,849</u>
<b>Other capital assets - being depreciated/amortized - net</b>	<u>53,606,465</u>	<u>3,270,368</u>	<u>21,201</u>	<u>56,855,632</u>
<b>Governmental activities capital assets - net</b>	<u>\$ 76,137,279</u>	<u>\$ 20,399,003</u>	<u>\$ 5,052,522</u>	<u>\$ 91,483,760</u>

Depreciation and amortization expense was charged to functions as follows:

**Governmental activities:**

Instruction	\$ 2,109,989
Administration, attendance and health services	36,760
Pupil transportation	346,690
Operations and maintenance	81,517
Information technology	14,890
Food services	<u>90,611</u>
Total governmental activities depreciation expense	<u><u>\$ 2,680,457</u></u>

Contracts the School Board is committed to at June 30, 2012 are approximately \$6,800,000.

#### 4. LONG-TERM LIABILITIES

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

	<b>Net Pension Obligation</b>	<b>Capital Leases</b>	<b>Accrued Vacation Pay</b>	<b>Accrued Sick Leave</b>	<b>Claims Payable</b>	<b>Total</b>
Amounts payable at beginning of year	\$ 113,686	\$ 5,883,864	\$ 3,167,875	\$ 1,847,607	\$ 2,370,998	\$ 13,384,030
Increase in liabilities	7,958	-	1,470,537	463,272	756,976	2,698,743
Decrease in liabilities	<u>(7,971)</u>	<u>(670,048)</u>	<u>(1,279,150)</u>	<u>(489,369)</u>	<u>(763,572)</u>	<u>(3,210,110)</u>
Amounts payable at end of year	<u>\$ 113,673</u>	<u>\$ 5,213,816</u>	<u>\$ 3,359,262</u>	<u>\$ 1,821,510</u>	<u>\$ 2,364,402</u>	<u>\$ 12,872,663</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ 723,518</u>	<u>\$ 1,279,200</u>	<u>\$ 489,400</u>	<u>\$ 706,467</u>	<u>\$ 3,198,585</u>

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets. Compensated absences are generally liquidated by general, grants, food services and print shop funds. Claims are generally liquidated by the general fund.

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

## **Leases**

A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012, is as follows:

<u>Fiscal year</u>	
2013	\$ 929,029
2014	956,900
2015	985,607
2016	1,015,175
2017	1,045,630
2018	1,040,463
Total minimum payments	5,972,804
Less - amount representing interest	(758,988)
Present value of principal	<u>\$ 5,213,816</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 8,764,869
Less accumulated depreciation	(701,190)
	<u>\$ 8,063,679</u>

## **5. DEFINED BENEFIT PENSION PLANS**

### **Virginia Retirement System (VRS)**

#### ***Plan Description***

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service or at age fifty with thirty years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive thirty-six months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. The School Board's employees are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. The School Board's employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equal 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

### ***Funding Policy***

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for non-professional employees for the fiscal years ended 2012, 2011, 2010, 2009, and 2008, was 14%, 14%, 14%, and 15%, respectively, of annual covered payroll.

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

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2012	\$ 8,492,549	\$ 8,492,549	100%
2011	\$ 6,917,352	\$ 6,917,352	100%
2010	\$ 8,999,661	\$ 8,999,661	100%

### **Annual Pension Cost**

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

Annual required contribution	\$ 938,609
Interest on net pension obligation	7,958
Adjustment to annual required contribution	<u>(7,971)</u>
Annual pension cost	938,596
Contributions made	<u>938,609</u>
Increase in net pension obligation	(13)
Net pension obligation - beginning of year	<u>113,686</u>
Net pension obligation - end of year	<u>\$ 113,673</u>

The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases of 3.75% to 5.6% per year and (c) 2.5% per year cost-of-living adjustments for Plan 1 Members and 2.25% per year cost-of-living adjustments for Plan 2 Members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a period of nineteen years.

<b>Trend Information for the School Board</b>			
<b>Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2012	\$ 938,596	100%	\$ 113,673
2011	\$ 1,000,556	100%	\$ 113,686
2010	\$ 1,098,411	100%	\$ 113,440



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

As of June 30, 2011, the most recent actuarial valuation date, the schedule of funding progress for the pension plan is presented below. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 25,829,515	\$ 35,671,426	\$ (9,841,911)	72.41%	\$ 6,989,874	140.80%
June 30, 2010	\$ 26,098,503	\$ 34,765,427	\$ (8,666,924)	75.07%	\$ 8,053,701	107.61%
June 30, 2009	\$ 26,438,978	\$ 32,184,146	\$ (5,745,168)	82.15%	\$ 8,645,713	66.45%

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

### ***Risk Management***

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$250,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability is fully insured. This insurance coverage is substantially the same as in prior fiscal years. There were no settlements within the past three years which exceeded coverage.

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

A loss analysis was conducted by Mercer Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2012, was determined to be \$2,364,402 (undiscounted) and recorded in the internal service fund and the government-wide statements, accordingly.

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

	<b>2012</b>	<b>2011</b>
Claims payable - beginning of year	\$ 2,370,998	\$ 2,510,742
Claims and changes in estimates	756,976	663,102
Claims payments	(763,572)	(802,846)
Claims payable - end of year	<u>\$ 2,364,402</u>	<u>\$ 2,370,998</u>

### ***Litigation***

The School Board is involved in lawsuits arising in the ordinary course of operations. It is the opinion of the School Board's management, based on the advice of the School Board's attorney, that any losses incurred as a result of claims existing as of June 30, 2012 will not be material to the financial statements.

### ***Grants***

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

### ***Encumbrances***

The School Board has outstanding purchase orders representing goods or services not received as of June 30, 2012. These amounts are encumbrances of fiscal year 2011-2012 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

	<b>Amounts</b>
General Fund	\$ 8,582,211
School Grants Fund	601,065
School Food Services Fund	332,569
School Textbook Fund	52,137
School Construction Fund	5,836,398
	<hr/>
	\$ 15,404,380

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

Interfund receivable and payable balances at June 30, 2012, which are considered short-term in nature, are as follows:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 2,596,028	\$ 594,167
School Grants Fund	-	2,596,028
School Textbook Fund	3,653	-
School Construction Fund	590,514	-
	<hr/>	<hr/>
	\$ 3,190,195	\$ 3,190,195

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

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	<b>Transfers From Other Funds</b>	<b>Transfers To Other Funds</b>
General Fund	\$ -	\$ 4,913,204
School Grants Fund	1,280,228	25,178
School Food Services Fund	3,653	-
School Textbook Fund	1,100,000	-
School Construction Fund	2,554,501	-
	<b>\$ 4,938,382</b>	<b>\$ 4,938,382</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **8. POST-EMPLOYMENT HEALTH CARE BENEFITS**

### ***Plan Description***

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the school's personnel policies and procedures. Plan membership as of June 30, 2012 consisted of 2,075 active service participants and 70 retirees and beneficiaries currently receiving benefits. A Trust was established for the purpose of accumulating and investing assets to fund other post-employment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocable and must be used solely to discharge the School Board's obligations for other post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

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

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

### ***Funding Policy***

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For the year ending June 30, 2012, the School Board contributed \$7,002,500 to the plan to pay current benefits and to prefund benefits.

