



VEX Robotics

Comprehensive Annual Financial Report



I. C. Norcom Basketball

City of Portsmouth, Virginia School Board



BIOWARE

A Component Unit of the
City of Portsmouth, Virginia



State of the Art Capital Projects

For the Fiscal Year Ended June 30, 2011

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, 2011

Prepared by the Department of Finance

Meera Phaltankar, CPA
Director of Finance

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2011**

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2011**

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2011**

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Department of Finance

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November 28, 2011

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, 2011. 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 Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in March 2009 which changed the way the fund balances are reported. The statement established new categories for reporting fund balances and revised the definitions for governmental fund types. GASB 54 also modified fund definition by shifting the focus from activities accounted for in a fund to resources received in a fund. The requirements of the related statement were effective for financial statements for the periods beginning after June 15, 2010. We have changed the fund balance categories for the fiscal year 2010-11.

The GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, in December 2009. This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Provisions related to the use and reporting of the alternative measurement method are effective immediately. The

provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information on OPEB plan financial statements for periods beginning after June 15, 2011.

The 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 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 33rd 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 2011. We're doing better than the nation, but seem to be stuck in neutral. The port, regional tourism, and residential housing have yet to regain the ground they lost during the recession and the outlook for defense spending is uncertain. Despite some growth in employment in 2011, total civilian employment in Hampton Roads has fallen since 2007. In 2011, the region's civilian employment is well below its 2007 peak. The worldwide recession is the primary culprit here. Defense spending, which is so critically important to the regional economy, increased by slightly less than 3 percent between 2010 and 2011 and now approximates \$20.7 billion annually. Defense spending within the region more than doubled and grew at an average annual rate of nearly 7 percent per year. Defense spending continues to increase, but at lower rates than previously. Housing markets in Hampton Roads continue to exhibit declining prices. For the year to date in June, 2011 the median price for a single-family existing home in

Hampton Roads was \$179,900; this was 11.2 percent below the median price a year ago.

According to 2010 statistics, Portsmouth has a population of 95,535 of which 50.8% is African-American, 44.8% is white, and 4.4% other. PPS served 14,102 students in fourteen elementary schools (twelve are Title I schools), three middle schools, three high schools, and one special education center, an alternative school, and an adult learning center. Based on the 2010-11 Enrollment Percentages by School and Ethnicity, prepared by the PPS Office of Research and Evaluation, 69% of our student population is African-American. School-wide, 13% of all students are identified as having special needs. There are approximately 2,300 employees.

Major Initiatives and Recognition

Special Education

The Office of Special Education identified and purchased a new special education management software system to include training and support services. The system will be 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. Our current system, Clarity, would not allow us to move into the future as the company was no longer enhancing the product and would only provide updates if we were willing to fund them. The new system will be tightly integrated into our new student information system, Power School.

The Office of Special Education has a well established multidisciplinary Autism Resource Team – P.A.R.T., which provides training and resources to teachers, parents, and educators on evidence based practices. It received 100% compliance on transition Individualized Education Plans (Indicator 13). The Office of Special Education Department is in the process of implementing a new special education management software system to improve compliance and data collection. It is providing comprehensive on-going training creating Standard Based IEPs to special education teachers and building administrators to improve instruction and academic success.

Spatial Temporal Math

The Mathematics division introduced the Spatial Temporal Math Program called ST Math for K-5. ST Math helps students build fluency with addition and multiplication math facts, building speed and accuracy with understanding. Basic Math fact fluency then allows students to solve problems more efficiently at a higher level of mathematics. The approach consists of language-independent, animated presentations of math concepts delivered via computer software games. Self-paced, self-motivating, the ST Math program provides students with immediate, instructive feedback, problem solving, and reasoning skills. Students gain confidence in their skills, and a desire to advance their mathematical knowledge.

Science - Technology - Engineering - Mathematics (STEM) Pathways

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

The STEM Pathways initiative has an active partnership base that includes but is not limited to institutions of higher learning such as Tidewater Community College, The College of William and Mary, Massachusetts Institute of Technology, Hampton University, Old Dominion University, and Norfolk State University. The Office of Naval Research, the Department of Commerce in the way of the National Oceanic and Atmospheric Administration (NOAA), and the National Institute of the Aerospace are also dynamic partners. Local partners include the Elizabeth River Project, The Children's Museum of Virginia, and the Virginia Aquarium to name three.

Robotics continued to be the main focus of the Pathways. Robotics begins in middle school with Lego design and advances to High School from Remotely Operated Vehicles to First Robot. PPS entered in the First Robotics regional competition at Richmond, Virginia and placed 43rd out of 65 teams. The PPS team also qualified for World Competition in Florida and placed 40th out of 500 competitors.

The Office of Science conducted various Summer Camps which covered career building, environmental stewardship, community engagement, etc. The Elizabeth River Watershed Project, the Chesapeake Bay Fisheries, Crime Scene Science were to name a few.

AC = 13 Academic + Career after High School

The Office of Career and Technical Education rolled out two new classes at all three high schools – Marine Diesel and Marine Electric. A Personal Finance and Economics class was also introduced for Middle School students. This class will be rolled out to High Schools in fiscal year 11-12. This class is a required course for 9th graders to graduate in fiscal year 2014-15. Maritime track, a dual enrollment course, is offered at all three High Schools. The Marine Electric program allows a student to earn six Tidewater Community College (TCC) credits. If a student starts with Marine Diesel in their junior year and continues through their senior year, they earn 24 of the 27 credits towards TCC's certificate in Diesel Technology. PPS students will be ready just in time to enter the booming diesel technology job market. The Autocad Program that was introduced last year is now upgraded to 2012 industry standards.

Social Studies

Hampton University received a multi-million dollar grant to develop leadership in area urban school divisions. As a result, three Portsmouth Public school teachers have received tuition paid fellowships to Hampton University to obtain a Master's in Educational Leadership. Hampton is the fiscal agent of the grant.

Basketball

The I. C. Norcom High School Basketball team won the state championship in the AAA group tournament. Norcom High is the first repeat state champion since 2004-05 and first South Hampton Roads team to win back to back titles since 1990-91.

Graduation and Drop-Out Rate

Portsmouth Public Schools showed the biggest improvement in South Hampton Roads for drop-out and graduation rates. It's on time graduation rate rose from 67.9 to 77.3% and drop-out rate fell from 20.1 to 13.6%.

Human Resources

AESOP, Portsmouth Public Schools' new system for teacher absence and substitute teacher management, was successfully implemented for the FY10-11. Teachers began entering absences on 8/30/2010. Over 1,200 welcome letters were emailed to teachers and teacher types and approximately 300 welcome letters were emailed to active substitute teachers. Principals, Assistant Principals, and (Head) Associates were offered training on the operational functions of ASEOP.

The School Board, in collaboration with Old Dominion University, is in the preliminary and planning stage of The Teacher Immersion Residency Program (TIR). This is a twelve-month teacher training program that concludes with a Master of Science in Secondary Education. The program integrates rigorous graduate-level course work and intense hands-on, real life classroom experience within the PPS. The School Board currently has six students shadowing teachers. They will be certified to teach college courses. By September 2011, they will have enough credentials to teach dual enrollment classes.

The Instructional Personnel Report provided by the State Department has reported 99.54% highly qualified teachers for the FY10-11.

Financial Information

Management is responsible for establishing and maintaining an internal control structure. It 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 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 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.

The City Treasurer is the custodian of pooled cash and temporary investments, funds held for student activity accounts and related investments except funds under Escrow agreement for the First College capital project. 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, 2010. 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 of the United States and Canada (GFOA) 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, 2010. This is the fourth consecutive year that PPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

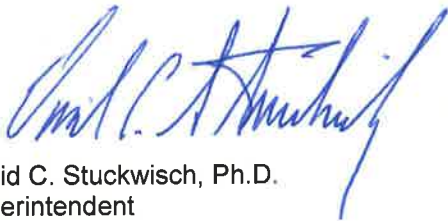
Meritorious Budget Award for Excellence

The ASBO awarded the Meritorious Budget award for excellence in the preparation and issuance of the School Board's budget for the fiscal year 2010-11. The budget is judged to conform to the principles and standards of the 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.

Acknowledgements

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

Respectfully submitted,



David C. Stuckwisch, Ph.D.
Superintendent



Dan Pendarvis
Assistant Superintendent for Budget and Planning



Meera Phaltankar, CPA
Director of Finance

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2011**

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

Mission Statement

The mission of the Portsmouth Public School Division is to challenge the minds, challenge the bodies, and challenge the dreams of all students while focusing on excellence.

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, 2010
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

A handwritten signature in cursive script, reading "Chuck Limbani".

President

A handwritten signature in cursive script, reading "John D. Musso".

