Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Every Student Succeeds

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Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Prepared by:

Financial Services Department

Dr. Alvin L. Crawley
Superintendent of Schools

Stacey Johnson
Chief Financial Officer

Michael Covington
Director, Accounting

Farah Afrasiabi
Sr. Accountant

Michael Barclay
Sr. Accountant

Shelly Sikhammountry
Budget Analyst

Table of Contents

Required Supplementary Information **Page**

Other Supplementary Information

Statistical Section (unaudited)

Table of Contents

INTRODUCTORY SECTION

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' Vision

Our students achieve at high levels, are well-rounded, critical thinkers, and have a passion to learn.
ACPS has an engaging and collaborative climate that promotes ethical behavior and values diversity.
ACPS is a vital part of the fabric of our community, and Alexandria residents and businesses take pride in our schools.

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Alexandria City Public Schools

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November 14, 2016

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

We are pleased to submit the *Comprehensive Annual Financial Report* (CAFR) of the Alexandria City Public Schools (ACPS) for the fiscal year ended June 30, 2016. It has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to local government entities. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of ACPS for the fiscal year ended June 30, 2016. ACPS is considered a component unit of the City of Alexandria, Virginia (City) and, accordingly, the financial position and results of operations of ACPS are also reflected in the financial statements included in the City's CAFR.

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

ACPS' financial statements were audited by CliftonLarsenAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of ACPS for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the ACPS financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP).

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

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

Profile of the Alexandria City Public Schools

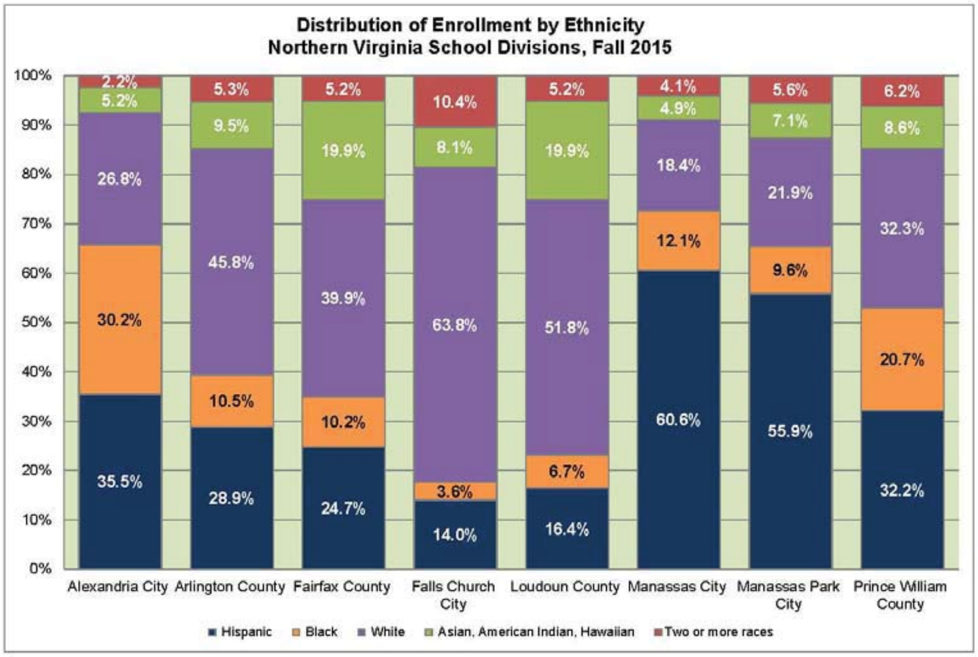
Alexandria City Public Schools is a school division located within and serving the residents of the City of Alexandria.

The City is located on the west bank of the Potomac River across from Washington, D.C., and was established in 1749 by an Act of the Virginia General Assembly. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. It has a total area of 15.8 square miles and a population of approximately 146,422 as of the 2014 American Community Survey.

The City is a primary government that is financially accountable for a legally separate entity, the School Board of the City of Alexandria (Board). The Board is the elected body established under Virginia law to provide public education from kindergarten through twelfth grade to children residing within the City of Alexandria, Virginia. The Board consists of nine members who each serve a three-year term. The Board members elect one member to serve as Chairman of the Board and a second member to serve as Vice-Chairman of the Board.

The Board determines educational policy and employs a superintendent of schools to administer the school division. The Board has no power to levy or collect taxes or increase the City appropriation. Because of its relationship with the City, it is considered a component unit of the City, as defined by GAAP. ACPS has no component units for financial reporting purposes.

ACPS is a small school system, but large enough to command the resources for state-of-the-art teaching and learning. ACPS has the 19^{th} largest enrollment of 132 school divisions in the Commonwealth of Virginia and is surrounded by the three largest Virginia school divisions (Fairfax, Prince William, and Loudoun County Public Schools). It has a vibrant multicultural community, and our students reflect an even broader diversity than that of our City. ACPS served a student population of approximately 14,729 students in the 2015-2016 school year, with students who come from more than 127 different countries, speak more than 115 languages, and represent a myriad of cultural and socioeconomic groups. The chart below illustrates this rich diversity compared to our neighboring school divisions.



Source: Virginia Department of Education, Fall 2015-2016 Fall Membership

ACPS has experienced significant enrollment increases over the past six years and estimates that this growth trend will continue in the upcoming years. In the 2016-2017 school year, ACPS received an additional 569 students, or a 3.9 percent increase in enrollment over the prior year. The City and ACPS are dedicated to ensuring the academic success for each and every student.

Currently, the school division operates one high school with two campuses (a 9th grade campus and a traditional campus for grades 10-12), two middle schools (grades 6 – 8), one pre-K – 8 school, and twelve elementary schools (grades pre-K – 5). ACPS also operates alternative education programs to meet the needs of students, through the flexible online learning Satellite Program and the Chance for Change Academy (an interim education facility). ACPS also operates the Northern Virginia Juvenile Detention Center School.

It should be noted that prior to FY 2015, the middle schools operated as five separate schools located across two separate campuses. In FY 2015, ACPS restructured the five schools back into two comprehensive middle schools to operate as a one school per campus structure.

Most of ACPS school buildings were built between the 1940's and the 1960's.
By 2019, five of the 17 ACPS facilities will be older than 75-years. Mount Vernon, Matthew Maury, George Mason, and Douglas MacArthur elementary schools, and George Washington Middle School will all reach or exceed 75 years of age within

the next five years. Over the next 20 years, an additional seven schools will reach 75- plus years. This underlines our concern for maintenance and replacement of our aged systems and infrastructure.

Local Economic Outlook and Long-term Financial Planning

Since 2009, the Greater Metropolitan Washington DC area economic performance continues to show improvement in increased real estate listings and sales prices. The City of Alexandria and Northern Virginia usually outperform the rest of the Commonwealth. The August 2016 unemployment rate for the City and the Commonwealth are 2.9 percent and 4.1 percent, respectively, a reduction compared to 3.5 percent and 4.9 percent in 2015. These rates continue to be significantly lower than the average national unemployment rate of 5.0 percent for 2016 and 5.3 percent for 2015, respectively.

After four years of declines through 2010, real estate assessments, which generate over half of the City's General Fund revenues, continue to grow. Residential assessments increased by 4.1 percent of value compared to 2015, while commercial assessments increased by 3.7 percent. This marks the sixth year in a row that assessed values have increased.

ACPS is funded from local, state, and federal resources. State and City funds are the two largest sources of revenue and represent approximately 93.5 percent of total revenues. ACPS does not have the authority to levy taxes to directly support education; as such the school division is fiscally dependent on the City. State monies are determined based on our Average Daily Membership (ADM) and the local composite index, which measures a school division's ability to pay education costs to meet the Commonwealth's Standard of Quality (SOQ). Significant funding is also received from federal grants.