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

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

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

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

Annual required contribution	\$ 1,060,000
Interest on net OPEB obligation	(41,122)
Adjustment to annual required contribution	<u>31,487</u>
Annual OPEB cost (expense)	1,050,365
Contributions made	<u>(7,002,500)</u>
Increase in net OPEB asset	(5,952,135)
Net OPEB asset - beginning of year	<u>(587,453)</u>
Net OPEB asset - end of year	<u>\$ (6,539,588)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2012 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
June 30, 2012	\$ 1,050,365	\$ 7,002,500	667%	\$ (6,539,588)
June 30, 2011	\$ 1,005,217	\$ 1,000,000	99%	\$ (587,453)
June 30, 2010	\$ 1,025,000	\$ 1,000,000	98%	\$ (592,670)

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

Based on the most recent actuarial valuation report for the fiscal year ended June 30, 2012, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 12,204,795
Actuarial value of plan assets	<u>10,241,149</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,963,646</u>
Funded ratio (actuarial value of plan assets/AAL)	84%
Covered payroll (active plan participants)	\$ 89,605,502
UAAL as a percentage of covered payroll	2%

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2012. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2012 actuarial valuation, the entry age actuarial cost method and level percentage amortization method was used. The actuarial assumptions included a 7% investment rate of return (discount rate) and amortization of the Schools' unfunded actuarial accrued liabilities (UAAL) over a period of twenty years as a level percent of payroll, which closely matches with the cash flow duration. Healthcare cost trend rates ranged from 10% initially to an ultimate rate of 5% for the 2013 fiscal year. Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few spread over during the year. Payments are made out of the Wells Fargo Advantage Treasury Plus Money Market Fund.

## 9. FUND BALANCES

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

	<b>General</b>	<b>School Grants</b>	<b>School Food Services</b>	<b>School Textbook</b>	<b>School Construction</b>	<b>Total</b>
<b>Nonspendable</b>						
Inventory	\$ 135,575	\$ -	\$ 38,325	\$ 61,027	\$ -	\$ 234,927
	<u>135,575</u>	<u>-</u>	<u>38,325</u>	<u>61,027</u>	<u>-</u>	<u>234,927</u>
<b>Restricted</b>						
Federal	-	76,599	-	-	-	76,599
State	-	168,097	-	-	-	168,097
Other	-	282,890	-	-	-	282,890
Elementary schools	-	-	1,184,979	218,589	-	1,403,568
Middle schools	-	-	301,479	55,620	505,998	863,097
High schools	-	-	550,472	101,556	-	652,028
	<u>-</u>	<u>527,586</u>	<u>2,036,930</u>	<u>375,765</u>	<u>505,998</u>	<u>3,446,279</u>
<b>Committed</b>						
Elementary schools	-	-	-	604,323	2,880,534	3,484,857
Middle schools	-	-	-	153,769	2,170,100	2,323,869
High schools	-	-	-	280,766	1,727,783	2,008,549
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038,858</u>	<u>6,778,417</u>	<u>7,817,275</u>
<b>Assigned</b>						
Administration	268,262	-	-	-	-	268,262
Instruction	6,444,210	244,606	-	-	-	6,688,816
Attendance/health	159,335	-	-	-	-	159,335
Pupil transportation	426,057	-	-	-	-	426,057
Operations	946,414	-	-	-	-	946,414
Information technology	259,957	-	-	-	-	259,957
Capital outlay	77,977	-	-	-	36,707	114,684
	<u>8,582,212</u>	<u>244,606</u>	<u>-</u>	<u>-</u>	<u>36,707</u>	<u>8,863,525</u>
<b>Unassigned</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	\$ 8,717,787	\$ 772,192	\$ 2,075,255	\$ 1,475,650	\$ 7,321,122	\$ 20,362,006

## 10. APPROPRIATIONS AND EXPENDITURES

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets for the School Board were adopted on a fund basis for the General Fund and certain special revenue funds.

An excess of expenditures and transfers over appropriations in individual funds were as follows for the year ended June 30, 2012.

	<b>Final Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund	\$ 139,414,241	\$ 140,424,826	\$ 1,010,585

These over-expenditures were funded by additional revenues received from federal and state governments as a result of increased average daily membership.

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



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

**Exhibit XI**

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

**Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental				
From City of Portsmouth	\$ 49,571,413	\$ 49,571,413	\$ 49,571,413	\$ -
From Commonwealth of Virginia	81,930,314	82,355,620	82,718,624	363,004
From federal government	3,762,208	3,762,208	4,684,233	922,025
Interest	273,104	273,104	17,931	(255,173)
Miscellaneous	1,351,896	1,351,896	1,332,625	(19,271)
<b>Total revenues</b>	<b>136,888,935</b>	<b>137,314,241</b>	<b>138,324,826</b>	<b>1,010,585</b>
<b>Expenditures</b>				
Education				
Administration	4,189,740	4,320,498	4,151,760	168,738
Instruction	102,265,860	102,328,677	101,520,842	807,835
Attendance and health services	2,577,231	2,589,934	2,465,948	123,986
Pupil transportation	7,328,554	6,547,573	6,593,876	(46,303)
Operations and maintenance	15,156,314	14,433,505	15,549,152	(1,115,647)
Information technology	3,696,963	4,416,072	4,023,227	392,845
Total education	135,214,662	134,636,259	134,304,805	331,454
Capital outlay	661,052	661,052	1,206,817	(545,765)
<b>Total expenditures</b>	<b>135,875,714</b>	<b>135,297,311</b>	<b>135,511,622</b>	<b>(214,311)</b>
<b>Excess (deficiency) of     revenues over expenditures</b>	<b>1,013,221</b>	<b>2,016,930</b>	<b>2,813,204</b>	<b>796,274</b>
<b>Other financing sources (uses)</b>				
From internal service fund	2,100,000	2,100,000	2,100,000	-
Transfers out	(3,113,221)	(4,116,930)	(4,913,204)	(796,274)
<b>Total other financing sources (uses)</b>	<b>(1,013,221)</b>	<b>(2,016,930)</b>	<b>(2,813,204)</b>	<b>(796,274)</b>
<b>Excess (deficiency) of revenues over     expenditures and other financing     sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance - beginning of year			6,930,748	
Increase in reserve for encumbrances			2,211,388	
Decrease in reserve for inventory			(424,349)	
Fund balance - end of year			<b>\$ 8,717,787</b>	

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

**Exhibit XII**

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

**Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental				
From Commonwealth of Virginia	\$ 4,024,191	\$ 4,024,191	\$ 3,610,381	\$ (413,810)
From federal government	17,609,112	17,609,112	17,810,615	201,503
Miscellaneous	253,983	253,983	179,084	(74,899)
<b>Total revenues</b>	<b>21,887,286</b>	<b>21,887,286</b>	<b>21,600,080</b>	<b>(287,206)</b>
<b>Expenditures</b>				
Education				
Administration	667,304	667,304	1,058,526	(391,222)
Instruction	19,120,950	19,120,950	18,245,759	875,191
Operations and maintenance	714,914	714,914	260,091	454,823
<b>Total education</b>	<b>20,503,168</b>	<b>20,503,168</b>	<b>19,564,376</b>	<b>938,792</b>
Capital outlay	2,497,876	2,497,876	2,382,941	114,935
<b>Total expenditures</b>	<b>23,001,044</b>	<b>23,001,044</b>	<b>21,947,317</b>	<b>1,053,727</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,113,758)</b>	<b>(1,113,758)</b>	<b>(347,237)</b>	<b>766,521</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,113,758	1,113,758	1,280,228	166,470
Transfers out	-	-	(25,178)	(25,178)
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>907,813</b>	<b>\$ 907,813</b>
Fund balance - beginning of year			(135,621)	
Fund balance - end of year			<b>\$ 772,192</b>	