Executive Director



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Meera P. Phaltankar

Director of Finance

City of Portsmouth, Virginia School Board

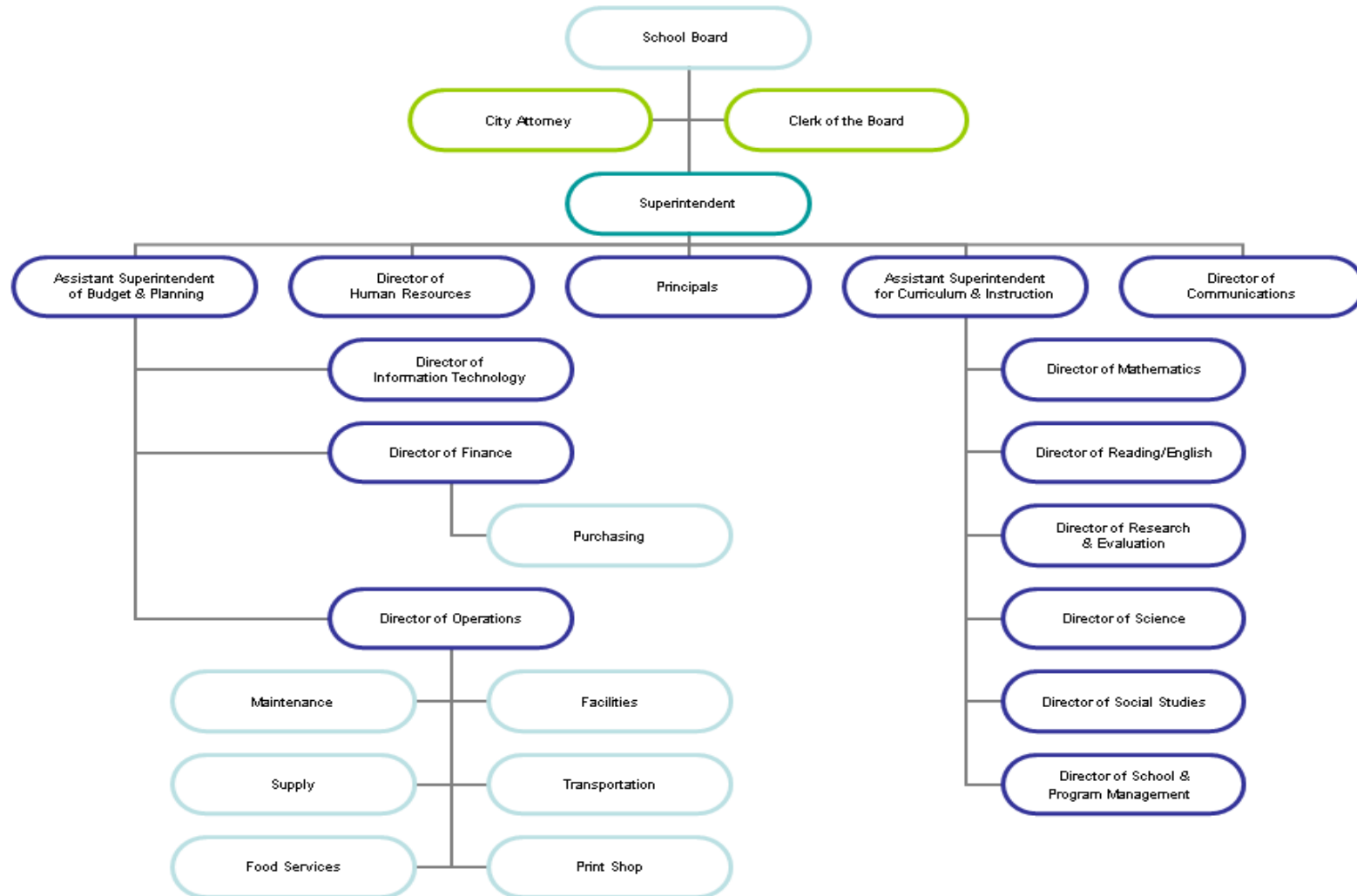


The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date June 17, 2011

**City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia
Organizational Chart (June 30, 2011)**



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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 28, 2011, 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 11, 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 on pages 41 through 45 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 basic financial statements. 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 basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 28, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights for Fiscal Year Ended June 30, 2011 (FY10-11)

PPS' financial status, as reflected in total net assets, increased 9% to \$101.9 million. Of that \$0.5 million of the 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, 2011 totaled \$27.5 million. The bulk of the current liabilities of \$17.1 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, all fund balances decreased except for the School Construction Fund. The General Fund's balance decreased from \$7.3 million to \$6.9 million. This decrease was due to a decrease in inventory of \$111.0 thousand and year end encumbrances of \$212.0 thousand. A special effort was made to dispose of obsolete inventory. The decrease in the School Grants Fund balance was due to a substantial increase in year-end accruals. There was no substantial change in grant activity, but a timing issue. The decrease in the School Food Services Fund was due to capital expenditures. Cafeteria equipment was purchased using prior year fund balance. VDOE didn't fund for textbooks in FY09-10. They reduced FY10-11 funds substantially. This resulted in a decrease in School Textbook Fund balance.

Total intergovernmental revenue was \$161.5 million. Of that, \$48.2 million was from the City of Portsmouth ("City"), \$85.3 million was state aid from the Commonwealth of Virginia, and \$28.0 million was from the federal government. Interest and other charges were \$2.5 million including, \$48.0 thousand in interest, and \$1.1 million in charges for services.

Operational Highlights for Fiscal Year 2011

Capital improvements completed during the year were – Athletic facility at Wilson High and Roof replacements at Cradock Middle and Douglas Park Elementary.

HVAC and overlay projects for various schools continued during the year. Renovation and addition to Lakeview Elementary, roof replacement at Norcom High and Churchland Middle, and a special needs room at Wilson High began during the year. Construction of the new Simonsdale Elementary 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 fiscal year 2010-11, the School Board received an Impact Aid grant for discretionary construction program under ARRA Stimulus grant in the amount of \$3,745,000. This grant was to replace roof, ceiling, windows, and HVAC system in the Lakeview Elementary School to address mold and humidity problems.

The U.S. Department of Education Improving Literacy through School Libraries has awarded a grant for \$487,180 to staff in the Office of Instructional Technology to establish a “Caught in the Middle P3” Library Program. Funds will be used to provide collections for the division’s three middle school libraries, extensive library resources, book clubs and professional development for a media specialist.

Portsmouth Public Schools, in concert with four other school divisions, has been selected to partner with Hampton University in the Hampton University Leadership Academy (HULA). This five year grant is being sponsored by the U.S. Department of Education School Leadership Grant Program. This grant will support tuition for aspiring principals and assistant principals to complete a Master of Arts in Educational Leadership at Hampton University, and training or professional development for all building administrators. As a result, three Portsmouth Public school teachers have received tuition paid fellowships to Hampton University to obtain a Master’s in Educational Leadership. Hampton University is the fiscal agent of the grant.

Staff members at Cradock Middle School have received a 21st Century Community Learning Center grant for \$180,872. The grant is sponsored by the Virginia Department of Education. Funds will be used to continue the “Anchored in Excellence” after school tutorial program for students. University Instructors is the partnering agency for this grant.

The Department of Science has been awarded several grants by the National Aeronautics and Space Administration (NASA), BAE Systems, Beazley Foundation, and other organizations.

The United States Environmental Protection Agency (EPA) has awarded Portsmouth Public Schools the “Great Start Award” because of our voluntary commitment to ensuring good indoor air quality in the school division by implementing the EPA’s Indoor Air Quality Tools for Schools Kit and Program. The Great Start Award is the first in a series of recognition levels awarded by the EPA. The Department of Operations has partnered with the School Board Nursing Supervisor and the School Health Advisory Board (SHAB) to broaden the program to improve school indoor air quality. By doing so, the school system positions itself not only for additional recognition, but it makes PPS more competitive for EPA based grants.

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 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:

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net assets • Statement of changes in net assets (Fiduciary Fund only)
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 agency funds which are 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, 2011 were \$101.9 million, which were composed of \$31.1 million in unrestricted net assets, \$0.5 million in restricted for other purposes, and \$70.3 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 FY10-11 section for the related construction projects.

Net Assets

Years Ended June 30,
(In thousands of dollars)

	2011	2010
Current and other assets	\$ 53,260	\$ 52,581
Capital assets	76,137	69,285
Total assets	129,397	121,866
Long-term debt outstanding	10,375	11,134
Other liabilities	17,146	17,354
Total liabilities	27,521	28,488
Net assets:		
Invested in capital assets, net of related debt	70,254	62,781
Restricted, Capital projects	509	533
Unrestricted	31,113	30,064
Total net assets	\$ 101,876	\$ 93,378

Changes in Net Assets

The breakdown of program revenue is as follows: 95% comes from operating contributions, while the remaining program revenue is from charges for services. Total general revenues for FY10-11 were \$115.2 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 42% 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:	2011	2010
Program revenues:		
Charges for services	\$ 2,261	\$ 2,816
Operating grants and contributions	47,395	54,088
General revenues:		
Interest and investment earnings	56	271
Grants and contributions not restricted	113,833	115,161
Miscellaneous	1,261	1,508
Total revenues	<u>164,806</u>	<u>173,844</u>
Program expenses:		
Instruction	116,244	116,857
Administration	4,891	5,594
Attendance and health services	3,280	3,267
Pupil transportation	6,396	6,578
Operations and maintenance	15,072	15,821
Information technology	3,180	3,493
Food services	7,011	6,453
Interest on long-term debt	234	254
Total program expenses	<u>156,308</u>	<u>158,317</u>
Change in net assets	8,498	15,527
Beginning net assets	<u>93,378</u>	<u>77,851</u>
Ending net assets	<u>\$ 101,876</u>	<u>\$ 93,378</u>

Operating contributions in the program revenues section, decreased by \$6.7 million over the previous fiscal year. Most of this decrease is due to the decrease in Stimulus funding compared to the prior fiscal year.

Grants and contributions not restricted, in the general revenues section, decreased by \$1.3 million over the previous fiscal year. Most of this is related to a decrease in teacher retirement, Special Education and lottery funding.

Instruction, in the program expenses section, decreased by \$600 thousand over the previous fiscal year. Most of this decrease is related to a decrease in average daily membership, causing a decrease in State funding and the overall economic condition.

Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$32.1 million for fiscal year ended June 30, 2011. The current year compared to last year's is as follows:

Fund Balance Comparison

Years Ended June 30,
(in thousands of dollars)

	2011	2010
Fund:		
General	\$ 6,931	\$ 7,254
Grants	(136)	438
Food Services	2,188	2,294
Textbook	1,326	1,641
Construction	21,822	18,248
Total combined fund balance	\$ 32,131	\$ 29,875

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

- The fund balance in the General Fund has no significant change in fund balance. The overall decrease is due to inventory and year end encumbrances.
- Decrease in the fund balance of Grant fund is just a timing difference on requests for reimbursement.
- Food Services fund balance decreased due to capital expenditures for replacement of equipment.
- Textbook fund had a decrease in fund balance due to the reduction of funding in State revenue. For FY09-10 text book funding was eliminated, we also restricted text book expenditures. For FY10-11 the State restored partial funding, but we picked up expenditures more than proportionately.
- Construction fund balance increased due to fund assignment to the renovation of S.H. Clarke and roof replacement project at I.C. Norcom High and Churchland Middle.