Each year, ACPS staff develops and presents a five-year fiscal forecast with varying revenue and expenditure assumptions to facilitate informed decision-making as a part of the budget process. With nearly 82 percent of General Fund revenue derived from the City appropriation, assumptions regarding the City's revenue growth and the resulting increase or decrease in the City appropriation can drive forecast results. Similarly for expenditures, salaries and benefits comprise approximately 87 percent of total General Fund expenditures and assumptions related to salary increases, as well as the growth of healthcare and retirement costs, can also drive forecast results. The most recent forecast shows that the school division will face funding shortfalls that range from approximately $15 million for FY 2018 to over $50 million by FY 2022. Under the Code of Virginia, School Boards are required to adopt a balanced budget which means the projected revenues plus beginning fund balance must fully cover the total estimated expenditures. As a result, the school board and division leadership are analyzing various strategies to increase revenue and reduce costs, while maximizing overall efficiency to ensure structural deficits do not continue.

Major Initiatives

New Strategic Plan Adopted

In June of 2015, the Alexandria City School Board adopted "ACPS 2020," a new set of strategic goals and objectives designed to drive student success over the next five years.

The plan articulates updated mission and vision statements, and establishes six goals:

1. *Academic Excellence and Educational Equity:* Every student will be academically successful and prepared for life, work, and college.

2. *Family and Community Engagement:* ACPS will partner with families and the community in the education of Alexandria's youth.

3. *An Exemplary Staff:* ACPS will recruit, develop, support, and retain a staff that meets the needs of every student.

4. *Facilities and the Learning Environment:* ACPS will provide optimal and equitable learning environments.

5. *Health and Wellness:* ACPS will promote efforts to enable students to be healthy and ready to learn.

6. *Effective and Efficient Operations:* ACPS will be efficient, effective, and transparent in its business operations.

The goals and objectives of ACPS 2020 advances the new mission statement, *"Every Student Succeeds."* The plan will serve as the roadmap, guiding decision-making for the next five years. It focuses on becoming a high-performing school division, by focusing on each individual student and their individual needs, putting an emphasis on equity, through the modernization of facilities so that every student has an optimal learning environment, with equal access to program opportunities, and embracing diversity by ensuring that every child, no matter what their background or where they are from, has access to a great education.

Facilities Expansion Plans

ACPS continues to experience growing enrollment. Enrollment has increased from 12,395 in FY 2012 to 14,729 in FY 2016, and a projected growth of over 17,000 by FY 2027. Creating additional capacity has become a critical need for ACPS, and work has begun to find solutions. These solutions involve both modernization of existing facilities and construction of new facilities.

The planning phase for the new Patrick Henry Pre-K – 8 School is currently underway. This project will replace the existing K–5 school building and is expected to accommodate growth in student enrollment from 600 students, at the current facility, to approximately 900 students in the new building in including grades 6 - 8.

The School Board and staff have been actively performing the necessary due diligence with regards to the prospective purchase of a new elementary school on the west end of Alexandria to accommodate approximately 640 students beginning in the 2018 – 2019 school year. Additionally, a proposal to establish a separate pre-k centers at two elementary schools is presently under consideration within in the next 1 – 5 years.

The modernization program allows for school facilities in poor condition to be completely renovated or replaced to ensure proper learning environments for all students. Under the current capital improvement plan, four elementary schools are slated for modernization within the next ten years to include Douglas MacArthur, Cora Kelly, George Mason, and Matthew Maury.

Enrollment projections indicate that secondary enrollment will vastly exceed capacity in coming years. ACPS is proposing to replace the existing T.C. Williams Minnie Howard 9th Grade Center with a larger, more comprehensive building to accommodate growing enrollment and better serve high school students. A new middle school will also be needed given the current schools are at maximum capacity.

Redistricting School Boundaries
Facility modernization and replacement is not the only effort currently underway to address capacity concerns. Under the School Board's leadership, ACPS has initiated the process of Redistricting, with the goal of implementing new elementary school boundaries. The process will involve significant parent and community input through a variety of ways, and will result in a greater balance of capacity utilization across schools and more elementary school-aged children attending their neighborhood school.

Serving the Needs of our Diverse Student Population
Within the growing enrollment is growth in the number of students with additional needs. Students who are English Language Learners represent nearly 28 percent of the total enrollment. As a response to the educational needs of this group of students, ACPS offers the International Academy program at T.C. Williams High School and Francis Hammond Middle School. This program is designed especially for recent immigrants. Students in this program are learning the English language while working towards an on-time high school graduation to prepare them for college and careers.

Student Performance
Student learning continues to be a priority for the school division. Virginia, under the No Child Left Behind Act flexibility waivers granted by the U.S. Department of Education, established annual measurable objectives (AMOs) for reducing proficiency gaps between students in the commonwealth's lowest-performing and highest-performing schools. These objectives in reading and mathematics have replaced the Adequate Yearly Progress (AYP) targets schools were previously required to meet under the federal education law. Preliminary results indicate that ACPS, as a division, met 14 out of 16 Federal English AMOs and 14 out of 16 Federal Mathematics AMOs. ACPS saw a performance increase across the

division in 2015-2016 with two percentage point increase to passing rates across all students in the areas of English when compared to the previous year.

In 2015-2016, Charles Barrett Elementary School earned full accreditation status by showing large gains in student achievement in the past year across all four content areas. The school achieved 90 percent in English, 94 percent in math, 95 percent in history and 89 percent in science in this year's SOLs. Patrick Henry Elementary School earned full accreditation after previously being accredited with warning last year in English and science.

Staff Training and Development
Teacher training and professional development opportunities continue to be of significant importance as a means for enhancing student achievement. Through the Office of Professional Learning, ACPS provides opportunities to educators to learn research-based instructional models and promising practices that can be incorporated into their daily teaching and leadership roles. Strategies learned through professional development sessions will be modeled and supported by school-based instructional teams. We continue to encourage our teachers to undertake the National Board for Professional Teaching Standards (NBPTS) assessment process as a means of elevating student learning and the quality of instruction. In FY 2016, we had 56 National Board Certified teachers working directly with ACPS students.

Financial Information

ACPS ended the fiscal year in sound financial condition. The government-wide financial statements reflect revenues in excess of expenditures of $10.8 million. General Fund revenues and other financing sources exceeded expenditures by approximately $2.5 million using the modified accrual basis of accounting. The FY 2016 comprehensive annual financial report reflects continued strong and fiscally prudent management practices.

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

Internal Control: ACPS management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school division are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance is based on the assumption that the cost of internal financial controls should not exceed the benefits expected to be derived from their implementation. As a result, one inherent limitation of internal controls is that a certain degree is risk will always be unavoidable because of cost/benefit considerations.

For both general and special revenue funds, ACPS utilizes a fully integrated accounting system as well as an automated system of controls for fixed assets and payroll. These systems, coupled with the manual review of each voucher before payment, ensure that the financial information generated is both accurate and reliable.

The audit for the year ended June 30, 2016, disclosed no material internal control weaknesses or material instances of noncompliance or other violations of laws, regulations, contracts and grant agreements.

Budgetary Control: Under Virginia law (Section 22.1-93), the School Board must prepare and approve an annual budget by May 15 or within 30 days of the receipt of the estimates of state funds, whichever shall later occur. ACPS maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget. The fiscal year begins on July 1 and ends on June 30 with all annual unencumbered appropriations lapsing at year end. Outstanding encumbrances of certain governmental funds at the end of the fiscal year are re-appropriated, as part of the following fiscal year's operating budget.

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

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

Management control is exercised over the budget at the budgetary department level within each fund. ACPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at the end of the fiscal year in the general fund, grants and special projects fund, and the school food services fund are carried forward and available in the subsequent fiscal year as appropriate.

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

Other Information

Awards

Certificate of Excellence (ASBO): The Association of School Business Officials International (ASBO) awarded the Alexandria City Public Schools a Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. This is the 13^{th} consecutive year that ACPS has achieved this prestigious award.

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

Certificate of Achievement (GFOA): The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 6th year ACPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement by the GFOA, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition to the two awards for excellence in financial reporting described above, ACPS has also earned the *Meritorious Budget Award* from the ASBO and the *Distinguished Budget Presentation Award* from the GFOA for the fiscal year ended June 30, 2016. These awards are valid for one period only and we believe that our budget report continues to conform to the program requirements of both organizations. We will be submitting our fiscal year 2017 budget to ASBO and GFOA to determine the School Board's eligibility for another certificate award.