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

**Exhibit XIII**

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

**Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental				
From Commonwealth of Virginia	\$ 100,000	\$ 100,000	\$ 132,078	\$ 32,078
From federal government	5,138,041	5,252,081	5,444,996	192,915
Donated commodities from the federal government	293,278	293,278	355,290	62,012
Charges for services	1,286,001	1,286,001	1,137,316	(148,685)
Interest	20,000	20,000	421	(19,579)
Miscellaneous	319,483	319,483	477,428	157,945
<b>Total revenues</b>	<b>7,156,803</b>	<b>7,270,843</b>	<b>7,547,529</b>	<b>276,686</b>
<b>Expenditures</b>				
Food services	6,691,251	6,826,842	7,299,275	(472,433)
Capital outlay	465,552	444,001	361,188	82,813
<b>Total expenditures</b>	<b>7,156,803</b>	<b>7,270,843</b>	<b>7,660,463</b>	<b>(389,620)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(112,934)</b>	<b>(112,934)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	3,653	3,653
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(109,281)</b>	<b>\$ (109,281)</b>
Fund balance - beginning of year			2,187,919	
Decrease in reserve for inventory			(3,383)	
Fund balance - end of year			<b>\$ 2,075,255</b>	

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

**Exhibit XIV**

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

**Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental				
From Commonwealth of Virginia	\$ 567,840	\$ 567,840	\$ 433,841	\$ (133,999)
Interest	-	-	47	47
Miscellaneous	-	-	9,352	9,352
<b>Total revenues</b>	<u>567,840</u>	<u>567,840</u>	<u>443,240</u>	<u>(124,600)</u>
<b>Expenditures</b>				
Instruction	<u>567,840</u>	<u>1,667,840</u>	<u>1,309,933</u>	<u>357,907</u>
<b>Total expenditures</b>	<u>567,840</u>	<u>1,667,840</u>	<u>1,309,933</u>	<u>357,907</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(1,100,000)</u>	<u>(866,693)</u>	<u>233,307</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>-</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>233,307</u>	<u>\$ 233,307</u>
Fund balance - beginning of year			1,325,883	
Decrease in reserve for inventory			<u>(83,540)</u>	
Fund balance - end of year			<u>\$ 1,475,650</u>	

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

**Exhibit XV**

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

**Year Ended June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 25,829,515	\$ 35,671,426	\$ (9,841,911)	72.41%	\$ 6,989,874	140.80%
June 30, 2010	26,098,503	34,765,427	(8,666,924)	75.07%	8,053,701	107.61%
June 30, 2009	26,438,978	32,184,146	(5,745,168)	82.15%	8,645,713	66.45%

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

**Year Ended June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$ 10,241,149	\$ 12,204,795	\$ (1,963,646)	83.91%	\$ 89,605,502	2.19%
June 30, 2010	2,415,950	11,623,323	(9,207,373)	20.79%	95,870,390	9.60%
June 30, 2008	650,000	10,802,915	(10,152,915)	6.02%	95,870,390	10.59%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**Year Ended June 30, 2012**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**2. BUDGETARY NON-COMPLIANCE**

The General Fund had expenditures and transfers in excess of appropriations of \$1,435,891. These over-expenditures were funded by additional revenues received from federal and state governments as a result of increased average daily membership.

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## ***SUPPLEMENTARY INFORMATION***



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

**Schedule 1**

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

**June 30, 2012**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and temporary investments	\$ 795,642	\$ 2,520,188	\$ 3,315,830
Due from other funds	20,262	-	20,262
Due from other agencies	19,681	-	19,681
Inventories	8,764	-	8,764
<b>Total current assets</b>	<b>844,349</b>	<b>2,520,188</b>	<b>3,364,537</b>
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Machinery and equipment	977,583	-	977,583
Less - accumulated depreciation	(946,972)	-	(946,972)
<b>Total capital assets</b>	<b>30,611</b>	<b>-</b>	<b>30,611</b>
<b>Total assets</b>	<b>\$ 874,960</b>	<b>\$ 2,520,188</b>	<b>\$ 3,395,148</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Claims payable - current portion	\$ -	\$ 706,467	\$ 706,467
Salaries payable	3,081	-	3,081
Accounts payable	21,249	-	21,249
<b>Total current liabilities</b>	<b>24,330</b>	<b>706,467</b>	<b>730,797</b>
<b>Noncurrent liabilities</b>			
Claims payable - less current portion	-	1,657,935	1,657,935
Compensated absences	54,199	-	54,199
<b>Total long-term liabilities</b>	<b>54,199</b>	<b>1,657,935</b>	<b>1,712,134</b>
<b>Total liabilities</b>	<b>78,529</b>	<b>2,364,402</b>	<b>2,442,931</b>
<b>NET ASSETS</b>			
Invested in capital assets	30,611	-	30,611
Unrestricted	765,820	155,786	921,606
<b>Total net assets</b>	<b>796,431</b>	<b>155,786</b>	<b>952,217</b>
<b>Total liabilities and net assets</b>	<b>\$ 874,960</b>	<b>\$ 2,520,188</b>	<b>\$ 3,395,148</b>

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

**Schedule 2**

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

**Year Ended June 30, 2012**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 565,284	\$ -	\$ 565,284
<b>Total operating revenues</b>	<u>565,284</u>	<u>-</u>	<u>565,284</u>
<b>Operating expenses</b>			
Personnel services	342,658	-	342,658
Insurance claims and expenses	-	936,725	936,725
Contractual services	131,459	-	131,459
Other supplies and expenses	131,448	-	131,448
Depreciation and amortization	7,275	-	7,275
<b>Total operating expenses</b>	<u>612,840</u>	<u>936,725</u>	<u>1,549,565</u>
<b>Operating loss</b>	<u>(47,556)</u>	<u>(936,725)</u>	<u>(984,281)</u>
<b>Nonoperating expenses</b>			
To local government	-	2,100,000	2,100,000
<b>Total nonoperating expenses</b>	<u>-</u>	<u>2,100,000</u>	<u>2,100,000</u>
<b>Change in net assets</b>	<u>(47,556)</u>	<u>(3,036,725)</u>	<u>(3,084,281)</u>
<b>Net assets - beginning of year</b>	<u>843,987</u>	<u>3,192,511</u>	<u>4,036,498</u>
<b>Net assets - end of year</b>	<u>\$ 796,431</u>	<u>\$ 155,786</u>	<u>\$ 952,217</u>