General Fund Budgetary Highlights

Throughout fiscal year 2011, 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 2011 (In thousands of dollars)			
	Original Budget	Amended Budget	Actual (Budgetary Basis)
Revenues:			
Intergovernmental	\$ 133,402	\$ 137,421	\$ 135,033
Other	1,625	1,625	1,677
Total	135,027	139,046	136,710
Expenditures and transfers:			
Expenditures	131,300	131,126	124,368
Transfers	3,727	7,920	12,342
Total	135,027	139,046	136,710
Change in fund balance	\$ -	\$ -	\$ -

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the School Board had \$76.1 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)		
	2011	2010
Land	\$ 6,125	\$ 6,125
Buildings and improvements	44,123	40,625
Equipment	9,197	8,601
Intangibles	286	371
Construction in progress	16,406	13,563
Total	\$ 76,137	\$ 69,285

During fiscal year 2011, the School Board completed \$4.81 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 4 in the basic financial statements.

Long-Term Liabilities

Long-term liabilities as of fiscal year end were \$13.4 million, with \$10.4 million due in greater than one year and the remaining \$3 million due within one year.

The significant portions of long-term liabilities were \$5.0 million in vacation and sick leave, \$5.9 million in energy lease obligations and \$2.4 million in claims payable related to potential workman's compensation claims.

Readers desiring more information on long-term liabilities are referred to Note 5 in the basic financial statements.

Outlook for fiscal year 2011-12 (FY11-12):

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 13,945 for FY11-12.

General fund total budget for FY09-10 was \$149 million, FY10-11 was \$135 million and FY11-12 is \$138 million. General fund total budget for FY11-12 has increased by \$3.5 million over prior fiscal year. It is still short by \$11 million compared to FY09-10. Of the increase \$2.1 million are re-appropriations from Risk Management and \$1.4 million in new funding from the City of Portsmouth. 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 FY11-12 Budget contains no funds for school bus replacement, technology hardware upgrades, or facility upgrades (such as roof or HVAC replacements).

During FY10-11, Wells Fargo, our benefits consultants met with employee focus groups and PPS Senior Administrators. The information gathered indicated that the current open enrollment process was not working and there was a clear "information gap" within the benefit program. The effective date for the voluntary products and the flexible spending benefits was January 1, however, the effective date for the medical and dental plans was July 1. We had two separate Open Enrollment periods. It was decided that one Open Enrollment period with a single effective date would be more effective to employees. Recommendations were made to the PPS Benefits Committee and all recommendations made were unanimously approved by members. Wells Fargo made a presentation to the school board outlining the changes to open enrollment periods and changes to health insurance plans. To incorporate these changes, there was a short plan year of July 1 to December 31, 2011 for health and dental plans. January 2012 onwards, we will be on a single plan year for health, dental insurance and optional benefits.

FY11-12 started with major moves, combining Olive Branch Elementary and Simonsdale Elementary to new Simonsdale Elementary. The previous Olive Branch Elementary building is now used as Special Education pre-k center. New Directions moved to old Diagnostic, Adjustive and Corrective Center and S. H. Clarke continued with Adult Education and Project Uplift programs.

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.

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

Exhibit I

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2011

ASSETS

Cash and cash equivalents	\$ 46,990,846
Cash with fiscal agent	509,246
Due from the federal government	2,621,743
Due from the Commonwealth of Virginia	1,079,164
Due from City of Portsmouth	598,424
Receivables - net	113,762
Inventory	758,738
Capital assets not depreciated	22,530,814
Other capital assets - net	53,606,465
Net OPEB asset	587,453
Total assets	\$ 129,396,655

LIABILITIES

Accounts payable	\$ 4,931,176
Accrued payroll	8,316,275
Accrued payroll taxes	577,479
Accrued interest	212,595
Due to the Commonwealth of Virginia	18,434
Due to primary government	80,836
Long-term liabilities	
Due within one year	3,008,645
Due in more than one year	10,375,385
Total liabilities	27,520,825

NET ASSETS

Invested in capital assets - net of related debt	70,253,415
Restricted	
Capital projects	509,246
Unrestricted	31,113,169
Total net assets	101,875,830
Total liabilities and net assets	\$ 129,396,655

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

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

Exhibit II

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2011					
Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 4,890,909	\$ -	\$ -	\$ -	\$ (4,890,909)
Instruction	116,243,716	67,813	42,216,751	-	(73,959,152)
Attendance and health services	3,280,521	157,747	-	-	(3,122,774)
Pupil transportation	6,396,152	235,094	-	-	(6,161,058)
Operations and maintenance	15,072,405	51,336	-	-	(15,021,069)
Information technology	3,179,565	-	-	-	(3,179,565)
Food service	7,011,115	1,748,890	5,178,450	-	(83,775)
Interest on long-term debt	233,957	-	-	-	(233,957)
Total Primary Government	\$ 156,308,340	\$ 2,260,880	\$ 47,395,201	\$ -	(106,652,259)
General revenues					
From primary government					48,171,651
Unrestricted grants and contributions					65,661,742
Investment earnings					55,597
Miscellaneous					1,260,839
Total general revenues					115,149,829
Change in net assets					8,497,570
Net assets - beginning of year					93,378,260
Net assets - end of year					\$ 101,875,830

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, 2011

	General	School Grants	School Food Services	School Textbook	School Construction	Total Governmental Funds
ASSETS						
Cash and temporary investments	\$ 15,038,764	\$ 1,674,065	\$ 2,009,079	\$ 1,179,364	\$ 20,664,343	\$ 40,565,615
Cash with fiscal agent	-	-	-	-	509,246	509,246
Receivables	30,000	52,006	48	-	-	82,054
Due from federal government	-	2,314,725	307,018	-	-	2,621,743
Due from Commonwealth of Virginia	1,056,301	19,126	3,737	-	-	1,079,164
Due from City of Portsmouth	-	-	-	-	598,424	598,424
Due from other funds	2,590,979	-	-	3,502	1,077,802	3,672,283
Inventory	559,925	-	41,708	144,567	-	746,200
Total assets	\$ 19,275,969	\$ 4,059,922	\$ 2,361,590	\$ 1,327,433	\$ 22,849,815	\$ 49,874,729
LIABILITIES						
Accounts payable	\$ 2,573,111	\$ 1,225,680	\$ 68,386	\$ -	\$ 1,027,835	\$ 4,895,012
Accrued payroll	8,112,971	85,906	105,285	1,550	-	8,305,712
Accrued payroll taxes	577,479	-	-	-	-	577,479
Due to Commonwealth of Virginia	18,434	-	-	-	-	18,434
Due to City of Portsmouth	80,836	-	-	-	-	80,836
Deferred revenue	-	194,064	-	-	-	194,064
Due to other funds	982,390	2,689,893	-	-	-	3,672,283
Total liabilities	12,345,221	4,195,543	173,671	1,550	1,027,835	17,743,820
FUND BALANCES						
Nonspendable	559,925	-	41,708	144,567	-	746,200
Restricted	-	449,844	2,146,211	1,181,316	509,246	4,286,617
Committed	-	-	-	-	11,368,937	11,368,937
Assigned	6,370,823	-	-	-	9,943,797	16,314,620
Unassigned	-	(585,465)	-	-	-	(585,465)
Total fund balances	6,930,748	(135,621)	2,187,919	1,325,883	21,821,980	32,130,909
Total liabilities and fund balances	\$ 19,275,969	\$ 4,059,922	\$ 2,361,590	\$ 1,327,433	\$ 22,849,815	\$ 49,874,729

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

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

Total fund balances - governmental funds **\$ 32,130,909**

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	\$ 76,137,279	
Net capital assets of internal service funds	<u>(37,886)</u>	76,099,393

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.

194,064

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.

587,453

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	(13,384,030)	
Internal service funds - current portion	723,597	
Internal service funds - long-term portion	<u>1,700,541</u>	(10,959,892)
Accrued interest payable		(212,595)

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.

4,036,498

Total net assets - governmental activities **\$ 101,875,830**

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, 2011

	General	School Grants	School Food Services	School Textbook	School Construction	Total Governmental Funds
Revenues						
Intergovernmental						
From City of Portsmouth	\$ 48,171,651	\$ -	\$ -	\$ -	\$ -	\$ 48,171,651
From Commonwealth of Virginia	80,569,633	3,893,646	118,400	740,823	-	85,322,502
From federal government	6,292,012	16,106,115	5,178,450	-	-	27,576,577
Donated commodities	-	-	419,970	-	-	419,970
Total intergovernmental	135,033,296	19,999,761	5,716,820	740,823	-	161,490,700
Charges for services	-	-	1,149,376	-	-	1,149,376
Interest	25,005	-	5,854	1,826	15,552	48,237
Miscellaneous	1,651,956	261,115	468,399	3,130	116,160	2,500,760
Total revenues	136,710,257	20,260,876	7,340,449	745,779	131,712	165,189,073
Expenditures						
Current						
Education						
Administration	4,231,513	593,081	-	-	-	4,824,594
Instruction	91,426,573	17,992,889	-	1,061,371	-	110,480,833
Attendance and health services	2,799,695	461,694	-	-	-	3,261,389
Pupil transportation	5,554,991	333,154	-	-	-	5,888,145
Information technology	3,145,672	-	-	-	-	3,145,672
Operation and maintenance	14,903,276	-	-	-	-	14,903,276
Food services	-	-	6,897,865	-	-	6,897,865
Capital outlay	1,754,453	2,703,574	548,333	-	7,649,738	12,656,098
Debt service						
Principal	619,364	-	-	-	-	619,364
Interest	256,335	-	-	-	-	256,335
Total expenditures	124,691,872	22,084,392	7,446,198	1,061,371	7,649,738	162,933,571
Excess (deficiency) of revenues over (under) expenditures	12,018,385	(1,823,516)	(105,749)	(315,592)	(7,518,026)	2,255,502
Other financing sources (uses)						
Transfers in	-	1,249,771	-	-	11,091,937	12,341,708
Transfers out	(12,341,708)	-	-	-	-	(12,341,708)
Total other financing sources (uses)	(12,341,708)	1,249,771	-	-	11,091,937	-
Net change in fund balances	(323,323)	(573,745)	(105,749)	(315,592)	3,573,911	2,255,502
Fund balance - beginning of year	7,254,071	438,124	2,293,668	1,641,475	18,248,069	29,875,407
Fund balance - end of year	\$ 6,930,748	\$ (135,621)	\$ 2,187,919	\$ 1,325,883	\$ 21,821,980	\$ 32,130,909

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, 2011

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

Net change in fund balances - total governmental funds **\$ 2,255,502**

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	\$ 9,560,795	
Depreciation of general government assets, net of amount reported in internal service funds	<u>(2,700,865)</u>	6,859,930

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (392,106)

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		619,363
Adjustment of accrued interest on long-term debt		22,380

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	(73,652)	
Change in net OPEB asset	<u>(5,217)</u>	(78,869)

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.