Acknowledgements

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

Respectfully submitted,

Alvin L. Crawley, Ed.D.
Superintendent

Stacey B. Johnson
Chief Financial Officer

Michael A. Covington
Director, Accounting

School Board

Karen A. Graf ....Chairman
Christopher J. Lewis...Vice-Chairman
Cindy Anderson .... Member
Ronnie Campbell... Member
William E. Campbell .... Member
Hal Cardwell .... Member
Ramee A. Gentry... Member
Margaret Lorber.. Member
Veronica Nolan .... Member

Jennifer Abbruzzese......... ....Clerk of the Board
Susan Neilson......... .... Deputy Clerk of the Board

Superintendent's Leadership Team

Dr. Alvin L. Crawley .... Superintendent of Schools
Stacey Johnson .... Chief Financial Officer, Superintendent's Designee
Dr. Terri Mozingo ....Chief Academic Officer, Superintendent's Designee
Joseph P. Makolandra ... .Chief Human Resources Officer
Dr. Elizabeth Hoover.. ....Chief Technology Officer
Clinton Page ....Chief Accountability Officer
Clarence Stukes ....Chief Operating Officer
Dr. Julie Crawford ....Chief Student Services, Equity and Alternative Programs Officer
Dr. Lisa Piehota ....Executive Director, Elementary School Instruction
Gerald Mann ....Executive Director, Secondary School Instruction
Anthony Kurt Huffman .... Director, School, Business and Community Partnerships
Helen Lloyd .... Director, Communications


Alexandria City School Board
Clerk of the Board and Policy Liaison Jennifer Abbruzzese
Dr. Alvin Crawley Superintendent
Office of Communications
Curriculum and Instruction Superintendent Designee Dr. Terri Mozingo
Adult Education
Curriculum Design and Instructional Services
Early Childhood
EL Services
Library/Media
Specialized Instruction
Talent Development
Talented and Gifted Services
Title I Programs
School, Business and Community Partnerships
Anthony Kurt Huffman
ACPS Partners
Business Advisory Council
Community-Funded Facilities Projects
Family and Community Engagement
Grants Development
Volunteer Services
Students and Schools
Pre-K-5 Principals
K-5 Principals
Pre-K-8 Principals
Middle School Principals
High School Principal
Alternative Programs
Student Services, Alternative Programs and Equity
Dr. Julie Crawford
Alternative Education Programs
Equity and Cultural Competence
Family Educational Rights and Privacy Act (FERPA)
Homelessness
Home Schooling
School Counseling Services
School Health Services
School Psychology Services
School Social Worker Services
Student Hearings
Title IX Compliance
Elementary School Instruction
Dr. Lisa Piehota
Administrative Transfers
Elementary Principals
Leadership Development
Summer Learning Programs
Financial Services Superintendent Designee
Stacey B. Johnson
Accounting Services
Audit Support
Budget and Financial Planning
Financial Systems and Reporting
Fiscal Procedures and Compliance
Grants Management
Payroll Services
Procurement and General Services
Secondary School Instruction
Gerald Mann
Administrative Transfers
Middle and High School Principals
Summer Learning Programs
Human Resources
Joseph Makolandra
Compensation and Benefits
Employee Relations
Employment Services
Licensure
Onboarding
Succession Planning
Accountability
Clinton Page
Data Analysis & Reporting
Evaluation & Research
Technical Support
Test Administration
Technology Services
Dr. Elizabeth Hoover
Education and Business Applications
Freedom of Information Act (FOIA)
Help Desk
Instructional Technology
Network Infrastructure
Online Learning
Records Management
Student Data
Web Services
Operations
Clarence Stukes
Educational Facilities
Emergency Management
Pupil Transportation
School Nutrition Services

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting Award
is presented to

Alexandria City Public Schools

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015

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

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso, CAE, RSBA
Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alexandria City Public Schools
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #1
Academic Excellence and Educational Equity: Every student will be academically successful and prepared for life, work, and college.

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Members of the Alexandria City School Board
City of Alexandria Public Schools, Virginia

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ACPS as of June 30, 2016, and the respective changes in financial position and cash flows where applicable, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of ACPS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACPS's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 14, 2016

Alexandria City Public Schools

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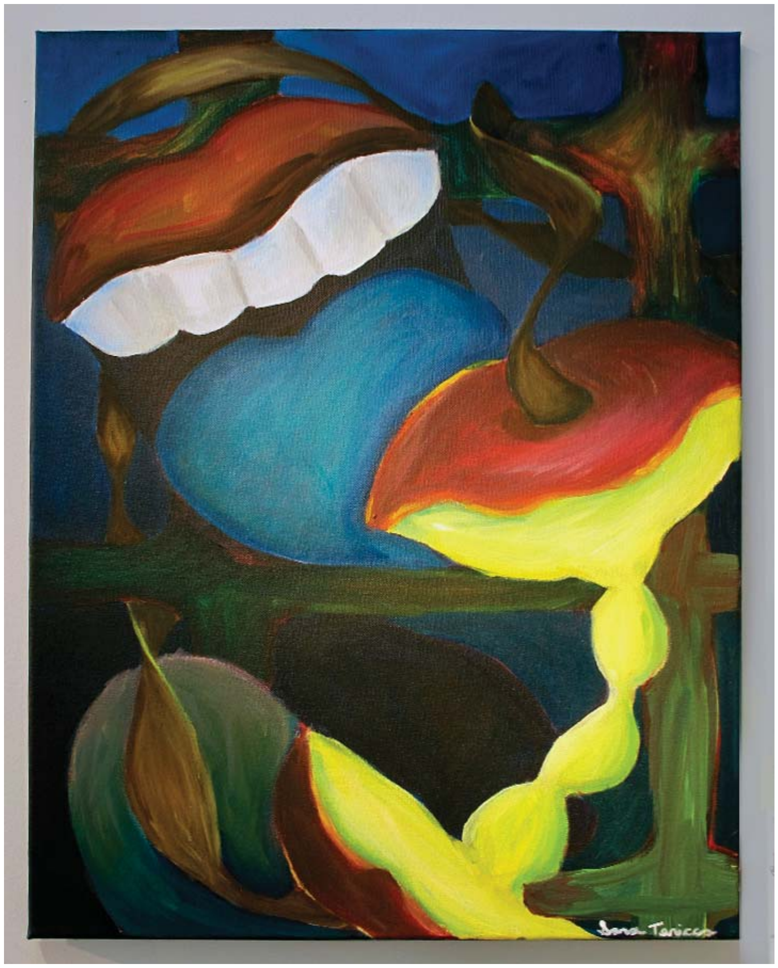
FINANCIAL SECTION

Management's Discussion & Analysis



ACPS' goal #2

Family and Community Engagement: ACPS will partner with families and the community in the education of Alexandria's youth.

Introduction

Our discussion and analysis of Alexandria City Public Schools' (ACPS) financial performance provides an overview of ACPS' financial activities for the fiscal year ended June 30, 2016. The intent of this management discussion and analysis is to consider ACPS' financial performance as a whole. Readers should also review the letter of transmittal, basic financial statements, notes to the basic financial statements, and supplementary information to enhance their understanding of ACPS' financial performance.

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

Financial Highlights

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The financial status of ACPS, as reflected by net position, improved by $10.8 million to a deficit of $167.7 million at June 30, 2016. The total net position is comprised of $8.8 million invested in capital assets, $0.9 million is restricted for grant programs and $11.7 million is restricted for health benefits reserves. The unrestricted net position decreased by $16.1 million, to a total deficit of $189.0 million.

The deficit in unrestricted net position reflects the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which ACPS implemented in FY 2015. As a result of these pronouncements, ACPS recorded the net pension liability or asset, deferred inflows and outflows of resources, and pension expense for the three public employee retirement plans for ACPS employees. These Statements are discussed further in the following section and the Notes to the Basic Financial Statements.

On a government-wide basis for governmental activities, the school division's revenues of $262.5 million exceeded expenditures of $251.7 million by $10.8 million.

FUND FINANCIAL STATEMENTS

As of the close of the current fiscal year, ACPS' governmental funds reported combined ending fund balances of $23.0 million, an increase of $3.7 million in comparison with the prior year. Of this $23.0 million combined fund balance, $5.0 million is available as unassigned fund balance and may be designated for use at the discretion of the School Board or management.