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

**Schedule 3**

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

**Year Ended June 30, 2012**

	<b>Print Shop</b>	<b>Risk Management</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Received from customers and users	\$ 557,049	\$ -	\$ 557,049
Payments to suppliers for goods and services	(274,048)	(943,321)	(1,217,369)
Payments to employees	(349,081)	-	(349,081)
<b>Net cash used by operating activities</b>	<b>(66,080)</b>	<b>(943,321)</b>	<b>(1,009,401)</b>
<b>Cash flows from non-capital financing activities</b>			
Payment to local government	-	(2,100,000)	(2,100,000)
<b>Net change in cash and temporary investments</b>	<b>(66,080)</b>	<b>(3,043,321)</b>	<b>(3,109,401)</b>
<b>Cash and temporary investments - beginning of year</b>	<b>861,722</b>	<b>5,563,509</b>	<b>6,425,231</b>
<b>Cash and temporary investments - end of year</b>	<b>\$ 795,642</b>	<b>\$ 2,520,188</b>	<b>\$ 3,315,830</b>
<b>Reconciliation of operating income to net cash used by operating activities</b>			
Operating loss	\$ (47,556)	\$ (936,725)	\$ (984,281)
Adjustments to reconcile net operating loss to net cash used by operating activities			
Depreciation and amortization	7,275	-	7,275
Change in assets and liabilities			
Due from other governments	(9,444)	-	(9,444)
Due from other funds	1,209	-	1,209
Inventories	3,774	-	3,774
Vouchers and accounts payable	(22,397)	-	(22,397)
Claims payable	-	(6,596)	(6,596)
Change in compensated absences	1,059	-	1,059
Total adjustments	(18,524)	(6,596)	(25,120)
<b>Net cash used by operating activities</b>	<b>\$ (66,080)</b>	<b>\$ (943,321)</b>	<b>\$ (1,009,401)</b>

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

There were no significant non-cash transactions

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

**Schedule 4**

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

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**Year Ended June 30, 2012**

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	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>
<b>ASSETS</b>				
Cash and temporary investments	<u>\$ 799,960</u>	<u>\$ 2,470,157</u>	<u>\$ 1,693,514</u>	<u>\$ 1,576,603</u>
<b>LIABILITIES</b>				
Due to students	<u>\$ 799,960</u>	<u>\$ 2,470,157</u>	<u>\$ 1,693,514</u>	<u>\$ 1,576,603</u>

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## **STATISTICAL SECTION**

(Unaudited)

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

### ***Financial Trends***

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

### ***Revenue Capacity***

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

### ***Debt Capacity***

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

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

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

### ***Operating Information***

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

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

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

**Table 1**

**NET ASSETS BY COMPONENT (unaudited)**

**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets -										
net of related debt	\$ 86,269,945	\$ 70,253,415	\$ 62,781,638	\$ 52,248,227	\$ 49,912,031	\$ 44,931,980	\$ 36,504,731	\$ 38,854,790	\$ 37,412,004	\$ 34,173,737
Restricted:										
Grant compliance	577,712	-	-	-	-	347,430	1,654,671	1,357,929	1,545,299	-
Capital Projects	505,998	509,246	532,666	829,897	4,203,589	4,384,612	-	-	-	-
School food services	2,036,930	-	-	-	-	-	-	-	-	-
Textbook	375,765	-	-	-	-	-	-	-	-	-
Unrestricted	18,945,239	31,113,169	30,063,956	24,772,621	16,157,850	9,034,546	9,057,344	4,757,151	4,910,804	8,854,713
Total governmental activities net assets	\$ 108,711,589	\$ 101,875,830	\$ 93,378,260	\$ 77,850,745	\$ 70,273,470	\$ 58,698,568	\$ 47,216,746	\$ 44,969,870	\$ 43,868,107	\$ 43,028,450

Note: PPS converted financial records to GASB54 format in 2011. PPS opted not to convert data prior to 2011 to GASB54 format.

Source: Comprehensive Annual Financial Report for the relevant year

CHANGES IN NET ASSETS (unaudited)

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
Governmental activities										
Administration	\$ 4,681,250	\$ 4,890,909	\$ 5,593,602	\$ 5,655,194	\$ 5,281,050	\$ 3,808,174	\$ 3,386,754	\$ 3,086,711	\$ 3,416,935	\$ 2,656,805
Instruction	110,997,918	116,243,716	116,857,035	126,005,907	118,518,877	115,070,507	103,745,706	99,863,747	94,328,782	89,488,370
Attendance and health services	2,801,105	3,280,521	3,266,564	3,603,084	3,212,266	3,213,924	3,277,834	2,836,441	3,023,549	3,024,078
Pupil transportation	6,994,723	6,396,152	6,577,674	7,273,274	7,359,321	6,605,055	6,332,823	5,429,111	5,332,389	4,586,066
Operations and maintenance	14,288,609	15,072,405	15,820,741	18,619,097	15,492,941	14,914,931	16,498,396	15,652,607	15,047,717	15,782,128
Information technology	3,917,235	3,179,565	3,493,477	5,703,015	5,998,593	4,756,984	4,949,187	3,740,252	970,603	-
Food service	7,173,854	7,011,115	6,453,576	7,258,248	6,940,737	6,704,880	6,657,855	6,561,790	6,328,371	6,534,184
Interest on long-term debt	210,763	233,957	254,075	258,233	296,789	297,069	371,917	11,383	17,314	33,600
To local government	9,943,797	-	-	-	-	-	-	-	-	-
Total primary government	\$ 161,009,254	\$ 156,308,340	\$ 158,316,744	\$ 174,376,052	\$ 163,100,574	\$ 155,371,524	\$ 145,220,472	\$ 137,182,042	\$ 128,465,660	\$ 122,105,231
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Food Services	\$ 1,793,828	\$ 1,748,890	\$ 2,273,341	\$ 2,338,403	\$ 1,731,977	\$ 1,878,133	\$ 2,084,713	\$ 1,843,734	\$ 1,788,902	\$ 1,814,162
Pupil Transportation	101,135	235,094	214,243	499,889	496,259	491,238	196,116	322,544	399,928	120,492
Other	170,489	276,896	328,609	451,267	399,121	408,874	496,585	248,717	606,902	971,996
Operating grants and contributions										
Instruction	21,395,573	42,216,751	49,136,211	46,544,936	51,935,625	46,477,689	40,985,761	38,732,541	32,672,298	35,153,109
Food Services	5,444,996	5,178,450	4,951,631	4,951,412	4,891,034	4,874,151	4,782,084	4,686,574	4,410,062	4,642,097
Other	-	-	-	-	-	-	-	-	577	96,377
Capital grants and contributions	-	-	-	1,455,056	1,879,933	1,688,185	1,912,088	2,345,261	4,627,153	4,354,378
Total governmental activities program revenue	\$ 28,906,021	\$ 49,656,081	\$ 56,904,035	\$ 56,240,963	\$ 61,333,949	\$ 55,818,270	\$ 50,457,347	\$ 48,179,371	\$ 44,505,822	\$ 47,152,611
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (132,103,233)	\$ (106,652,259)	\$ (101,412,709)	\$ (118,135,089)	\$ (101,766,625)	\$ (99,553,254)	\$ (94,763,125)	\$ (89,002,671)	\$ (83,959,838)	\$ (74,952,620)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities										
Unrestricted grants and contributions	\$ 137,776,964	\$ 113,833,393	\$ 115,161,547	\$ 123,606,569	\$ 111,806,654	\$ 110,786,754	\$ 96,768,950	\$ 89,873,769	\$ 82,412,727	\$ 78,615,389
Investment earnings	25,317	55,597	270,797	498,527	945,002	793,744	630,641	199,291	90,611	112,636
Miscellaneous	1,136,711	1,260,839	1,507,880	1,607,268	589,871	209,103	27,774	31,374	14,637	29,745
Special Item	-	-	-	-	-	-	(784,133)	-	(116,789)	-
Total governmental activities	\$ 138,938,992	\$ 115,149,829	\$ 116,940,224	\$ 125,712,364	\$ 113,341,527	\$ 111,789,601	\$ 96,643,232	\$ 90,104,434	\$ 82,401,186	\$ 78,757,770
<b>Change in Net Assets</b>										
Governmental activities	\$ 6,835,759	\$ 8,497,570	\$ 15,527,515	\$ 7,577,275	\$ 11,574,902	\$ 12,236,347	\$ 1,880,107	\$ 1,101,763	\$ (1,558,652)	\$ 3,805,150