(788,630)

Change in net assets of governmental activities **\$ 8,497,570**

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, 2011

ASSETS		Governmental Activities - Internal Service Funds
Current assets		
Cash and temporary investments	\$	6,425,231
Due from other funds		21,471
Due from other agencies		10,237
Inventories		12,538
Total current assets		6,469,477
Noncurrent assets		
Capital assets		
Machinery and equipment		977,583
Less - accumulated depreciation		(939,697)
Total noncurrent assets		37,886
Total assets	\$	6,507,363
LIABILITIES AND NET ASSETS		
Current liabilities		
Claims payable - current portion	\$	723,597
Accounts payable and accrued expenses		46,727
Total current liabilities		770,324
Noncurrent liabilities		
Claims payable - net of current portion		1,647,401
Compensated absences		53,140
Total noncurrent liabilities		1,700,541
Total liabilities		2,470,865
Net assets		
Invested in capital assets		37,886
Unrestricted		3,998,612
Total net assets		4,036,498
Total liabilities and net assets	\$	6,507,363

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, 2011

	Governmental Activities - Internal Service Funds
Operating revenues	
Charges for services	\$ 614,254
Insurance recovery	1,583
Total operating revenues	615,837
Operating expenses	
Personnel services	365,240
Insurance claims and expenses	787,527
Contractual	86,973
Other supplies and expenses	164,570
Depreciation and amortization	7,517
Total operating expenses	1,411,827
Operating loss	(795,990)
Nonoperating revenues	
Interest income	7,360
Total nonoperating revenues	7,360
Change in net assets	(788,630)
Total net assets - beginning of year	4,825,128
Total net assets - end of year	\$ 4,036,498

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, 2011

	Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Received from customers and users	\$ 664,755
Insurance recovery	1,583
Payments to suppliers for goods and services	(1,153,327)
Payments to employees	(365,906)
Net cash used by operating activities	(852,895)
Cash flows from investing activities	
Interest received	7,360
Net cash provided by investing activities	7,360
Net change in cash and temporary investments	(845,535)
Cash and temporary investments - beginning of year	7,270,766
Cash and temporary investments - end of year	\$ 6,425,231
Reconciliation of operating income to net cash used by operating activities	
Operating loss	\$ (795,990)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation and amortization	7,517
Change in assets and liabilities	
Due from other governments	2,692
Due from other funds	47,554
Inventories	20,199
Vouchers and accounts payable	3,641
Claims payable	(139,744)
Change in compensated absences	1,236
Total adjustments	(56,905)
Net cash used by operating activities	\$ (852,895)
Supplemental information on significant non-cash transactions	
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

June 30, 2011

ASSETS	School OPEB	
	Trust Fund	Agency Fund
Cash and temporary investments	\$ 3,311,229	\$ 799,960
LIABILITIES AND NET ASSETS		
Liabilities		
Due to students	\$ -	\$ 799,960
Net assets		
Held in trust for other post-employment benefits	3,311,229	-
Total liabilities and net assets	\$ 3,311,229	\$ 799,960

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

For the Year Ended June 30, 2011

	School OPEB Trust Fund
Additions	
Contributions	\$ 1,000,000
Investment earnings	22,371
Gains on investments	72,596
Total additions	<u>1,094,967</u>
Deductions	
Benefits - health insurance	<u>199,687</u>
Total deductions	<u>199,687</u>
Change in net assets	895,280
Net assets - beginning of year	<u>2,415,949</u>
Net assets - end of year	<u>\$ 3,311,229</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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
-----------	-------------

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 \$78,064,998 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.

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. CHANGE IN ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also redefines special revenue funds. The School Board implemented GASB 54 during the current fiscal year.

The implementation of this statement did not result in the reclassification of funds and restatement of the School Board's financial statements.

3. 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 \$48,292,050 and the bank balance was \$48,131,789. 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	\$ 46,990,846
Cash with fiscal agent	509,246
Fiduciary fund cash and investments	<u>4,111,189</u>
	<u>\$ 51,611,281</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 \$509,246 in the School Construction Fund that is held with a fiscal agent. This amount is restricted for capital projects.

The School Board has \$3,311,229 in investments for the School OPEB Trust Fund. These investments include:

Cash and money market funds	\$ 2,736,548
Bond mutual funds	188,829
Equity mutual funds	<u>385,852</u>
	<u>\$ 3,311,229</u>

4. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2011, follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 6,125,204	\$ -	\$ -	\$ 6,125,204
Construction in progress	13,562,810	7,649,738	4,806,938	16,405,610
Total capital assets - not being depreciated	19,688,014	7,649,738	4,806,938	22,530,814
Capital assets being depreciated/amortized				
Buildings and improvements	68,968,906	4,806,938	-	73,775,844
Equipment	21,458,915	1,927,686	230,761	23,155,840
Intangible assets	422,270	-	-	422,270
Total capital assets - being depreciated/amortized	90,850,091	6,734,624	230,761	97,353,954
Less accumulated depreciation/amortization				
Buildings	28,344,129	1,309,131	-	29,653,260
Equipment	12,857,783	1,314,797	214,132	13,958,448
Intangible assets	51,327	84,454	-	135,781
Total accumulated depreciation/amortization	41,253,239	2,708,382	214,132	43,747,489
Other capital assets - being depreciated/amortized - net	49,596,852	4,026,242	16,629	53,606,465
Governmental activities capital assets - net	\$ 69,284,866	\$ 11,675,980	\$ 4,823,567	\$ 76,137,279

Depreciation and amortization expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 2,026,980
Administration, attendance and health services	38,012
Pupil transportation	473,465
Operations and maintenance	81,701
Information technology	15,439
Food services	72,785
Total governmental activities depreciation expense	\$ 2,708,382

Contracts the School Board is committed to at June 30, 2011 are approximately \$11,400,000.

5. LONG-TERM LIABILITIES

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

	Net Pension Obligation	Capital Leases	Accrued Vacation Pay	Accrued Sick Leave	Claims Payable	Total
Amounts payable at beginning of year	\$ 113,440	\$ 6,503,228	\$ 3,009,548	\$ 1,931,291	\$ 2,510,742	\$ 14,068,249
Increase in liabilities	246	-	1,425,009	460,786	663,102	2,549,143
Decrease in liabilities	-	(619,364)	(1,266,682)	(544,470)	(802,846)	(3,233,362)
Amounts payable at end of year	<u>\$ 113,686</u>	<u>\$ 5,883,864</u>	<u>\$ 3,167,875</u>	<u>\$ 1,847,607</u>	<u>\$ 2,370,998</u>	<u>\$ 13,384,030</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ 670,048</u>	<u>\$ 1,265,000</u>	<u>\$ 350,000</u>	<u>\$ 723,597</u>	<u>\$ 3,008,645</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, 2011, is as follows:

<u>Fiscal year</u>	
2012	\$ 901,970
2013	929,029
2014	956,900
2015	985,607
2016	1,015,175
2017-2018	<u>2,086,093</u>
Total minimum payments	6,874,774
Less - amount representing interest	<u>(990,910)</u>
Present value of principal	<u>\$ 5,883,864</u>

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 8,764,869
Less accumulated depreciation	<u>(525,893)</u>
	<u>\$ 8,238,976</u>

6. 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.

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 2011, 2010, 2009, 2008, and 2007, was 14%, 14%, 14%, 15%, and 14%, 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:

Year Ended	Annual	Actual	Percentage
June 30,	Required	Contribution	Contributed
	Contribution		
2011	\$ 6,917,352	\$ 6,917,352	100%
2010	\$ 8,999,661	\$ 8,999,661	100%
2009	\$ 11,099,159	\$ 11,099,159	100%

Annual Pension Cost

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

Annual required contribution	\$ 1,000,310
Interest on net pension obligation	8,508
Adjustment to annual required contribution	<u>(8,262)</u>
Annual pension cost	1,000,556
Contributions made	<u>1,000,310</u>
Increase in net pension obligation	246
Net pension obligation - beginning of year	<u>113,440</u>
Net pension obligation - end of year	<u>\$ 113,686</u>

The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% 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. 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.