At June 30, 2016, the General Fund reported an ending fund balance of $14.9 million, an increase of $2.5 million from June 30, 2015. The fiscal year 2016 original budget included a planned use of fund balance in the amount of $3.2 million due to ongoing fiscal constraints.

Overview of the Financial Statements

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

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

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

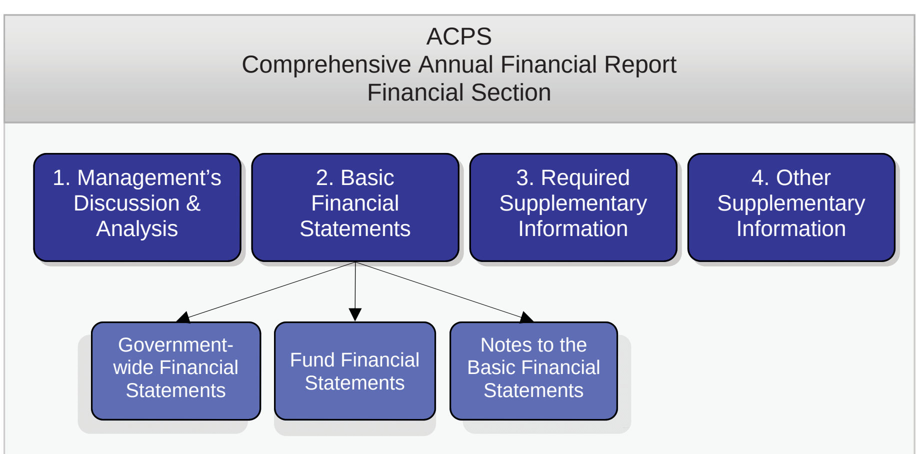
The remaining statements are fund financial statements that focus on the individual funds of ACPS, providing primarily short-term information. Fund statements report operations in more detail than government-wide statements.

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

The required supplementary information further enhances the financial statements with budgetary comparisons and pension trend data. The budgetary comparisons provide three separate types of information: the original budget, the final amended budget and the actual expenditures. Two schedules of actuarial information are required to be presented in connection with OPEB Trust: a schedule of funding progress and a schedule of employer contributions. With the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, three additional statements are required to be presented in connection with the defined benefit plans; schedule of employer contributions, schedule of changes in net pension liability and a schedule of employer's share of net pension liability.

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

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



ACPS implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Applications, and Statement No. 82, Pension Issues, for the reporting period of June 30, 2016.

Statement No. 72 addresses the accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

See Note 2.D-Deposits and Investments for additional information in the footnote disclosures to our basic financial statements.

Statement No. 82, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning June 15, 2016, however earlier application is encouraged by the GASB. ACPS has elected to early adopt the requirements of this Statement in the current year financial statements.

As a result, amounts reported as “covered employee payroll” for 2015 have been changed to report “covered payroll” amounts for 2015 and 2016 in Exhibit XIII-1, Schedule of Employer Contributions, Exhibit XIII-2, Schedule of Changes in Net Pension Liability and Exhibit XIII-3, Schedule of Employer’s Share of Net Pension Liability in the Required Supplementary Information section.

Government-wide Financial Statements

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

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

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

Financial Analysis of ACPS as a Whole

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

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

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

Net position. The table below, provides a summary of ACPS' net position as of June 30, 2016 compared to June 30, 2015.

Summary of Net Position
As of June 30

	Governmental Activities			Percentage Change
	2016	2015	Variance	2016-2015
ASSETS				
Current assets	$ 75,457,555	$ 72,935,229	$ 2,522,326	3.5%
Net OPEB asset	1,776,728	1,786,221	(9,493)	-0.5%
Net Pension Assets	15,918,323	23,271,165	(7,352,842)	-31.6%
Capital assets, net	8,814,080	9,862,313	(1,048,233)	-10.6%
Total assets	101,966,686	107,854,928	(5,888,242)	-5.5%
DEFERRED OUTFLOWS OF RESOURCES	33,540,252	19,381,485	14,158,767	73.1%
LIABILITIES				
Current liabilities	38,654,541	36,750,865	1,903,676	5.2%
Long-term liabilities	9,251,150	9,357,675	(106,525)	-1.1%
Net pension liabilities	226,749,000	213,986,000	12,763,000	6.0%
Total liabilities	274,654,691	260,094,540	14,560,151	5.6%
DEFERRED INFLOWS OF RESOURCES	28,529,400	45,619,186	(17,089,786)	-59.9%
NET POSITION				
Net investment in capital assets	8,814,080	9,862,313	(1,048,233)	-10.6%
Restricted	12,526,032	16,773,840	(4,247,808)	-25.3%
Unrestricted	(189,017,265)	(205,113,466)	16,096,201	-7.8%
Total net position	$ (167,677,153)	$ (178,477,313)	$ 10,800,160	-6.1%

- **Current Assets** increased by $2.5 million or 3.5 percent from fiscal year 2015. The increase was primarily due to increases in balances due from the City and prepaid items, offset by decreases in amounts reimbursable from the Commonwealth and federal grants.

- **Net Pension Assets** decreased by $7.4 million, or 31.6 percent. The net pension asset in the Supplemental Retirement Plan decreased by $8.0 million, primarily due to lower investment performance compared to the prior year, and the net pension asset in the VRS non-professional plan increased by $0.7 million, compared to the prior year.

- **Capital assets, net of depreciation** decreased by $1.0 million or 10.6 percent from the prior year. This is due to increased current year depreciation in excess of capital asset additions. Although ACPS' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The Code of Virginia precludes school divisions from issuing general obligation debt. As a result, the City issues general obligation debt for ACPS and includes in its financial statements the general obligation debt related to ACPS' capital assets. See Note 5 for additional information on capital assets.

- **Deferred Outflows of Resources** increased by $14.2 million, or 73.1 percent, primarily due to increases in deferred pension contributions of $3.0 million and deferred outflows of expected/ actual investment earnings and actual employer contributions versus proportionate share of $11.0 million.

- **Current liabilities** increased by $1.9 million, or 5.2 percent. Accounts payable and unearned revenue decreased by 2.0 million; offset by increases in accrued personnel services of $4.0 million.

- **Net Pension Liabilities** increased by $12.8 million, or 6.0 percent, in fiscal year 2016. Net pension liabilities were increased by net deferred inflows of $16.0 million, net deferred outflows of $3.5 million and net pension expenses of $12.6 million, while net pension liabilities were decreased by the application of pension contributions deferred from FY 2015.

- **Deferred Inflows of Resources** decreased by $17.1 million in FY 2016. Of this, $16.0 million is related to changes in the VRS professional retirement plan, and $1.3 million related to the Employees' Supplemental Plan. Deferred inflows related to the VRS non-professional retirement plan increased by $0.3 million. These changes reflect differences between the projected and actual investment earnings, projected and actual pension experience and changes in ACPS' proportionate share of the total VRS Teacher Retirement Plan.

Changes in net position. The following table presents the changes in net position from fiscal year 2015 to 2016:

Changes in Net Position
For the fiscal years ending, June 30

Governmental Activities

	2016	2015	Variance	% Change
Revenues				
Program revenues:				
Charges for services	$ 2,193,679	$ 1,954,159	$ 239,520	12.3%
Operating grants and contributions	18,398,056	17,152,274	1,245,782	7.3%
General revenues:				
City appropriation	202,798,138	196,303,878	6,494,260	3.3%
State aid	38,776,618	35,999,443	2,777,175	7.7%
Other local funds	331,334	686,690	(355,356)	-51.7%
Total revenues	**262,497,825**	**252,096,444**	**10,401,381**	4.1%
Expenses				
Instructional:				
General instruction	185,579,090	178,975,925	6,603,165	3.7%
Adult education	1,021,582	957,153	64,429	6.7%
Summer school	1,121,039	792,906	328,133	41.4%
Support Services:				
Administration	17,873,172	16,485,282	1,387,890	8.4%
Attendance and health services	5,560,676	5,704,138	(143,462)	-2.5%
Pupil transportation	10,646,893	9,344,396	1,302,497	13.9%
Plant operations and maintenance	19,391,281	18,475,458	915,823	5.0%
Operation of Noninstructional Services:				
Food services	8,309,824	7,619,108	690,716	9.1%
Capital improvement services	2,194,108	4,166,558	(1,972,450)	-47.3%
Total expenses	**251,697,665**	**242,520,924**	**9,176,741**	3.8%
Change in net position	10,800,160	9,575,520	1,224,640	12.8%
Net Position-beginning balance	(178,477,313)	(188,052,833)		
Net Position-ending balance	**$ (167,677,153)**	**$ (178,477,313)**		

- Net Position increased by $10.8 million, or 12.8 percent, to a deficit of $167.7 million in fiscal year 2016 from a deficit of $178.5 million in fiscal year 2015. Total revenues increased by $10.4 million or 4.1 percent from fiscal year 2015, while expenses increased by $9.2 million or 3.8 percent.