Source: Comprehensive Annual Financial Report for the relevant year



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

**Table 3**

**FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)**

**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ 7,254,071	\$ 4,445,477	\$ 5,831,280	\$ 4,500,831	\$ 4,725,734	\$ 5,927,212	\$ 6,235,088	\$ 8,639,022
Nonspendable	135,575	559,925	-	-	-	-	-	-	-	-
Assigned	8,582,212	6,370,823	-	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 8,717,787</b>	<b>\$ 6,930,748</b>	<b>\$ 7,254,071</b>	<b>\$ 4,445,477</b>	<b>\$ 5,831,280</b>	<b>\$ 4,500,831</b>	<b>\$ 4,725,734</b>	<b>\$ 5,927,212</b>	<b>\$ 6,235,088</b>	<b>\$ 8,639,022</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,430	\$ 1,654,671	\$ 1,357,929	\$ 1,545,299	\$ -
Grants	-	-	733,982	153,171	76,521	36,728	38,237	32,001	34,965	68,388
Food Services	-	-	19,866,538	7,489,787	9,527,957	5,916,981	-	1,129,244	3,736,089	-
Capital Projects	-	-	193,393	297,614	330,263	308,882	-	-	-	-
Textbook	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in										
Grants	-	-	438,124	(2,087,325)	(3,155,944)	(993,945)	(470,375)	(159,155)	(536,786)	-
Food Services	-	-	1,559,686	1,471,298	1,933,852	2,317,143	2,319,131	2,240,739	2,252,567	2,355,468
Capital Projects	-	-	(1,618,469)	10,893,729	2,877,337	2,882,639	7,140,000	18,277	(2,266,708)	2,022,253
Textbook	-	-	1,448,082	1,833,731	665,597	104,804	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Food Services	38,325	41,708	-	-	-	-	-	-	-	-
Textbook	61,027	144,567	-	-	-	-	-	-	-	-
Restricted										
Grants	527,586	449,844	-	-	-	-	-	-	-	-
Food Services	2,036,930	2,146,211	-	-	-	-	-	-	-	-
Textbook	375,765	1,181,316	-	-	-	-	-	-	-	-
Capital Projects	505,998	509,246	-	-	-	-	-	-	-	-
Committed										
Textbook	1,038,858	-	-	-	-	-	-	-	-	-
Capital Projects	6,778,417	11,368,937	-	-	-	-	-	-	-	-
Assigned										
Grants	244,606	-	-	-	-	-	-	-	-	-
Capital Projects	36,707	9,943,797	-	-	-	-	-	-	-	-
Unassigned										
Grants	-	(585,465)	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 11,644,219</b>	<b>\$ 25,200,161</b>	<b>\$ 22,621,336</b>	<b>\$ 20,052,005</b>	<b>\$ 12,255,583</b>	<b>\$ 10,920,862</b>	<b>\$ 10,681,664</b>	<b>\$ 4,619,035</b>	<b>\$ 4,765,426</b>	<b>\$ 4,446,109</b>

Note: PPS converted financial records to GASB54 format in 2011. PPS opted not to convert data prior to 2011 to GASB54 format.

Source: Comprehensive Annual Financial Report for the relevant year

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

**Table 4**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)**

**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Intergovernmental										
Federal grants	\$ 27,939,844	\$ 27,576,577	\$ 31,427,769	\$ 18,168,051	\$ 15,003,073	\$ 18,013,124	\$ 18,255,075	\$ 17,608,987	\$ 16,115,547	\$ 15,919,634
Federal donated commodities	355,290	419,970	420,343	386,720	-	-	-	-	-	385,996
State grants and other	86,894,924	85,322,502	91,264,467	109,377,771	102,341,706	101,872,969	89,004,492	86,360,715	78,750,543	78,346,433
City of Portsmouth	49,571,413	48,171,651	48,171,651	49,862,858	50,002,154	42,936,433	36,939,444	31,543,601	28,802,407	28,166,130
Local										
Charges for services	1,137,316	1,149,376	1,243,708	1,316,139	1,255,369	1,408,694	1,425,495	1,388,465	1,383,724	1,534,025
Interest	25,317	48,237	244,345	388,622	822,311	759,818	557,804	174,968	74,954	107,714
Miscellaneous	2,064,847	2,500,760	3,079,234	3,497,614	2,256,972	1,984,185	1,761,915	1,393,791	1,658,997	1,400,470
	167,988,951	165,189,073	175,851,517	182,997,775	171,681,585	166,975,223	147,944,225	138,470,527	126,786,172	125,860,402
<b>Expenditures</b>										
Education										
Administration	4,788,359	4,824,594	5,623,747	5,643,305	5,307,991	3,851,694	3,367,420	3,077,453	3,065,160	2,641,677
Instruction	119,373,035	110,480,833	115,612,999	116,852,905	115,371,028	116,186,858	101,365,515	95,286,713	91,141,849	86,297,662
Attendance and health services	2,887,875	3,261,389	3,300,079	3,599,974	3,232,828	3,260,561	3,270,297	2,838,577	3,014,440	3,026,725
Pupil transportation	6,853,967	5,888,145	6,255,707	6,937,753	7,110,037	5,873,848	5,899,213	5,017,220	4,826,015	4,258,871
Information technology	4,023,227	3,145,672	3,515,259	5,670,499	6,011,697	4,741,880	4,858,538	3,680,937	921,747	-
Operation and maintenance	14,647,181	14,903,276	15,903,972	18,479,476	15,506,446	14,850,521	16,374,494	15,554,177	15,002,639	11,639,729
Food services	7,302,658	6,897,865	6,459,186	7,196,433	6,833,774	6,751,691	6,579,699	6,500,155	6,278,051	6,462,611
Debt service										
Principal	670,048	619,364	571,338	525,848	482,776	388,469	-	-	-	-
Interest	231,923	256,335	278,856	297,266	296,789	366,769	-	-	-	10,643
Capital outlay	11,135,784	12,656,098	12,952,449	11,383,697	8,862,849	10,688,837	9,853,137	6,955,168	7,063,486	8,102,289
<b>Total Expenditures</b>	171,914,057	162,933,571	170,473,592	176,587,156	169,016,215	166,961,128	151,568,313	138,910,400	131,313,387	122,440,207
<b>Excess (deficiency) of revenues over expenditures</b>	(3,925,106)	2,255,502	5,377,925	6,410,619	2,665,370	14,095	(3,624,088)	(439,873)	(4,527,215)	3,420,195
<b>Other financing sources (uses)</b>										
To local government	(9,943,797)	-	-	-	-	-	-	-	-	-
From local government	2,100,000	-	-	-	-	-	-	-	-	-
Transfers in	4,938,382	12,341,708	8,240,115	11,720,790	7,296,159	5,971,239	3,497,412	774,354	867,642	739,399
Transfers out	(4,938,382)	(12,341,708)	(8,240,115)	(11,720,790)	(7,296,159)	(5,971,239)	(3,497,412)	(774,354)	(867,642)	(739,399)
<b>Total Other Financing Sources (Uses)</b>	(7,843,797)	-	-	-	-	-	-	-	-	-
<b>Total Net Change in Fund Balances</b>	\$ (11,768,903)	\$ 2,255,502	\$ 5,377,925	\$ 6,410,619	\$ 2,665,370	\$ 14,095	\$ (3,624,088)	\$ (439,873)	\$ (4,527,215)	\$ 3,420,195
<b>Ratio of debt service expenditures to noncapital expenditures</b>	0.56%	0.59%	0.54%	0.50%	0.49%	0.49%	0.00%	0.00%	0.00%	0.01%