Trend Information for the School Board			
Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 1,000,556	100%	\$ 113,686
2010	\$ 1,098,411	100%	\$ 113,440
2009	\$ 1,144,971	100%	\$ 113,194

Funded Status and Funding Progress

As of June 30, 2010, 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, 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%
June 30, 2008	\$ 26,548,549	\$ 30,249,399	\$ (3,700,850)	87.77%	\$ 8,007,998	46.21%

7. 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, 2011, was determined to be \$2,370,998 (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:

	2011	2010
Claims payable - beginning of year	\$ 2,510,742	\$ 2,482,841
Claims and changes in estimates	663,102	820,101
Claims payments	(802,846)	(792,200)
Claims payable - end of year	<u>\$ 2,370,998</u>	<u>\$ 2,510,742</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, 2011 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, 2011. These amounts are encumbrances of fiscal year 2010-2011 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

	Amounts
General Fund	\$ 6,370,823
School Grants Fund	3,493,028
School Food Services Fund	650,452
School Textbook Fund	39,592
School Construction Fund	9,354,234
	<hr/>
	\$ 19,908,129

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2011, which are considered short-term in nature, are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,590,979	\$ 982,390
School Grants Fund	-	2,689,893
School Textbook Fund	3,502	-
School Construction Fund	1,077,802	-
	<hr/>	<hr/>
	\$ 3,672,283	\$ 3,672,283

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, 2011, consisted of the following:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ -	\$ 12,341,708
School Grants Fund	1,249,771	-
School Construction Fund	11,091,937	-
	<u>\$ 12,341,708</u>	<u>\$ 12,341,708</u>

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

9. 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, 2011 consisted of 2,388 active service participants and 95 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, 2011, the School Board contributed \$1,000,000 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	\$ 1,015,447
Interest on net OPEB obligation	(43,661)
Adjustment to annual required contribution	<u>33,431</u>
Annual OPEB cost (expense)	1,005,217
Contributions made	<u>(1,000,000)</u>
Decrease in net OPEB asset	5,217
Net OPEB asset - beginning of year	<u>(592,670)</u>
Net OPEB asset - end of year	<u>\$ (587,453)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2011	\$ 1,005,217	\$ 1,000,000	99%	\$ (587,453)
June 30, 2010	\$ 1,025,000	\$ 1,000,000	98%	\$ (592,670)
June 30, 2009	\$ 1,004,077	\$ 1,250,252	125%	\$ (617,670)

Funded Status and Funding Progress

Based on the most recent actuarial valuation report for the fiscal year ended June 30, 2010, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 11,623,323
Actuarial value of plan assets	<u>2,415,950</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 9,207,373</u>
Funded ratio (actuarial value of plan assets/AAL)	21%
Covered payroll (active plan participants)	\$ 95,870,390
UAAL as a percentage of covered payroll	10%

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, 2010. 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, 2010 actuarial valuation, the projected unit credit actuarial cost 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 thirty years on a closed basis. Healthcare cost trend rates ranged from 10% initially to an ultimate rate of 5% for the 2013 fiscal year.

10. FUND BALANCES

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

	General	School Grants	School Food Services	School Textbook	School Construction	Total
Nonspendable						
Inventory	\$ 559,925	\$ -	\$ 41,708	\$ 144,567	\$ -	\$ 746,200
	<u>559,925</u>	<u>-</u>	<u>41,708</u>	<u>144,567</u>	<u>-</u>	<u>746,200</u>
Restricted						
Federal	-	69,994	-	-	-	69,994
State	-	339,157	-	-	-	339,157
Other	-	40,693	-	-	-	40,693
Elementary schools	-	-	1,237,990	394,493	-	1,632,483
Middle schools	-	-	297,817	371,728	509,246	1,178,791
High schools	-	-	610,404	415,095	-	1,025,499
	<u>-</u>	<u>449,844</u>	<u>2,146,211</u>	<u>1,181,316</u>	<u>509,246</u>	<u>4,286,617</u>
Committed						
Elementary schools	-	-	-	-	10,139,962	10,139,962
Middle schools	-	-	-	-	1,100,655	1,100,655
High schools	-	-	-	-	128,320	128,320
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,368,937</u>	<u>11,368,937</u>
Assigned						
Administration	116,977	-	-	-	-	116,977
Instruction	2,800,584	-	-	-	-	2,800,584
Attendance/health	40,622	-	-	-	-	40,622
Operations	2,719,148	-	-	-	-	2,719,148
Information technology	111,097	-	-	-	-	111,097
Capital outlay	582,395	-	-	-	-	582,395
Elementary schools	-	-	-	-	8,120,377	8,120,377
Middle schools	-	-	-	-	1,000,000	1,000,000
High schools	-	-	-	-	823,420	823,420
	<u>6,370,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,943,797</u>	<u>16,314,620</u>
Unassigned	<u>-</u>	<u>(585,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(585,465)</u>
Total fund balances	<u>\$ 6,930,748</u>	<u>\$ (135,621)</u>	<u>\$ 2,187,919</u>	<u>\$ 1,325,883</u>	<u>\$ 21,821,980</u>	<u>\$ 32,130,909</u>

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

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

Exhibit XI

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From City of Portsmouth	\$ 48,171,651	\$ 48,171,651	\$ 48,171,651	\$ -
From Commonwealth of Virginia	82,524,744	82,524,744	80,569,633	(1,955,111)
From federal government	2,705,330	6,724,547	6,292,012	(432,535)
Interest	285,000	285,000	25,005	(259,995)
Miscellaneous	1,340,000	1,340,000	1,651,956	311,956
Total revenues	135,026,725	139,045,942	136,710,257	(2,335,685)
Expenditures				
Education				
Administration	4,144,952	4,905,603	4,231,513	674,090
Instruction	99,189,747	97,453,199	91,103,250	6,349,949
Attendance and health services	3,201,777	3,152,148	2,799,695	352,453
Pupil transportation	5,598,187	5,236,780	5,554,991	(318,211)
Operations and maintenance	11,329,688	8,023,295	15,778,975	(7,755,680)
Information technology	3,649,174	3,626,655	3,145,672	480,983
Total education	127,113,525	122,397,680	122,614,096	(216,416)
Capital outlay	4,186,846	8,728,258	1,754,453	6,973,805
Total expenditures	131,300,371	131,125,938	124,368,549	6,757,389
Excess (deficiency) of revenues over expenditures	3,726,354	7,920,004	12,341,708	4,421,704
Other financing uses:				
Transfers out	(3,726,354)	(7,920,004)	(12,341,708)	(4,421,704)
Excess of revenues over expenditures and other financing uses:	\$ -	\$ -	-	\$ -
Fund balance - beginning of year			7,254,071	
Increase in reserve for encumbrance:			(211,898)	
Decrease in reserve for inventory:			(111,425)	
Fund balance - end of year			\$ 6,930,748	

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, 2011

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive Negative
Revenues				
Intergovernmental				
From Commonwealth of Virginia	\$ 4,038,630	\$ 4,038,630	\$ 3,893,646	\$ (144,984)
From federal government	13,550,186	17,295,186	16,106,115	(1,189,071)
Miscellaneous	254,265	254,265	261,115	6,850
Total revenues	17,843,081	21,588,081	20,260,876	(1,327,205)
Expenditures				
Education				
Administration	510,042	510,042	1,054,775	(544,733)
Instruction	15,438,946	15,438,946	17,992,889	(2,553,943)
Operations and maintenance	683,559	683,559	333,154	350,405
Total education	16,632,547	16,632,547	19,380,818	(2,748,271)
Capital outlay	2,325,039	6,200,039	2,703,574	3,496,465
Total expenditures	18,957,586	22,832,586	22,084,392	748,194
Excess (deficiency) of revenues over expenditures	(1,114,505)	(1,244,505)	(1,823,516)	(579,011)
Other financing uses				
Transfers in	1,114,505	1,244,505	1,249,771	5,266
Excess of revenues over expenditures and other financing uses	\$ -	\$ -	(573,745)	\$ (573,745)
Fund balance - beginning of year			438,124	
Fund balance - end of year			\$ (135,621)	

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, 2011

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	\$ 100,000	\$ 100,000	\$ 118,400	\$ 18,400
From federal government	4,631,375	4,985,877	5,178,450	192,573
Donated commodities from the federal government	280,000	280,000	419,970	139,970
Charges for services	1,396,726	1,396,726	1,149,376	(247,350)
Interest	20,000	20,000	5,854	(14,146)
Miscellaneous	456,000	456,000	468,399	12,399
Total revenues	6,884,101	7,238,603	7,340,449	101,846
Expenditures				
Food services	6,884,101	6,848,511	6,899,113	(50,602)
Capital outlay	-	390,092	548,333	(158,241)
Total expenditures	6,884,101	7,238,603	7,447,446	(208,843)
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	(106,997)	\$ (106,997)
Fund balance - beginning of year			2,293,668	
Increase in reserve for inventory			1,248	
Fund balance - end of year			\$ 2,187,919	

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, 2011

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	\$ 559,649	\$ 559,649	\$ 740,823	\$ 181,174
Interest	-	-	1,826	1,826
Miscellaneous	-	-	3,130	3,130
Total revenues	<u>559,649</u>	<u>559,649</u>	<u>745,779</u>	<u>186,130</u>
Expenditures				
Instruction	<u>559,649</u>	<u>559,649</u>	<u>1,059,056</u>	<u>(499,407)</u>
Total expenditures	<u>559,649</u>	<u>559,649</u>	<u>1,059,056</u>	<u>(499,407)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(313,277)</u>	<u>\$ (313,277)</u>
Fund balance - beginning of year			1,641,475	
Increase in reserve for encumbrances			39,592	
Decrease in reserve for inventory			<u>(41,907)</u>	
Fund balance - end of year			<u>\$ 1,325,883</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, 2011

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, 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%
June 30, 2008	26,548,549	30,249,399	(3,700,850)	87.77%	8,007,998	46.21%

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

Year Ended June 30, 2011

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, 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%
June 30, 2007	-	4,531,972	(4,531,972)	0.00%	92,199,238	4.92%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

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 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.