- The City appropriation and general state aid accounted for most of ACPS' revenue, representing 92 cents of every dollar of revenue received. The remaining 8 cents of every dollar of revenue is funded with federal and state aid for specific programs, charges for services, and miscellaneous revenues.

- The majority of ACPS's expenditures are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation and school nutrition. These services account for 84 cents of every dollar spent. The remainder supports administrative costs (7 cents per dollar), operations and maintenance (8 cents per dollar), and construction and renovations (1 cent per dollar).

Key elements of these changes during fiscal year 2016 were as follows:

- Operating grants and contributions increased by $1.2 million or 7.3 percent. This is due to a $0.4 million increase in Food Service grants, and a $0.8 million increase in grant revenues to support general instruction.

- The City appropriation increased 3.3 percent to $202.8 million. The total increase of $6.5 million includes an increase in the City's general appropriation of $7.0 million (to a total of $198.8 million) and a decrease in the capital projects revenue of $0.5 million (to a total of $4.0 million).

- State Aid increased 7.7 percent to $38.8 million, primarily due to increased sales tax and basic aid revenues of approximately $1.1 million and medicaid revenues of $1.0 million.

- Other local funds decreased by $0.4 million or 52.0 percent due to a reduction in federal grant indirect cost recoveries, associated with decreased federal grant spending and a reduction in the State approved recovery rate.

- The total expenses for governmental activities increased by $9.2 million in FY 2016. The increase was primarily affected by the following:

    - General Instructional expenditures increased overall by $6.6 million, or 3.7 percent, primarily due to increases in personnel and instructional costs associated with growth in overall enrollment and the number of students with additional needs, such as English language learning and special education. The growth in general instructional expenditures reflects the continued realignment of our operating budget to dedicate more resources towards classroom instruction.

    - Plant operations expenditures increased by $0.9 million, or 5.0 percent, due to increased building lease costs, costs for maintenance of ACPS facilities and utilities.

    - Pupil Transportation expenditures increased by $1.3 million, or 13.9 percent. Significant changes included increases in labor and benefits costs, public carriers, and vehicle maintenance, all associated with the additional transportation requirements of increased student enrollment.

    - Administration expenses increased by $1.4 million or 8.4 percent.

Fund Financial Statements

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

Governmental Funds

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

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

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

The Board adopts an annual appropriated budget for all governmental funds. For fiscal year 2016, all governmental funds have been designated as major funds. The budgetary comparison schedules for the General, Grants and Special Projects and School Nutrition funds have been provided in the Required Supplementary Information section of this report (Exhibits IX, X and XI respectively).

At the end of FY 2016, ACPS' governmental funds reported combined fund balances of $23.0 million, an increase of $3.7 million in comparison with fiscal year 2015. Of this combined total fund balance, $1.5 million or 6.5 percent constitutes non-spendable fund balance which reflects inventories and prepaid items that are in a non-liquid form and cannot be spent, $0.9 million or 3.7 percent constitutes restricted fund balance which is externally restricted for grant programs, $7.0 million or 30.4 percent constitutes committed fund balance which includes $5.1 million designated by the School Board for use in fiscal year 2017 and a school board reserve of $1.9 million designated by resolution in May 2016, $8.6 million or 37.6 percent constitutes assigned fund balance which is designated for capital projects, school nutrition programs and outstanding encumbrances at year-end, and $5.0 million or 21.9 percent constitutes unassigned fund balance which is not constrained at all and can be used for any purpose by the Board. See Note 12 for additional information on our fund balance designations.

The following schedules present a summary of the General Fund by type of revenue and expenditures by function for the period ended June 30, 2016 as compared to June 30, 2015. They also depict the amount and percentage increases and decreases in relation to prior year amounts reported.

General Fund Revenues

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

Revenues for the General Fund totaled $238.4 million for 2016, which was $9.5 million or approximately 4.2 percent higher than revenues received in 2015. The majority of annual funding received by ACPS is paid by the City, which provided an appropriation of $198.8 million in FY 2016. This represented an increase of $7.0 million or 3.6 percent over the FY 2015 appropriation. The second largest revenue source is from the Commonwealth of Virginia. Income from the Commonwealth increased $2.8 million, or 7.7 percent, to a total of $38.8 million in FY 2016, primarily due to additional state sales taxes and basic aid.

Tuition and fees remained relatively steady compared to FY 2015.

Other local revenue sources decreased by 44.1 percent, primarily due to a reduction in federal grant indirect cost recoveries, associated with decreased federal grant spending and a reduction in the recovery rate.

General Fund Revenues by Source

	FY 2016		FY 2015		Increase (Decrease) from FY 2015	
Source	Amount (thousands)	Percent of Total	Amount (thousands)	Percent of Total	Amount (thousands)	Percentage Change
City of Alexandria	$ 198,811	83.4 %	$ 191,812	83.8 %	$ 6,999	3.6 %
State Aid	38,777	16.3	35,999	15.7	2,778	7.7
Federal Aid	121	0.1	119	0.1	2	1.7
Tuition and Fees	379	0.2	377	0.2	2	0.5
Other Local Funds	331	0.1	592	0.3	(261)	(44.1)
Total Revenues	$ 238,419	100.0 %	$ 228,899	100.0 %	$ 9,520	4.2 %

Amounts may not add due to rounding

General Fund Expenditures & Other Financing Sources and Uses

General Fund expenditures totaled $236.7 million for fiscal year 2016, which was an increase of $6.8 million, or 3.0 percent from fiscal year 2015. The following illustration presents the amounts of General Fund expenditures by function and the increase or decrease from the previous year for each function, as well as, the comparison of other financing sources and uses with the prior year.

For fiscal year 2016, the School Board awarded a full step increase to all eligible employees and a 2% bonus was awarded to those employees at the top of the salary scale. This increase in personnel cost is reflected in all ACPS functions. Other significant changes in operating fund expenditures are summarized below:

General Fund Expenditures by Function and Other Financing (Sources) Uses

	FY 2016		FY 2015		Increase (Decrease) From FY 2015	
Function	Amount (thousands)	Percent of Total	Amount (thousands)	Percent of Total	Amount (thousands)	Percent Change
General instruction	$ 182,376	77.0 %	$ 175,228	76.2 %	$ 7,148	4.1 %
Adult education	645	0.3	601	0.3	44	7.3
Summer school	1,121	0.5	793	0.3	328	41.4
Administration	16,791	7.1	17,852	7.7	(1,061)	(5.9)
Attendance and health	5,822	2.5	5,932	2.6	(110)	(1.9)
Pupil transportation	9,958	4.2	10,050	4.4	(92)	(0.9)
Plant operations and maintenance	19,347	8.2	18,769	8.2	578	3.1
Food services	647	0.3	674	0.3	(27)	(4.0)
Total Expenditures	$ 236,707	100.0 %	$ 229,899	100.0 %	$ 6,808	3.0 %
Other Financing (Sources) Uses						
Transfers In	$ (2,102)		$ (3,645)		$ 1,543	(42.3) %
Transfers Out	1,334		1,229		105	8.5 %
Total Other Financing (Sources) Uses, net	$ (768)		$ (2,416)		$ 1,648	

Amounts may not add due to rounding

- General instruction costs increased by $7.1 million, or 4.1 percent, due to instruction-based positions added to the budget, driven by continued student enrollment growth and the growing population of students with additional needs.

- Plant operations expenditures increased by $0.6 million, or 3.1 percent, due to increased costs for building leases, maintenance of ACPS facilities, utilities, and outsourcing of security and custodial services.