Source: Comprehensive Annual Financial Report for relevant year

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

**Table 5**

**OPERATING INDICATORS (unaudited)**

**OWN SOURCE REVENUE**

**LAST TEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Enrollment										
Level										
Elementary	8,397	8,322	8,444	8,321	8,193	8,538	8,575	7,410	7,766	7,887
Middle	2,133	1,985	1,908	2,080	2,031	2,034	2,350	3,615	3,587	3,755
High	3,716	3,740	3,916	4,020	3,982	4,191	4,510	4,252	4,445	4,207
Special Centers	883	862	783	666	697	483	591	802	695	128
School Lunches										
Full	\$ 101,059	\$ 103,859	\$ 116,604	\$ 122,420	\$ 637,770	\$ 642,493	\$ 635,614	\$ 577,682	\$ 653,222	\$ 660,768
Reduced	244,129	293,913	295,092	313,566	140,030	151,055	150,229	155,677	152,257	169,783
Free	3,194,494	3,038,131	2,868,045	2,511,373	972,755	993,511	1,030,888	1,060,674	1,022,152	1,077,868
Total	\$ 3,539,682	\$ 3,435,903	\$ 3,279,741	\$ 2,947,359	\$ 1,750,555	\$ 1,787,059	\$ 1,816,731	\$ 1,794,033	\$ 1,827,631	\$ 1,908,419
School Breakfasts										
Full	\$ 106,502	\$ 111,361	\$ 106,848	\$ 99,421	\$ 430,486	\$ 475,673	\$ 482,397	\$ 462,233	\$ 1,827,631	\$ 411,773
Reduced	146,186	166,965	159,261	141,497	107,301	122,279	119,640	113,906	426,531	110,177
Free	1,551,953	1,394,510	1,343,457	1,174,088	730,901	784,313	800,387	794,766	110,777	837,780
Total	\$ 1,804,641	\$ 1,672,836	\$ 1,609,566	\$ 1,415,006	\$ 1,268,688	\$ 1,382,265	\$ 1,402,424	\$ 1,370,905	\$ 2,364,939	\$ 1,359,730
Meal Prices										
Breakfast										
Elementary	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Middle	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
High	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Adult Ed	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.50	\$ 0.50	\$ 0.50
Lunches										
Elementary	\$ 1.35	\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 0.85	\$ 0.85	\$ 0.75	\$ 0.75	\$ 0.65
Middle	1.35	1.35	1.25	1.25	1.25	0.95	0.95	0.85	0.85	0.75
High	1.35	1.35	1.25	1.25	1.25	0.95	0.95	0.85	0.85	0.75
Reduced	0.40	0.40	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Adult Ed	2.75	2.75	2.75	2.75	2.75	2.00	2.00	1.75	1.75	1.50

Source: Portsmouth Public Schools - Food Services Division

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

**Table 6**

**CAPITAL LEASES (unaudited)**

Year	Principal	Interest	1		2		1÷2		Total Percentage of Guaranteed Savings	Percent of Personal Income	Per Capita
			Total Payment	Guaranteed Savings per Year	Guaranteed Savings per Year	Percentage of Guaranteed Savings per Year	Percentage of Guaranteed Savings	Per Capita			
2012	723,518	205,511	929,029	933,078	933,078	99.56606%	15.39266%				
2013	779,908	176,992	956,900	961,071	961,071	99.56601%	15.85444%				
2014	839,356	146,251	985,607	989,903	989,903	99.56602%	16.33007%				
2015	902,009	113,166	1,015,175	1,019,600	1,019,600	99.56601%	16.81997%				
2016	968,018	77,612	1,045,630	1,050,188	1,050,188	99.56598%	17.32456%				
2017	1,001,007	39,456	1,040,463	1,081,694	1,081,694	96.18829%	17.23896%				
	<b>\$ 5,213,816</b>	<b>\$ 758,988</b>	<b>\$ 5,972,804</b>	<b>\$ 6,035,534</b>						0.17%	\$ 62.42

Source: Personal income figure for total debt as % of personal income is the latest available figure as of 2010 from the Bureau of Economic Analysis.

Source: Population figure for total debt per capita is the latest 2011 estimate from the U.S. Census bureau.

Source: Citimortgage Master Lease Rental Payment Schedule

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

**Table 7**

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

Year	Population (1)	Personal Income (thousands of dollars) (3)	Per Capita Personal Income (3)	Median Age (1)	School Enrollment (2)	Unemployment Rate (4)
2012	*	*	*	*	14,256	8.60%
2011	95,684	*	*	35.2	14,103	8.70%
2010	95,535	\$ 3,515,478	\$ 36,762	34.5	14,224	9.30%
2009	99,321	3,340,905	33,637	34.4	14,331	9.00%
2008	99,542	3,327,167	33,425	34.9	14,287	5.10%
2007	101,377	3,260,359	32,161	34.8	14,990	4.20%
2006	102,346	3,112,645	30,413	34.8	15,243	4.40%
2005	100,783	2,945,570	29,277	34.9	15,309	5.60%
2004	99,785	2,820,869	28,269	34.4	15,642	5.60%
2003	99,459	2,712,353	27,271	34.4	15,928	6.00%

\* Information not available at this time

(1) Source: Economic Development Office - City of Portsmouth

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

(3) Source: Bureau of Economic Analysis, U.S. Department of Commerce Per Capita Income

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

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

**Table 8**

**PRINCIPAL EMPLOYERS (unaudited)**  
**Current Year and Nine Years Ago**

<b>Employer</b>	<b>2011</b>		<b>2003</b>	
	<b>Employees</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Percentage of Total City Employment</b>
Norfolk Naval Shipyard	9,000	19.70%	7,800	16.66%
Naval Medical Center	7,000	15.32%	5,000	10.68%
Portsmouth Public Schools	2,192	4.80%	2,801	5.98%
City of Portsmouth	2,585	5.66%	2,406	5.14%
Maryview Medical Center, Bon Secours	2,000	4.38%	1,987	4.25%
US Fifth District Coast Guard Command	2,500	5.47%	1,900	4.06%
The Pines Residential Treatment Center	-	0.00%	700	1.50%
Gwaltney of Smithfield	435	0.95%	504	1.08%
Southeastern Public Service Authority	-	0.00%	420	0.90%
Earl Industries LLC	900	1.97%	400	0.85%
Renaissance Portsmouth Hotel	-	0.00%	225	0.48%
Moon Engineering Co., Inc.	-	0.00%	204	0.44%
WAVY-TV	200	0.44%	184	0.39%
CDI Marine Co. Inc.	-	0.00%	176	0.38%
Universal Maritime Services Corp.	-	0.00%	160	0.34%
John E. Hall Electrical Construction	-	0.00%	150	0.32%
Lindab, Inc.	-	0.00%	142	0.30%
Wal-mart Supercenter	300	0.66%	-	0.00%
Tidewater Community College	622	1.36%	-	0.00%
Hampton Roads Regional Jail	282	0.62%	-	0.00%
Food Lion	250	0.55%	-	0.00%
Direct Home Health Care	247	0.54%	-	0.00%
Cintas	200	0.44%	-	0.00%
	<b>28,713</b>	<b>62.85%</b>	<b>25,159</b>	<b>53.75%</b>
<b>Civilian Labor Force</b>	<b>45,683</b>		<b>46,807</b>	