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, 2011

	Print Shop	Risk Management	Total
ASSETS			
Current assets			
Cash and temporary investments	\$ 861,722	\$ 5,563,509	\$ 6,425,231
Due from other funds	21,471	-	21,471
Due from other agencies	10,237	-	10,237
Inventories	12,538	-	12,538
Total current assets	905,968	5,563,509	6,469,477
Noncurrent assets			
Capital assets			
Machinery and equipment	977,583	-	977,583
Less - accumulated depreciation	(939,697)	-	(939,697)
Total capital assets	37,886	-	37,886
Total assets	\$ 943,854	\$ 5,563,509	\$ 6,507,363
LIABILITIES			
Current liabilities			
Claims payable - current portion	\$ -	\$ 723,597	\$ 723,597
Salaries payable	10,563	-	10,563
Accounts payable	36,164	-	36,164
Total current liabilities	46,727	723,597	770,324
Noncurrent liabilities			
Claims payable - less current portion	-	1,647,401	1,647,401
Compensated absences	53,140	-	53,140
Total long-term liabilities	53,140	1,647,401	1,700,541
Total liabilities	99,867	2,370,998	2,470,865
NET ASSETS			
Invested in capital assets	37,886	-	37,886
Unrestricted	806,101	3,192,511	3,998,612
Total net assets	843,987	3,192,511	4,036,498
Total liabilities and net assets	\$ 943,854	\$ 5,563,509	\$ 6,507,363

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, 2011

	Print Shop	Risk Management	Total
Operating revenues			
Charges for services	\$ 614,254	\$ -	\$ 614,254
Insurance recovery	-	1,583	1,583
Total operating revenues	614,254	1,583	615,837
Operating expenses			
Personnel services	365,240	-	365,240
Insurance claims and expenses	-	787,527	787,527
Contractual services	86,973	-	86,973
Other supplies and expenses	164,570	-	164,570
Depreciation and amortization	7,517	-	7,517
Total operating expenses	624,300	787,527	1,411,827
Operating loss	(10,046)	(785,944)	(795,990)
Nonoperating revenue			
Interest income	-	7,360	7,360
Total nonoperating revenue	-	7,360	7,360
Change in net assets	(10,046)	(778,584)	(788,630)
Net assets - beginning of year	854,033	3,971,095	4,825,128
Net assets - end of year	\$ 843,987	\$ 3,192,511	\$ 4,036,498

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, 2011

	Print Shop	Risk Management	Total
Cash flows from operating activities			
Received from customers and users	\$ 664,755	\$ -	\$ 664,755
Insurance recovery	-	1,583	1,583
Payments to suppliers for goods and services	(226,056)	(927,271)	(1,153,327)
Payments to employees	(365,906)	-	(365,906)
Net cash provided (used) by operating activities	72,793	(925,688)	(852,895)
Cash flows from investing activities			
Interest received	-	7,360	7,360
Net cash provided by investing activities	-	7,360	7,360
Net change in cash and temporary investments	72,793	(918,328)	(845,535)
Cash and temporary investments - beginning of year	788,929	6,481,837	7,270,766
Cash and temporary investments - end of year	\$ 861,722	\$ 5,563,509	\$ 6,425,231
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating loss	\$ (10,046)	\$ (785,944)	\$ (795,990)
Adjustments to reconcile net operating loss to net cash used by operating activities			
Depreciation and amortization	7,517	-	7,517
Change in assets and liabilities			
Due from other governments	2,692	-	2,692
Due from other funds	47,554	-	47,554
Inventories	20,199	-	20,199
Vouchers and accounts payable	3,641	-	3,641
Claims payable	-	(139,744)	(139,744)
Change in compensated absences	1,236	-	1,236
Total adjustments	82,839	(139,744)	(56,905)
Net cash provided (used) by operating activities	\$ 72,793	\$ (925,688)	\$ (852,895)

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

Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and temporary investments	<u>\$ 822,727</u>	<u>\$ 1,817,267</u>	<u>\$ 1,840,034</u>	<u>\$ 799,960</u>
LIABILITIES				
Due to students	<u>\$ 822,727</u>	<u>\$ 1,817,267</u>	<u>\$ 1,840,034</u>	<u>\$ 799,960</u>

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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities										
Invested in capital assets - net of related debt	\$ 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	\$ 33,554,689
Restricted:										
Grant compliance	-	-	-	-	347,430	1,654,671	1,357,929	1,545,299	-	-
Capital Projects	509,246	532,666	829,897	4,203,589	4,384,612	-	-	-	-	-
Unrestricted	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	5,668,611
Total governmental activities net assets	\$ 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	\$ 39,223,300

Note: PPS converted financial record 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 2

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities										
Administration	\$ 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	\$ 2,827,948
Instruction	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	89,485,404
Attendance and health services	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	2,702,121
Pupil transportation	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	4,200,016
Operations and maintenance	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	14,159,569
Information technology	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	7,011,115	6,453,576	7,258,248	6,940,737	6,704,880	6,657,855	6,561,790	6,328,371	6,534,184	6,625,435
Interest on long-term debt	233,957	254,075	258,233	296,789	297,069	371,917	11,383	17,314	33,600	30,777
Total primary government	<u>\$ 156,308,340</u>	<u>\$ 158,316,744</u>	<u>\$ 174,376,052</u>	<u>\$ 163,100,574</u>	<u>\$ 155,371,524</u>	<u>\$ 145,220,472</u>	<u>\$ 137,182,042</u>	<u>\$ 128,465,660</u>	<u>\$ 122,105,231</u>	<u>\$ 120,031,270</u>
Program Revenues										
Governmental activities										
Charges for services										
Food Services	\$ 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	\$ 1,609,687
Pupil Transportation	235,094	214,243	499,889	496,259	491,238	196,116	322,544	399,928	120,492	88,759
Other	276,896	328,609	451,267	399,121	408,874	496,585	248,717	606,902	971,996	651,999
Operating grants and contributions										
Instruction	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	34,200,843
Food Services	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	4,801,461
Other	-	-	-	-	-	-	-	577	96,377	419,195
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	10,176,902
Total governmental activities program revenue	<u>\$ 49,656,081</u>	<u>\$ 56,904,035</u>	<u>\$ 56,240,963</u>	<u>\$ 61,333,949</u>	<u>\$ 55,818,270</u>	<u>\$ 50,457,347</u>	<u>\$ 48,179,371</u>	<u>\$ 44,505,822</u>	<u>\$ 47,152,611</u>	<u>\$ 51,948,846</u>
Net (Expense)/Revenue										
Governmental activities	<u>\$ (106,652,259)</u>	<u>\$ (101,412,709)</u>	<u>\$ (118,135,089)</u>	<u>\$ (101,766,625)</u>	<u>\$ (99,553,254)</u>	<u>\$ (94,763,125)</u>	<u>\$ (89,002,671)</u>	<u>\$ (83,959,838)</u>	<u>\$ (74,952,620)</u>	<u>\$ (68,082,424)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities										
Unrestricted grants and contributions	\$ 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	\$ 75,857,334
Investment earnings	55,597	270,797	498,527	945,002	793,744	630,641	199,291	90,611	112,636	181,064
Miscellaneous	1,260,839	1,507,880	1,607,268	589,871	209,103	27,774	31,374	14,637	29,745	10,605
Special Item	-	-	-	-	-	(784,133)	-	(116,789)	-	-
Total governmental activities	<u>\$ 115,149,829</u>	<u>\$ 116,940,224</u>	<u>\$ 125,712,364</u>	<u>\$ 113,341,527</u>	<u>\$ 111,789,601</u>	<u>\$ 96,643,232</u>	<u>\$ 90,104,434</u>	<u>\$ 82,401,186</u>	<u>\$ 78,757,770</u>	<u>\$ 76,049,003</u>
Change in Net Assets										
Governmental activities	<u>\$ 8,497,570</u>	<u>\$ 15,527,515</u>	<u>\$ 7,577,275</u>	<u>\$ 11,574,902</u>	<u>\$ 12,236,347</u>	<u>\$ 1,880,107</u>	<u>\$ 1,101,763</u>	<u>\$ (1,558,652)</u>	<u>\$ 3,805,150</u>	<u>\$ 7,966,579</u>

Source: Comprehensive Annual Financial Report for the relevant year

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

Table 3

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
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	\$ 7,128,870
Nonspendable	559,925	-	-	-	-	-	-	-	-	-
Assigned	6,370,823	-	-	-	-	-	-	-	-	-
Total General Fund	<u>\$ 6,930,748</u>	<u>\$ 7,254,071</u>	<u>\$ 4,445,477</u>	<u>\$ 5,831,280</u>	<u>\$ 4,500,831</u>	<u>\$ 4,725,734</u>	<u>\$ 5,927,212</u>	<u>\$ 6,235,088</u>	<u>\$ 8,639,022</u>	<u>\$ 7,128,870</u>
All Other Governmental Funds										
Reserved										
Grants	\$ -	\$ -	\$ -	\$ -	\$ 347,430	\$ 1,654,671	\$ 1,357,929	\$ 1,545,299	\$ -	\$ -
Food Services	-	733,982	153,171	76,521	36,728	38,237	32,001	34,965	68,388	90,781
Capital Projects	-	19,866,538	7,489,787	9,527,957	5,916,981	-	1,129,244	3,736,089	-	-
Textbook	-	193,393	297,614	330,263	308,882	-	-	-	-	-
Unreserved, reported in										
Grants	-	438,124	(2,087,325)	(3,155,944)	(993,945)	(470,375)	(159,155)	(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	2,409,253
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	411,373
Textbook	-	1,448,082	1,833,731	665,597	104,804	-	-	-	-	-
Nonspendable										
Food Services	41,708	-	-	-	-	-	-	-	-	-
Textbook	144,567	-	-	-	-	-	-	-	-	-
Restricted										
Grants	449,844	-	-	-	-	-	-	-	-	-
Food Services	2,146,211	-	-	-	-	-	-	-	-	-
Textbook	1,181,316	-	-	-	-	-	-	-	-	-
Capital Projects	509,246	-	-	-	-	-	-	-	-	-
Committed										
Capital Projects	11,368,937	-	-	-	-	-	-	-	-	-
Assigned										
Capital Projects	9,943,797	-	-	-	-	-	-	-	-	-
Unassigned										
Grants	(585,465)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 25,200,161</u>	<u>\$ 22,621,336</u>	<u>\$ 20,052,005</u>	<u>\$ 12,255,583</u>	<u>\$ 10,920,662</u>	<u>\$ 10,681,664</u>	<u>\$ 4,619,035</u>	<u>\$ 4,765,426</u>	<u>\$ 4,446,109</u>	<u>\$ 2,911,407</u>