- Pupil Transportation expenditures decreased by $0.1 million, or 0.9 percent, due to decreases in labor and benefits costs, public carriers, and vehicle maintenance.

- Administration expenses decreased $1.1 million, or 5.9 percent, primarily due to reductions in employee health benefits costs, partially offset by increased purchased services costs(ie, legal services, temporary staffing and consulting).

The net total of Other Financing Sources and Uses decreased by $1.6 million, from a net source of $2.4 million in FY 2015 to a net source of $0.8 million in FY 2016. Total financing sources includes transfers from the health benefits fund of $1.3 million and $0.8 million of excess fund balance from the Grants and Special Projects Fund (Medicaid and E-rate). Total financing uses of $1.3 million from the operating fund to the Grants and Special Projects Fund reflect ACPS' contribution to the Virginia Preschool Initiative program.

Fund Balances

The FY 2016 General Fund Original Budget, as adopted by the School Board, reflected the usage of $3.3 million of fund balance committed to offset the amount of budgeted expenditures and funds transfers that exceeded budgeted revenues. This budgeted usage of fund balance is consistent in the General Fund budget adoption process of prior years. At the close of FY 2016, general fund balance was increased by $2.5 million.

The Grant and Special Projects Fund is used to account for federal, state, and local grants restricted for specified school purposes by the grantor. During FY 2016, federal grant funding decreased by $0.1 million, or 1.1 percent, reflecting decreases in IDEA special education awards. At June 30, 2016, the Grants and Special Projects Fund balance consisted of $0.9 million restricted for the purposes specified in the grant awards.

The Capital Projects Fund is used to account for the acquisition, renovation or construction of ACPS facilities. Payments for all capital projects initiated by ACPS, in accordance with the School Board and City Council approved ACPS capital plan, are processed and disbursed by the City. The $2.7 million fund balance in the Capital Projects Fund at June 30, 2016 represents those capital projects that were funded by the City without using debt proceeds.

As previously stated, certain school assets and projects may be financed with the City's general obligation bonds and as a result, disbursements for those activities are recorded as part of the primary government. Any capital debt financing activities are reported in the City's financial statements, and are not reflected in ACPS financial statements. According to law, the tenancy in common ends when the associated debt obligation is repaid, at which time the related assets revert to the School Board. No capital assets reverted to ACPS in 2016, due to the end of the tenancy in common.

The School Nutrition Fund is used to account for the preparation and serving of student meals. At the end of 2016, the School Nutrition fund balance reflected $0.3 million in nonspendable fund balance for inventory and prepaid items and $4.2 million in assigned fund balance for school nutrition operations. This fund is self-funded by the revenues earned and does not rely upon the General Fund to support its operations. Currently, the total fund balance represents approximately 4 months of operating costs and reflects the financial stability of this self-funded operation.

Capital assets

At June 30, 2016, ACPS had $8.8 million invested in land, buildings and building improvements, and furniture and equipment for governmental activities, net of accumulated depreciation (see Note 5 for additional information on capital assets). This amount represents an decrease of $1.0 million from last year due to depreciation exceeding capital additions for the current year.

Other major capital projects during fiscal year 2016 included the following:

- Capacity Projects- $4.4 million was spent on capacity related projects across the division including $2.0 million installing modular classrooms at Charles Barrett Elementary School and $1.3 million for modular classrooms at James Polk Elementary School.
- Enhancing Facilities ADA Compliancy- Approximately $1.2 million was spent to install ADA compliant elevator projects at Francis C. Hammond Middle School and William Ramsay Elementary School.
- Roof Replacement- Approximately $1.6 million was spent on the continued roof replacement projects at George Washington and Francis C. Hammond Middle Schools.

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

Capital Assets
(net of accumulated depreciation)
As of June 30

	Governmental Activities			
	2016	**2015**	**Increase (Decrease)**	**Percentage Change**
Land and land improvements	$ 999,381	$ 999,381	$ -	- %
Buildings and building improvements	2,153,477	2,287,718	(134,241)	(5.9)
Furniture and equipment	5,661,222	6,575,214	(913,992)	(13.9)
Totals	**$ 8,814,080**	**$ 9,666,297**	**$ (852,217)**	**(8.8) %**

General Fund Budgetary Highlights

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

The budget is prepared by fund, organizational unit and account. During the fiscal year, upon receiving the final allocation from the State, transfers and adjustments are made to the budget allocation.

The following schedule presents a summary of the General Fund revenues and expenditures by type compared to the original and final budgets for the period ended June 30, 2016. Revenues in the original budget totaled $236.3 million, and were unchanged in the final budget. Expenditures in the original budget were $240.3 million, while the final budget totaled $241.5 million. The final expenditure budget reflects zero-sum changes made throughout the year, plus the increase associated with the expenditures of funds encumbered at the end of FY 2015.

General Fund
Revenues and Expenditures
Budget to Actual Comparison

	FY 2016			
	Original Budget	**Final Budget**	**Actual**	Variance from Final Budget Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	$ 198,811,472	$ 198,811,472	$ 198,811,472	$ -
State aid	36,315,348	36,315,348	38,776,618	2,461,270
Federal aid	114,655	114,655	121,133	6,478
Tuition and fees	547,016	547,016	379,411	(167,605)
Other local funds	559,503	559,503	331,334	(228,169)
Total Revenues	236,347,994	236,347,994	238,419,968	2,071,974
Expenditures				
Salaries	154,434,888	154,179,063	153,495,475	(683,588)
Benefits	52,997,501	52,918,946	52,480,610	(438,336)
Purchased Services	13,081,350	13,398,150	11,725,714	(1,672,436)
Other Charges	10,115,701	9,671,726	8,910,927	(760,799)
Materials and Supplies	7,200,997	7,698,652	6,820,838	(877,814)
Capital Outlay	2,455,880	3,594,618	3,273,788	(320,830)
Total Expenditures	240,286,317	241,461,155	236,707,352	(4,753,803)
Excess (deficiency) of revenue over (under) expenditures	(3,938,323)	(5,113,161)	1,712,616	6,825,777
Other Financing Sources (Uses)				
Transfers In	2,102,054	2,102,054	2,102,054	-
Transfers Out	(1,423,882)	(1,423,882)	(1,334,445)	(89,437)
Total Other Financing Sources and Uses	678,172	678,172	767,609	(89,437)
Change in Fund Balance	$ (3,260,151)	$ (4,434,989)	$ 2,480,225	$ 6,915,214

- Actual General Fund revenues exceeded the final budget by $2.1 million or 0.9 percent, primarily due to increased sales tax and basic school aid collections and Medicaid program revenues. Expenditures were $4.8 million or 2.0 percent less than the final budget.
- Actual combined salaries and benefits expenditures totaled $206.0 million, which is $1.1 million or 1.3 percent less than the final budget. This savings is associated with position vacancies and corresponding benefits.

- Actual purchased services were less than the final budget by $1.7 million or 12.5 percent, due to lower than planned expenditures for professional and contractual services, maintenance and cleaning services and contracts, and miscellaneous other management and professional services.

- Actual other charges were less than the final budget by $0.8 million or 7.9 percent due to lower than planned expenditures for utilities, including electricity and natural gas; education-related travel; and awards and grants.

- Actual materials and supplies were less than the final budget by $0.9 million or 11.4 percent primarily due to lower than planned expenditures for instructional supplies; software/online charges; food supplies; minor equipment; and vehicle fuel, parts and supplies.

- Actual capital outlay expenditures were less than budget by $0.3 million or 8.9 percent due to lower than planned costs for technology equipment; furniture and fixtures, and grounds maintenance equipment.

The budget variances above do not include the value of any outstanding encumbrances that remained open at year end. There were outstanding encumbrances for the general fund totaling $1.7 million, that were carried over into FY 2017.

Fiduciary Funds

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

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

Economic Factors and 2016 Fiscal Year Budget

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

For FY 2016, enrollment increased to 14,729 students. From FY 2013 through FY 2016, the elementary school enrollment has increased approx. 8.9 percent, from 7,563 to 8,239 students. Middle school has increased 20.7 percent, from 2,350 to 2,837 students and high school has increased 15.1 percent, from 3,122 to 3,594 students; for a total growth of 1,635 students.