\* 2012 Data unavailable from City of Portsmouth Economic Development - information reported is a year behind the current year

Source: Economic Development - City of Portsmouth

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

**Table 9**

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

	Employee Count									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
School board members	9	9	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1	1
Assistant superintendents	1	2	2	2	2	2	2	2	2	2
Directors	13	12	12	11	10	10	10	8	7	7
Coordinators	7	8	8	8	8	11	12	13	13	13
Education specialists	17	15	14	14	17	6	5	10	11	12
Supervisors	30	32	32	38	40	38	35	28	23	16
Principals	25	25	25	25	25	25	25	25	25	24
Assistant principals	29	31	31	34	34	33	31	32	30	30
Teachers	1,014	1,015	1,019	1,144	1,094	1,131	1,149	1,165	1,142	1,143
Guidance and other counselors	36	38	42	47	47	46	47	47	49	43
Librarians	22	24	22	26	25	23	25	26	27	29
Speech therapists	18	19	19	27	24	26	-	14	17	20
School social workers	8	9	9	9	9	8	8	8	8	10
Home school liaisons	2	2	2	2	2	4	10	3	14	12
Medical staff	30	30	31	32	33	31	31	29	29	30
Psychologists	10	10	11	11	11	11	10	9	11	11
Secretaries	142	139	145	164	156	168	160	160	154	156
Paraprofessionals	211	205	241	270	258	268	298	291	322	318
Bus drivers and monitors	154	153	153	173	161	170	167	169	168	167
Operations and maintenance staff	127	127	144	182	189	201	200	201	209	205
School crossing guards	29	32	28	44	37	36	39	43	45	42
In school suspension	6	7	7	8	8	7	8	7	6	6
Special police officers	-	-	-	23	18	18	21	16	22	20
Security officers	16	16	16	-	-	-	-	-	-	-
Attendance officers	3	3	3	-	-	-	-	-	-	-
Print shop personnel	4	4	4	5	4	5	4	4	4	4
Cafeteria staff	119	114	122	137	136	147	161	151	170	174
Purchasing personnel	2	2	2	2	1	1	5	2	2	-
Technology personnel	20	21	22	-	-	-	-	-	-	-
Other	17	16	14	34	7	10	-	23	1	7
	<u>2,122</u>	<u>2,121</u>	<u>2,190</u>	<u>2,482</u>	<u>2,366</u>	<u>2,446</u>	<u>2,473</u>	<u>2,496</u>	<u>2,521</u>	<u>2,511</u>

Source: Portsmouth Public Schools - Budget and Planning Department (2002 - 2007)  
Portsmouth Public Schools - Finance Department (2008 - present)

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

**Table 10**

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

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
<b>2012</b>							
Elementary	509	43.9	\$ 51,198	184	297	27	1
Middle	140	43.3	49,802	66	66	7	1
High	255	46.1	52,669	113	122	18	2
Other	89	47.6	53,304	23	49	14	3
<b>2011</b>							
Elementary	518	43.6	\$ 46,304	215	278	25	-
Middle	139	44.3	45,426	72	60	7	-
High	266	46.2	48,384	140	110	14	2
Other	90	47.9	49,439	40	44	5	1
<b>2010</b>							
Elementary	558	43.7	\$ 48,381	299	234	24	1
Middle	145	44.0	47,453	95	43	7	-
High	266	46.6	50,732	156	97	11	2
Other	93	46.8	49,111	44	44	4	1
<b>2009</b>							
Elementary	577	44.0	\$ 47,740	238	314	24	1
Middle	159	45.0	47,503	36	115	8	-
High	268	47.0	50,656	202	52	12	2
Other	105	46.0	46,513	1	83	17	4
<b>2008</b>							
Elementary	625	43.4	\$ 47,149	317	285	22	1
Middle	169	45.9	47,720	102	63	4	-
High	286	46.7	49,210	164	107	13	2
Other	68	48.2	54,040	27	26	13	2
<b>2007</b>							
Elementary	534	42.8	\$ 45,376	197	324	11	2
Middle	202	44.9	45,100	123	76	2	1
High	287	46.4	45,128	157	119	7	4
Other	22	46.9	49,637	7	4	10	1

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

Source: Portsmouth Public Schools - Human Resource Department



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

**Table 11**

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

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	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Building										
Elementary	13	14	14	14	17	17	17	17	17	18
Middle	3	3	3	3	3	3	4	5	5	5
High	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	4	3	3	3	3	3	3
Fleet										
School Buses	147	149	149	141	132	144	130	129	143	130
Other	71	67	62	71	69	59	65	63	55	58
Athletics										
Football Fields	3	3	3	3	3	2	2	2	2	2
Running Tracks	3	3	3	3	3	2	3	3	3	3
Baseball/Softball	9	9	9	9	9	3	3	3	3	3
Playgrounds	16	17	17	17	17	15	17	17	17	18

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

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

**Table 12**

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Elementary Schools:</b>										
Brighton										
Square feet	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566	33,564	33,564
Capacity (Students)	650	650	650	650	650	650	650	650	320	320
Enrollment	487	542	612	598	669	701	660	571	304	319
Churchland Academy										
Square feet	83,000	83,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000
Capacity (Students)	732	732	914	914	914	914	914	914	914	914
Enrollment	681	692	913	947	999	1,042	1,033	917	947	979
Churchland Elementary										
Square feet	76,734	66,586	66,586	66,586	66,586	66,586	61,612	61,612	61,612	61,612
Capacity (Students)	715	715	715	715	715	634	634	587	587	587
Enrollment	823	808	784	657	710	721	644	543	578	563
Churchland Primary										
Square feet	74,050	74,050	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800
Capacity (Students)	600	600	600	600	600	608	608	608	608	608
Enrollment	620	637	542	529	514	598	606	530	520	589
Douglass Park										
Square feet	73,755	73,755	73,755	73,755	73,755	73,755	73,398	73,398	73,398	73,398
Capacity (Students)	800	800	800	800	800	703	906	703	703	703
Enrollment	680	584	613	520	697	679	774	668	689	681
Victory Elementary										
Square feet	78,142	78,142	78,142	78,142	78,142	78,142	51,613	51,613	51,613	51,613
Capacity (Students)	540	540	540	540	540	744	492	492	492	492
Enrollment	571	622	640	533	264	347	-	-	-	-
Hodges Manor										
Square feet	50,133	50,133	50,133	50,133	50,133	50,133	47,633	47,633	47,633	47,633
Capacity (Students)	600	600	600	600	600	477	477	454	454	454
Enrollment	584	612	572	520	582	526	485	401	475	481
James Hurst										
Square feet	75,105	75,105	63,525	63,525	63,525	63,525	63,525	63,525	63,525	63,525
Capacity (Students)	775	775	775	775	775	605	605	605	605	605
Enrollment	736	666	615	635	734	755	791	622	709	758
Lakeview										
Square feet	60,009	60,009	60,009	60,009	60,009	60,009	54,349	54,349	54,349	54,349
Capacity (Students)	660	660	660	660	660	605	572	518	518	518
Enrollment	546	544	590	592	623	664	641	489	544	531
Olive Branch										
Square feet	-	32,700	32,700	32,700	32,700	32,700	30,700	30,700	30,700	30,700
Capacity (Students)	-	455	455	455	455	311	311	311	311	311
Enrollment	-	367	367	347	430	464	428	342	350	367
Park View										
Square feet	79,998	79,998	79,998	79,998	31,748	31,748	26,548	26,548	26,548	26,548
Capacity (Students)	762	762	762	762	500	302	302	302	302	302
Enrollment	614	613	636	676	409	398	394	357	344	333