Note: PPS converted financial record 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 FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Intergovernmental										
Federal grants	\$ 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	\$ 14,534,710
Federal donated commodities	419,970	420,343	386,720	-	-	-	-	-	385,996	394,177
State grants and other	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	78,617,044
City of Portsmouth	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	31,563,811
Local										
Charges for services	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	1,429,548
Interest	48,237	244,345	388,622	822,311	759,818	557,804	174,968	74,954	107,714	179,058
Miscellaneous	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	1,344,498
	<u>165,189,073</u>	<u>175,851,517</u>	<u>182,997,775</u>	<u>171,681,585</u>	<u>166,975,223</u>	<u>147,944,225</u>	<u>138,470,527</u>	<u>126,786,172</u>	<u>125,860,402</u>	<u>128,062,846</u>
Expenditures										
Education										
Administration	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	2,795,487
Instruction	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	84,817,579
Attendance and health services	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	2,678,998
Pupil transportation	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	3,744,564
Information technology	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	14,903,276	15,903,972	18,479,476	15,506,446	14,850,521	16,374,494	15,554,177	15,002,639	11,639,729	11,567,097
Food services	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	6,717,219
Debt service										
Principal	619,364	571,338	525,848	482,776	388,469	-	-	-	-	-
Interest	256,335	278,856	297,266	296,789	366,769	-	-	-	10,643	247,616
Capital outlay	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	14,095,068
Total Expenditures	<u>162,933,571</u>	<u>170,473,592</u>	<u>176,587,156</u>	<u>169,016,215</u>	<u>166,961,128</u>	<u>151,568,313</u>	<u>138,910,400</u>	<u>131,313,387</u>	<u>122,440,207</u>	<u>126,663,628</u>
Excess (deficiency) of revenues over expenditures	<u>2,255,502</u>	<u>5,377,925</u>	<u>6,410,619</u>	<u>2,665,370</u>	<u>14,095</u>	<u>(3,624,088)</u>	<u>(439,873)</u>	<u>(4,527,215)</u>	<u>3,420,195</u>	<u>1,399,218</u>
Other financing sources (uses)										
Transfers in	12,341,708	8,240,115	11,720,790	7,296,159	5,971,239	3,497,412	774,354	867,642	739,399	855,411
Transfers out	(12,341,708)	(8,240,115)	(11,720,790)	(7,296,159)	(5,971,239)	(3,497,412)	(774,354)	(867,642)	(739,399)	(855,411)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Change in Fund Balances	<u>\$ 2,255,502</u>	<u>\$ 5,377,925</u>	<u>\$ 6,410,619</u>	<u>\$ 2,665,370</u>	<u>\$ 14,095</u>	<u>\$ (3,624,088)</u>	<u>\$ (439,873)</u>	<u>\$ (4,527,215)</u>	<u>\$ 3,420,195</u>	<u>\$ 1,399,218</u>
Ratio of debt service expenditures to noncapital expenditures	0.59%	0.54%	0.50%	0.49%	0.49%	0.00%	0.00%	0.00%	0.01%	0.22%

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Enrollment										
Level										
Elementary	8,322	8,444	8,321	8,193	8,538	8,575	7,410	7,766	7,887	8,266
Middle	1,985	1,908	2,080	2,031	2,034	2,350	3,615	3,587	3,755	3,760
High	3,740	3,916	4,020	3,982	4,191	4,510	4,252	4,445	4,207	4,058
Special Centers	862	783	666	697	483	591	802	695	128	178
School Lunches										
Full	\$ 103,859	\$ 116,604	\$ 122,420	\$ 637,770	\$ 642,493	\$ 635,614	\$ 577,682	\$ 653,222	\$ 660,768	\$ 707,094
Reduced	293,913	295,092	313,566	140,030	151,055	150,229	155,677	152,257	169,783	194,008
Free	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	1,124,657
Total	<u>\$ 3,435,903</u>	<u>\$ 3,279,741</u>	<u>\$ 2,947,359</u>	<u>\$ 1,750,555</u>	<u>\$ 1,787,059</u>	<u>\$ 1,816,731</u>	<u>\$ 1,794,033</u>	<u>\$ 1,827,631</u>	<u>\$ 1,908,419</u>	<u>\$ 2,025,759</u>
School Breakfasts										
Full	\$ 111,361	\$ 106,848	\$ 99,421	\$ 430,486	\$ 475,673	\$ 482,397	\$ 462,233	\$ 1,827,631	\$ 411,773	\$ 392,994
Reduced	166,965	159,261	141,497	107,301	122,279	119,640	113,906	426,531	110,177	108,858
Free	1,394,510	1,343,457	1,174,088	730,901	784,313	800,387	794,766	110,777	837,780	891,695
Total	<u>\$ 1,672,836</u>	<u>\$ 1,609,566</u>	<u>\$ 1,415,006</u>	<u>\$ 1,268,688</u>	<u>\$ 1,382,265</u>	<u>\$ 1,402,424</u>	<u>\$ 1,370,905</u>	<u>\$ 2,364,939</u>	<u>\$ 1,359,730</u>	<u>\$ 1,393,547</u>
Meal Prices										
Breakfast										
Elementary	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Middle	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
High	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Adult Ed	\$ 1.00	\$ 1.00	\$ 1.00	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Lunches										
Elementary	\$ 1.35	\$ 1.25	\$ 1.25	\$ 1.25	\$ 0.85	\$ 0.85	\$ 0.75	\$ 0.75	\$ 0.65	\$ 0.65
Middle	1.35	1.25	1.25	1.25	0.95	0.95	0.85	0.85	0.75	0.75
High	1.35	1.25	1.25	1.25	0.95	0.95	0.85	0.85	0.75	0.75
Reduced	0.40	0.30	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	2.00	2.00	1.75	1.75	1.50	1.50

Source: Portsmouth Public Schools - Food Services Division

CAPITAL LEASES (unaudited)

			1	2	1÷2	
Year	Principal	Interest	Total Payment	Guaranteed Savings per Year	Percentage of Guaranteed Savings per Year	Total Percentage of Guaranteed Savings
2011	670,048	231,922	901,970	905,901	99.56607%	12.99400%
2012	723,518	205,511	929,029	933,078	99.56606%	13.38382%
2013	779,908	176,992	956,900	961,071	99.56601%	13.78533%
2014	839,356	146,251	985,607	989,903	99.56602%	14.19889%
2015	902,009	113,166	1,015,175	1,019,600	99.56601%	14.62486%
2016	968,018	77,612	1,045,630	1,050,188	99.56598%	15.06360%
2017	1,001,007	39,456	1,040,463	1,081,694	96.18829%	14.98916%
	<u>\$ 5,883,864</u>	<u>\$ 990,910</u>	<u>\$ 6,874,774</u>	<u>\$ 6,941,435</u>		

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 if dollars) (3)	Per Capita Personal Income (3)	Median Age (1)	School Enrollment (2)	Unemployment Rate (4)
2011	*	*	*	35.0	14,103	8.70%
2010	95,535	*	*	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%
2002	98,400	1,552,260	22,173	34.4	16,221	6.30%

* 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)
LAST NINE FISCAL YEARS

Employer	2010		2009		2008		2007		2006		2005		2004		2003		2002	
	Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City	
	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment
Norfolk Naval Shipyard	9,000	19.46%	9,000	19.10%	8,000	17.42%	7,500	16.12%	7,700	16.95%	7,600	16.85%	7,600	15.97%	7,800	16.66%	7,800	16.81%
Naval Medical Center	5,400	11.68%	5,400	11.46%	5,400	11.76%	5,400	11.60%	5,400	11.89%	5,463	12.11%	5,463	11.48%	5,000	10.68%	5,000	10.78%
Portsmouth Public Schools	2,500	5.41%	2,500	5.31%	2,400	5.22%	2,507	5.39%	2,500	5.50%	2,500	5.54%	2,700	5.67%	2,801	5.98%	2,801	6.04%
City of Portsmouth	2,585	5.59%	2,585	5.49%	2,645	5.76%	2,605	5.60%	2,558	5.63%	2,542	5.64%	2,448	5.14%	2,406	5.14%	2,406	5.19%
Maryview Medical Center, Bon Secours	2,400	5.19%	2,400	5.09%	2,000	4.35%	2,200	4.73%	2,200	4.84%	2,200	4.88%	2,000	4.20%	1,987	4.25%	1,987	4.28%
US Fifth District Coast Guard Command	1,500	3.24%	1,500	3.18%	1,500	3.27%	1,500	3.22%	1,500	3.30%	1,500	3.33%	1,400	2.94%	1,900	4.06%	1,900	4.10%
The Pines Residential Treatment Center	225	0.49%	225	0.48%	800	1.74%	800	1.72%	800	1.76%	800	1.77%	800	1.68%	700	1.50%	700	1.51%
Gwaltney of Smithfield	450	0.97%	450	0.96%	500	1.09%	500	1.07%	500	1.10%	440	0.98%	520	1.09%	504	1.08%	504	1.09%
Southeastern Public Service Authority	180	0.39%	180	0.38%	230	0.50%	445	0.96%	485	1.07%	473	1.05%	473	0.99%	420	0.90%	420	0.91%
Earl Industries LLC	800	1.73%	800	1.70%	571	1.24%	615	1.32%	500	1.10%	414	0.92%	850	1.79%	400	0.85%	400	0.86%
Renaissance Portsmouth Hotel	150	0.32%	150	0.32%	150	0.33%	150	0.32%	161	0.35%	161	0.36%	161	0.34%	225	0.48%	225	0.48%
Moon Engineering Co., Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204	0.44%	204	0.44%
WAVY-TV	200	0.43%	200	0.42%	177	0.39%	177	0.38%	187	0.41%	187	0.41%	187	0.39%	184	0.39%	184	0.40%
CDI Marine Co. Inc.	330	0.71%	330	0.70%	330	0.72%	290	0.62%	290	0.64%	290	0.64%	290	0.61%	176	0.38%	176	0.38%
APM Terminals (Maersak)	160	0.35%	160	0.34%	160	0.35%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Universal Maritime Services Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	0.00	160	0.00
John E. Hall Electrical Construction	-	0.00%	166	0.35%	166	0.36%	166	0.36%	130	0.29%	130	0.29%	150	0.32%	150	0.32%	150	0.32%
Lindab, Inc.	150	0.32%	150	0.32%	150	0.33%	115	0.25%	140	0.31%	115	0.25%	134	0.28%	142	0.30%	-	0.00%
Wal-mart Supercenter	380	0.82%	380	0.81%	350	0.76%	386	0.83%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
	26,410	57.12%	26,576	56.41%	25,529	55.58%	25,356	54.49%	25,051	55.14%	24,815	55.01%	25,176	52.91%	25,159	53.75%	25,017	53.92%
Civilian Labor Force	46,239		47,111		45,934		46,533		45,435		45,108		47,582		46,807		46,398	