Projected enrollment for the 2016-17 school year includes a 4.4 percent growth (about 648 students) and over the next ten years through FY 2026, enrollment growth is projected to increase to approximately 18,860 students, or a total growth of 28.0 percent compared to our current level. ACPS has maintained smaller class sizes for an enhanced learning environment for students. Class size caps — 22 for kindergarten, 24 for grades 1 and 2, and 26 for grades 3 to 5 in elementary schools, remain competitive with other school divisions in Northern Virginia.

The significant capacity needs that face ACPS require additional resources of space and staff to serve the needs of students. Planning for a new Patrick Henry K-8 school, to replace the current K-5 elementary school, is underway. Division-wide capacity solutions are currently under consideration, with particular focus on secondary school capacity. Achieving the capacity to serve our growing population of students is a challenge that provides significant spending pressure on our capital projects budget.

ACPS' growing student population continues to reflect very diverse demographics and special needs. Our students represent 127 different countries and speak 115 native languages. The enrollment in the English Language Learners (ELL) program represents 28.4 percent of total student population for FY 2015 and is one of the highest percentage of students receiving ELL services in the Northern Virginia school divisions. The proportion of our students participating in the free and reduced-price meal program in FY 2009 was 52.3 percent and this has increased in FY 2016 to 58.8 percent, which is the highest percentage of the Northern Virginia school divisions. This is significantly different than the general Alexandria City population, which has only 7.8 percent of the population living under the poverty line based on the U.S. Census Bureau, 2011-2013, data.

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

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

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

In May 2016, the School Board adopted a balanced budget for fiscal year 2017 that reflected General Fund resources of $253.4 million, which includes the approved use of $5.1 million of available unrestricted fund balance. The FY 2017 budget reflects a thorough review of all programs and services to focus on student achievement.

The total expenditures of $253.4 million in the FY 2017 final operating budget is an increase of 5.5 percent compared to the FY 2016 final budget. The appropriation to ACPS from the City of Alexandria is $206.6 million an increase of 3.9 percent compared to the FY 2016 final budget. Total positions funded through combined funds show a net increase of 88.63 FTE or 3.7 percent, for a total of 2,495.26 FTEs.

Contacting the Alexandria City Public Schools Financial Management

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

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FINANCIAL SECTION

Basic Financial Statements

ACPS' goal #3

An Exemplary Staff: ACPS will recruit, develop, support, and retain a staff that meets the needs of every student.

Exhibit I

Alexandria City Public Schools, Virginia
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Due from the City of Alexandria	$ 68,303,572
Due from other governments	5,184,991
Other receivables	449,521
Prepaid items and other assets	1,212,692
Inventories	306,779
Net OPEB asset	1,776,728
Net pension assets	15,918,323
Capital assets:	
Land	999,381
Other capital assets, net	7,814,699
Total assets	**101,966,686**
Deferred Outflows of Resources	
Difference between expected/actual investment earnings	7,557,742
Difference between employer contributions and proportionate share	3,497,000
Differences between expected/actual experience	105,666
Employer retirement contributions after measurement date	22,379,844
Total deferred outflows of resources	**33,540,252**
Total assets and deferred outflows of resources	**$ 135,506,938**
Liabilities	
Accrued personnel services	$ 28,665,831
Accounts payable	5,955,589
Unearned revenue	2,191,960
Long-term liabilities due within one year	1,841,161
Long-term liabilities:	
Compensated absences	6,428,290
Workers' Compensation	293,684
Rent abatement	2,529,176
Net pension liabilities	226,749,000
Total liabilities	**274,654,691**
Deferred Inflows of Resources	
Difference between expected/actual experience	4,077,510
Difference between employer contributions and proportionate share	4,526,000
Difference between projected and actual investment earnings	19,925,890
Total deferred inflows of resources	**28,529,400**
Net Postion	
Net investment in capital assets	8,814,080
Restricted, for grant programs	856,880
Restricted for health benefits	11,669,152
Unrestricted	(189,017,265)
Total net postion	**(167,677,153)**
Total liabilities, deferred inflows of resources and net position	**$ 135,506,938**

See accompanying notes to the basic financial statements.

Exhibit II

Alexandria City Public Schools, Virginia

Statement of Activities

For the Year Ended June 30, 2016

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Instructional:				
General instruction	$ 185,579,090	$ 112,034	$ 12,015,676	$ (173,451,380)
Adult education	1,021,582	67,274	-	(954,308)
Summer school	1,121,039	58,533	-	(1,062,506)
Support Services:				
Administration	17,873,172	-	-	(17,873,172)
Attendance and health services	5,560,676	-	-	(5,560,676)
Pupil transportation	10,646,893	-	-	(10,646,893)
Plant operations and maintenance	19,391,281	187,600	-	(19,203,681)
Operation of Non-instructional Services:				
Food services	8,309,824	1,768,238	6,382,380	(159,206)
Capital Improvement Services	2,194,108	-	-	(2,194,108)
Total governmental activities	$ 251,697,665	$ 2,193,679	$ 18,398,056	(231,105,930)
General revenues:				
Unrestricted intergovernmental revenue				
City of Alexandria				202,798,138
Commonwealth of Virginia				38,776,618
Other				331,334
Total general revenues				241,906,090
Change in net position				10,800,160
Net position-July 1, 2015				(178,477,313)
Net position-June 30, 2016				$ (167,677,153)

See accompanying notes to the basic financial statements.

Exhibit III

Alexandria City Public Schools, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Assets					
Due from the City of Alexandria	$ 64,887,539	$ 3,416,033	$ -	$ -	$ 68,303,572
Due from other governments	1,983,865	-	2,665,971	535,155	5,184,991
Due from other funds	-	-	-	4,409,299	4,409,299
Other receivables	-	-	365,462	1,236	366,698
Prepaid items and other assets	1,179,512	-	2,900	30,280	1,212,692
Inventories	-	-	-	306,779	306,779
Total assets	$ 68,050,916	$ 3,416,033	$ 3,034,333	$ 5,282,749	$ 79,784,031
Liabilities					
Accrued personnel services	$ 28,686,799	$ -	$ 785,810	$ 409,985	$ 29,882,594
Accounts payable and accrued liabilities	3,729,091	730,999	319,599	128,986	4,908,675
Unearned revenue	26,707	-	148,499	193,778	368,984
Rent abatement credit	2,741,420	-	-	-	2,741,420
Due to other funds	17,941,972	-	923,545	-	18,865,517
Total liabilities	53,125,989	730,999	2,177,453	732,749	56,767,190
Fund Balances					
Nonspendable	1,149,724	-	-	335,219	1,484,943
Restricted	-	-	856,880	-	856,880
Committed	6,996,799	-	-	-	6,996,799
Assigned	1,745,472	2,685,034	-	4,214,781	8,645,287
Unassigned	5,032,932	-	-	-	5,032,932
Total fund balances	14,924,927	2,685,034	856,880	4,550,000	23,016,841
Total liabilities and fund balances	$ 68,050,916	$ 3,416,033	$ 3,034,333	$ 5,282,749	$ 79,784,031

See accompanying notes to the basic financial statements.