Continued on next page

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

**Table 12**

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Elementary Schools (continued):</b>										
Simonsdale										
Square feet	81,165	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	700	325	325	325	325	317	317	317	317	317
Enrollment	757	292	307	260	311	284	286	278	281	303
John Tyler										
Square feet	106,749	106,749	106,749	106,749	106,749	106,749	106,749	106,749	106,749	106,749
Capacity (Students)	700	700	700	700	700	581	597	546	546	546
Enrollment	711	741	702	687	641	660	689	628	604	568
Westhaven										
Square feet	61,040	61,040	65,077	65,077	65,077	65,077	64,671	64,671	64,671	64,671
Capacity (Students)	670	670	670	670	670	620	797	620	620	620
Enrollment	587	602	551	538	610	598	646	547	545	510
Port Norfolk										
Square feet	-	-	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700
Capacity (Students)	-	-	-	-	-	273	273	273	273	273
Enrollment	-	-	-	-	-	-	-	-	-	-
Clarke Academy										
Square feet	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200
Capacity (Students)	-	-	-	-	-	1,030	1,030	1,030	1,030	1,030
Enrollment	-	-	-	-	-	-	498	517	516	509
<b>Middle Schools:</b>										
Churchland										
Square feet	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937
Capacity (Students)	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141
Enrollment	921	841	861	949	889	888	967	1,136	1,095	1,195
Cradock										
Square feet	106,220	106,220	106,220	106,220	106,220	106,220	103,420	103,420	103,420	103,420
Capacity (Students)	885	885	885	885	885	885	885	885	885	885
Enrollment	616	599	525	521	590	584	719	663	581	624
William E. Waters										
Square feet	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601
Capacity (Students)	872	872	872	872	872	872	872	872	872	872
Enrollment	596	545	522	582	552	562	664	719	739	777
Hunt/Mapp										
Square feet	-	-	235,946	235,946	235,946	235,946	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	-	-	-	-	1,966	1,966	1,966
Enrollment	-	-	-	-	-	-	-	1,097	1,172	1,159

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

**Table 12**

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>High Schools:</b>										
Churchland										
Square feet	262,000	262,000	262,000	262,000	262,000	262,000	262,152	262,152	262,152	262,152
Capacity (Students)	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
Enrollment	1,308	1,375	1,477	1,546	1,562	1,639	1,859	1,745	1,813	1,721
I. C. Norcom										
Square feet	280,812	280,812	280,812	280,812	280,812	280,812	280,000	280,000	280,000	280,000
Capacity (Students)	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Enrollment	1,187	1,238	1,269	1,271	1,300	1,402	1,319	1,221	1,321	1,267
Woodrow Wilson										
Square feet	261,665	261,665	261,665	261,665	261,665	261,665	261,655	261,655	261,655	261,655
Capacity (Students)	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869
Enrollment	1,221	1,127	1,170	1,129	1,120	1,150	1,332	1,286	1,311	1,219
Enrollment - Excel Campus	162	143	143	100	113	101	80	141	140	128
<b>Centers:</b>										
Churchland Preschool										
Square feet	13,000	13,000	-	-	-	-	-	-	-	-
Capacity (Students)	182	182	-	-	-	-	-	-	-	-
Enrollment	175	172	-	-	-	-	-	-	-	-
DAC Preschool										
Square feet	-	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Capacity (Students)	-	96	96	96	96	96	96	96	96	96
Enrollment	-	67	95	90	76	101	115	119	96	77
Emily Spong										
Square feet	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206
Capacity (Students)	288	288	288	288	288	288	288	288	288	288
Enrollment	250	263	265	263	236	182	179	186	189	207
Mt. Hermon										
Square feet	47,349	47,349	47,349	47,349	47,349	47,349	47,349	47,349	47,349	47,349
Capacity (Students)	451	451	451	451	451	451	451	451	451	451
Enrollment	278	258	287	248	272	260	252	244	171	189
Olive Branch Preschool										
Square feet	32,700	-	-	-	-	-	-	-	-	-
Capacity (Students)	455	-	-	-	-	-	-	-	-	-
Enrollment	180	-	-	-	-	-	-	-	-	-

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

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

**Table 13**

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

---

<b>Year</b>	<b>Expenditures</b>	<b>Enrollment</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Pupil/ Teacher Ratio</b>
2012	\$ 163,335,746	14,256	\$ 11,457	4.77%	1,014	14.06
2011	154,222,462	14,103	10,935	-3.90%	1,015	13.89
2010	161,856,233	14,224	11,379	-3.81%	1,019	13.96
2009	169,537,657	14,331	11,830	3.74%	1,144	12.53
2008	162,921,752	14,287	11,403	7.40%	1,094	13.06
2007	159,162,386	14,990	10,618	12.23%	1,131	13.25
2006	144,216,707	15,243	9,461	6.00%	1,149	13.27
2005	136,647,163	15,309	8,926	8.56%	1,165	13.14
2004	128,606,981	15,642	8,222	7.58%	1,142	13.70
2003	121,734,640	15,928	7,643	2.96%	1,143	13.94

Note: Expenditures only include General and Special Revenue Funds.

Source: Portsmouth Public Schools - Human Resource and Finance Departments

## ***COMPLIANCE SECTION***



***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***

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

***Internal Control Over Financial Reporting***

Management of the City of Portsmouth, Virginia School Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and management response as item 2012-1.

The School Board's response to the finding identified in our audit is described in the accompanying schedule of findings and management response. We did not audit the School Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekert & Holland, L.L.P.*

Virginia Beach, Virginia  
November 27, 2012



## **CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**

### **Schedule of Findings and Management Response Year Ended June 30, 2012**

#### ***Finding 2012-1***

##### **Criteria**

The codes of the Commonwealth of Virginia and the City of Portsmouth require that the School Board not expend amounts that are not appropriated.

##### **Condition**

For the year ended June 30, 2012, the School Board expended approximately \$1,000,000 of funds that were available to them but were in excess of their appropriation for the General Fund.

##### **Cause**

The School Board did not adequately budget for additional federal and state revenues received as a result of increased average daily membership and did not request a supplemental appropriation when these revenues exceeded budgeted amounts.

##### **Effect**

The School Board is not in compliance with State and City codes.

##### **Recommendation**

We recommend the School Board implement a plan to monitor compliance with the budget and request supplemental appropriations if necessary.

##### **Management Response**

The School Board will monitor additional revenue received and request additional appropriation from City Council when realized revenue exceeds budgeted revenue.

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