* 2011 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
School board members	9	9	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1	1
Assistant superintendents	2	2	2	2	2	2	2	2	2	3
Directors	12	12	11	10	10	10	8	7	7	7
Coordinators	8	8	8	8	11	12	13	13	13	14
Education specialists	15	14	14	17	6	5	10	11	12	14
Supervisors	32	32	38	40	38	35	28	23	16	15
Principals	25	25	25	25	25	25	25	25	24	27
Assistant principals	31	31	34	34	33	31	32	30	30	30
Teachers	1,015	1,019	1,144	1,094	1,131	1,149	1,165	1,142	1,143	1,193
Guidance and other counselors	38	42	47	47	46	47	47	49	43	43
Librarians	24	22	26	25	23	25	26	27	29	29
Speech therapists	19	19	27	24	26	-	14	17	20	22
School social workers	9	9	9	9	8	8	8	8	10	9
Home school liaisons	2	2	2	2	4	10	3	14	12	12
Medical staff	30	31	32	33	31	31	29	29	30	35
Psychologists	10	11	11	11	11	10	9	11	11	10
Secretaries	139	145	164	156	168	160	160	154	156	162
Paraprofessionals	205	241	270	258	268	298	291	322	318	336
Bus drivers and monitors	153	153	173	161	170	167	169	168	167	169
Operations and maintenance staff	127	144	182	189	201	200	201	209	205	217
School crossing guards	32	28	44	37	36	39	43	45	42	46
In school suspension	7	7	8	8	7	8	7	6	6	7
Special police officers	-	-	23	18	18	21	16	22	20	22
Security Officers	16	16	-	-	-	-	-	-	-	-
Attendance Officers	3	3	-	-	-	-	-	-	-	-
Print shop personnel	4	4	5	4	5	4	4	4	4	4
Cafeteria staff	114	122	137	136	147	161	151	170	174	182
Purchasing personnel	2	2	2	1	1	5	2	2	-	-
Technology personnel	21	22	-	-	-	-	-	-	-	-
Other	16	14	34	7	10	-	23	1	7	8
	<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>	<u>2,626</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
2011							
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
2010							
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
2009							
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
2008							
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
2007							
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
2006							
Elementary	622	42.5	44,048	368	244	8	2
Middle	194	44.3	44,675	133	58	2	1
High	285	45.9	45,941	185	92	5	3
Other	25	45.8	49,934	14	10	1	-

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

Source: Portsmouth Public Schools - Human Resource Department

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

Table 11

CAPITAL ASSETS STATISTICS (unaudited)
LAST TEN FISCAL YEARS

	<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>	<u>2002</u>
Building										
Elementary	14	14	14	17	17	17	17	17	18	18
Middle	3	3	3	3	3	4	5	5	5	5
High	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	3	3	3	3	3	3	3
Fleet										
School Buses	149	149	141	132	144	130	129	143	130	144
Other	67	62	71	69	59	65	63	55	58	57
Athletics										
Football Fields	3	3	3	3	2	2	2	2	2	2
Running Tracks	3	3	3	3	2	3	3	3	3	3
Baseball/Softball	9	9	9	9	3	3	3	3	3	3
Playgrounds	17	17	17	17	15	17	17	17	18	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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools:										
Brighton										
Square feet	56,566	56,566	56,566	56,566	56,566	56,566	56,566	33,564	33,564	33,564
Capacity (Students)	650	650	650	650	650	650	650	320	320	320
Enrollment	542	612	598	669	701	660	571	304	319	335
Churchland Academy										
Square feet	83,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000
Capacity (Students)	732	914	914	914	914	914	914	914	914	914
Enrollment	692	913	947	999	1,042	1,033	917	947	979	1,062
Churchland Elementary										
Square feet	66,586	66,586	66,586	66,586	66,586	61,612	61,612	61,612	61,612	61,612
Capacity (Students)	715	715	715	715	634	634	587	587	587	587
Enrollment	808	784	657	710	721	644	543	578	563	585
Churchland Primary										
Square feet	74,050	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800	63,800
Capacity (Students)	600	600	600	600	608	608	608	608	608	608
Enrollment	637	542	529	514	598	606	530	520	589	557
Douglass Park										
Square feet	73,755	73,755	73,755	73,755	73,755	73,398	73,398	73,398	73,398	73,775
Capacity (Students)	800	800	800	800	703	906	703	703	703	703
Enrollment	584	613	520	697	679	774	668	689	681	576
Victory Elementary										
Square feet	78,142	78,142	78,142	78,142	78,142	51,613	51,613	51,613	51,613	51,613
Capacity (Students)	540	540	540	540	744	492	492	492	492	492
Enrollment	622	640	533	264	347	-	-	-	-	355
Hodges Manor										
Square feet	50,133	50,133	50,133	50,133	50,133	47,633	47,633	47,633	47,633	47,633
Capacity (Students)	600	600	600	600	477	477	454	454	454	454
Enrollment	612	572	520	582	526	485	401	475	481	473
James Hurst										
Square feet	75,105	63,525	63,525	63,525	63,525	63,525	63,525	63,525	63,525	63,525
Capacity (Students)	775	775	775	775	605	605	605	605	605	605
Enrollment	666	615	635	734	755	791	622	709	758	751
Lakeview										
Square feet	60,009	60,009	60,009	60,009	60,009	54,349	54,349	54,349	54,349	54,349
Capacity (Students)	660	660	660	660	605	572	518	518	518	518
Enrollment	544	590	592	623	664	641	489	544	531	572
Olive Branch										
Square feet	32,700	32,700	32,700	32,700	32,700	30,700	30,700	30,700	30,700	30,700
Capacity (Students)	455	455	455	455	311	311	311	311	311	311
Enrollment	367	367	347	430	464	428	342	350	367	376
Park View										
Square feet	79,998	79,998	79,998	31,748	31,748	26,548	26,548	26,548	26,548	26,548
Capacity (Students)	762	762	762	500	302	302	302	302	302	302
Enrollment	613	636	676	409	398	394	357	344	333	333

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

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools (continued):										
Simonsdale										
Square feet	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	325	325	325	325	317	317	317	317	317	317
Enrollment	292	307	260	311	284	286	278	281	303	295
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	581	597	546	546	546	367
Enrollment	741	702	687	641	660	689	628	604	568	319
Westhaven										
Square feet	61,040	65,077	65,077	65,077	65,077	64,671	64,671	64,671	64,671	64,667
Capacity (Students)	670	670	670	670	620	797	620	620	620	620
Enrollment	602	551	538	610	598	646	547	545	510	484
Port Norfolk										
Square feet	-	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700	28,700
Capacity (Students)	-	-	-	-	273	273	273	273	273	273
Enrollment	-	-	-	-	-	-	-	-	-	250
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	1,030
Enrollment	-	-	-	-	-	498	517	516	509	523
Middle Schools:										
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	841	861	949	889	888	967	1,136	1,095	1,195	1,105
Cradock										
Square feet	106,220	106,220	106,220	106,220	106,220	103,420	103,420	103,420	103,420	103,420
Capacity (Students)	885	885	885	885	885	885	885	885	885	885
Enrollment	599	525	521	590	584	719	663	581	624	706
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	545	522	582	552	562	664	719	739	777	832
Hunt/Mapp										
Square feet	-	235,946	235,946	235,946	235,946	235,946	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	-	-	-	1,966	1,966	1,966	1,966
Enrollment	-	-	-	-	-	-	1,097	1,172	1,159	1,117

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

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
High Schools:										
Churchland										
Square feet	262,000	262,000	262,000	262,000	262,000	262,152	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	1,375	1,477	1,546	1,562	1,639	1,859	1,745	1,813	1,721	1,553
I. C. Norcom										
Square feet	280,812	280,812	280,812	280,812	280,812	280,000	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	1,238	1,269	1,271	1,300	1,402	1,319	1,221	1,321	1,267	1,237
Woodrow Wilson										
Square feet	261,665	261,665	261,665	261,665	261,665	261,655	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	1,127	1,170	1,129	1,120	1,150	1,332	1,286	1,311	1,219	1,268
Enrollment - Excel Campus	143	143	100	113	101	80	141	140	128	178
Centers:										
Churchland Preschool										
Square feet	13,000	-	-	-	-	-	-	-	-	-
Capacity (Students)	182	-	-	-	-	-	-	-	-	-
Enrollment	172	-	-	-	-	-	-	-	-	-
DAC Preschool										
Square feet	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Capacity (Students)	96	96	96	96	96	96	96	96	96	96
Enrollment	67	95	90	76	101	115	119	96	77	99
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	263	265	263	236	182	179	186	189	207	218
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	258	287	248	272	260	252	244	171	189	202

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

Year	Expenditures	Enrollment	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
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
2002	120,408,689	16,221	7,423	*	1,193	13.60

* Information not available at this time

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, 2011, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 5, 2010. 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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 28, 2011