Exhibit III-1

Alexandria City Public Schools, Virginia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Total fund balances-governmental funds		$ 23,016,841
Amounts reported for governmental activities in the statement of net position are different from amounts reported for governmental funds because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)		
Non-depreciable assets	$ 999,381	
Depreciable assets	55,228,294	
Less: Accumulated depreciation	(47,413,595)	8,814,080
Net OPEB Assets pertaining to amounts paid to the OPEB Trust in excess of the required contributions, are not financial resources and are not reported in the funds.(Note 8)		1,776,728
Net Pension Assets recorded for the amount of Plan Fiduciary Net Position in excess of Total Pension Liability that is included in the Statement of Net Position. (Note 7)		
Virginia Retirement System- Political Subdivision	4,115,373	
Employees' Supplemental Retirement Plan	11,802,950	15,918,323
Deferred Outflows of Resources pertaining to employer retirement contributions made after the plan measurement date that is included in the Statement of Net Position. (Note 7)		
Difference between expected/actual investment earnings	7,557,742	
Difference between employer contributions and proportionate share	3,497,000	
Difference between expected/actual experience	105,666	
Employer retirement contributions after measurement date	22,379,844	33,540,252
Liabilities applicable to the ACPS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term obligations are not recorded in the governmental funds but they are reported in the Statement of Net Position. (Notes 6, 8 & 9)		
Compensated absences, LT	(6,428,290)	
Compensated absences, Current Increase	(412,155)	
Workers' compensation claims	(293,684)	(7,134,129)
Internal service funds are used by management to track and record the costs of the health insurance programs offered to employees and retirees. The net revenue of the internal service fund is reported with governmental activities in the Statement of Net Position.		11,669,152
Deferred Inflows of Resources affecting total pension liabilities and retirement plan fiduciary net position, that are reported in the Statement of Net Position. (Note 7)		
Difference between expected/actual experience	(4,077,510)	
Difference between employer contributions and proportionate share	(4,526,000)	
Difference between projected and actual investment earnings	(19,925,890)	(28,529,400)
Net Pension Liabilities recorded for the amount of Total Pension Liabilities that exceed the Plan Fiduciary Net Position included in the Statement of Net Position. (Note 7)		(226,749,000)
Total net position - governmental activities		**$ (167,677,153)**

See accompanying notes to the basic financial statements.

Exhibit IV

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Revenues					
Intergovernmental:					
City of Alexandria	$ 198,811,472	$ 3,986,666	$ -	$ -	$ 202,798,138
State aid	38,776,618	-	3,651,302	131,371	42,559,291
Federal aid	121,133	-	6,945,305	6,251,009	13,317,447
Tuition and fees	379,411	-	46,031	-	425,442
Food sales	-	-	-	1,691,104	1,691,104
Other	331,334	-	1,297,936	77,135	1,706,405
Total revenues	238,419,968	3,986,666	11,940,574	8,150,619	262,497,827
Expenditures					
Current:					
General instruction	182,374,945	-	11,484,163	-	193,859,108
Adult education	645,434	-	376,148	-	1,021,582
Summer school and kindergarten prep	1,121,039	-	-	-	1,121,039
Administration	16,791,373	-	1,647,354	-	18,438,727
Attendance and health services	5,822,403	-	318	-	5,822,721
Pupil transportation	9,957,978	-	2,930	-	9,960,908
Plant operations and maintenance	19,346,952	-	4,005	-	19,350,957
Food services	647,228	-	48,201	7,643,615	8,339,044
Capital improvement services	-	2,194,108	-	-	2,194,108
Total expenditures	236,707,352	2,194,108	13,563,119	7,643,615	260,108,194
Excess (deficiency) of revenues over (under) expenditures	1,712,616	1,792,558	(1,622,545)	507,004	2,389,633
Other Financing Sources (Uses)					
Transfers In	2,102,054	-	1,334,445	-	3,436,499
Transfers Out	(1,334,445)	-	(820,000)	-	(2,154,445)
Total other financing sources (uses)	767,609	-	514,445	-	1,282,054
Net change in fund balances	2,480,225	1,792,558	(1,108,100)	507,004	3,671,687
Fund Balances-July 1, 2015	12,444,702	892,476	1,964,980	4,042,996	19,345,154
Fund Balances-June 30, 2016	$ 14,924,927	$ 2,685,034	$ 856,880	$ 4,550,000	$ 23,016,841

See accompanying notes to the basic financial statements.

Exhibit IV-1

Alexandria City Public Schools, Virginia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds			$ 3,671,687
Amounts reported for governmental activities in the Statement of Activities are different because:			
Pension expense reported in the Statement of Activities was adjusted to reflect the differences between pension expenses and employer contributions and the actuarial assumptions and actual performance of the ACPS retirement plans. (Note 7)			
	Virginia Retirement System-Teacher Employers	$ 9,730,567	
	Virginia Retirement System-Political Subdivisions	1,272,886	
	Employees' Supplemental Retirement System	146,334	11,149,787
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded new capital outlays in the current period. (Note 5)			(1,048,233)
In the Statement of Activities, sick pay, vacation pay, workers' compensation, and other postemployment benefits are measured by the amount accrued during the year. In governmental funds, expenditures for these items are measured by the amount actually paid. (Notes 8 & 9)			
	Compensated absences. LT Decrease	179,683	
	Compensated absences, Current Decrease	17,684	
	Workers' compensation	(21,247)	
	Other postemployment benefits	(9,493)	166,627
The Internal Service Fund is used by management to track and record the costs of the health insurance programs offered to employees and retirees. The net revenue of the internal service fund is reported with governmental activities.			(3,139,708)
Change in net position - governmental activities			**$ 10,800,160**

See accompanying notes to the basic financial statements.

Exhibit V

Alexandria City Public Schools, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Health Benefits Fund
Assets	
Due from other funds	$ 14,456,218
Other receivables	82,824
Total assets, current	14,539,042
Liabilities	
Accounts payable	-
Unearned revenue	1,822,976
Incurred but not reported claims	1,046,914
Total liabilities, current	2,869,890
Net Position	
Restricted, health benefits programs	11,669,152
Total net position	$ 11,669,152

See accompanying notes to the basic financial statements.

Exhibit VI

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Health Benefits Fund
Operating Revenues	
Charges for services	$ 22,580,953
Total operating revenues	22,580,953
Operating Expenses	
Claims and benefits paid	14,940,280
Premiums	7,956,550
Administrative costs	791,339
Other post employment benefits contributions	750,438
Total operating expenses	24,438,607
Operating income (loss)	(1,857,654)
Other Financing Sources (Uses)	
Transfers Out	(1,282,054)
Change in net position	(3,139,708)
Net Position- July 1, 2015	14,808,860
Net Position- June 30, 2016	$ 11,669,152

See accompanying notes to the basic financial statements.

Exhibit VI-1

Alexandria City Public Schools, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Health Benefits Fund
Cash Flows from Operating Activities	
Receipts from customers	$ 21,726,500
Payments to providers for services	24,452,199
Net cash used in operating activities	(2,725,699)
Cash Flows from Financing Activities	
Transfers to the General Fund	(1,282,054)
Net change in due from other funds (equity in pooled cash)	(4,007,753)
Due from other funds (equity in pooled cash), beginning of year	18,463,971
Due from other funds (equity in pooled cash), end of year	$ 14,456,218

Reconciliation of Operating Income to Net Cash Used in Operating Activities	
Operating Income (loss)	$ (1,857,654)
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease in other receivables	17,099
Decrease in accounts payable	(104,452)
Decrease in unearned revenue	(871,552)
Increase in incurred but not reported claims	90,860
Total adjustments	(868,045)
Net cash used in operating activities	$ (2,725,699)

See accompanying notes to the basic financial statements.

Exhibit VII

Alexandria City Public Schools, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension and Other Employee Benefit Trust Funds	Agency Fund-Student Activity
Assets		
Cash held on behalf of student activity fund	$ -	$ 548,227
Investments, at fair value:		
Bonds	52,627,678	-
Mutual funds	43,105,652	-
Real estate	18,702,720	-
Global asset allocation	14,046,365	-
Cash	-	-
Total assets	**128,482,415**	**$ 548,227**
Liabilities		
Due to student groups	-	548,227
Total liabilities	**-**	**$ 548,227**
Net Position		
Restricted for pension and other postemployment benefits	128,482,415	
Total net position held in trust	**$ 128,482,415**	

See accompanying notes to the basic financial statements.

Exhibit VIII

Alexandria City Public Schools, Virginia
Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2016

	Pension and Other Employee Benefit Trust Funds
Additions	
Employer contributions	$ 2,212,844
Employee contributions	2,496,842
Net investment income	829,464
Total additions	5,539,150
Deductions	
Benefit payments	7,603,260
Administrative expenses	161,198
Total deductions	7,764,458
Change in net position	(2,225,308)
Net position-July 1, 2015	130,707,723
Net position-June 30, 2016	$ 128,482,415

See accompanying notes to the basic financial statements.

NOTE 1. Summary of Significant Accounting Policies

a) Reporting Entity

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

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

Basis of Financial Statement Presentation and Fund Accounting

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

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

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

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

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

b) Basis of Presentation

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

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

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

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

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

Fund Financial Statements Fund financial statements report detailed information about ACPS. Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements, while the internal service fund is presented in separate columns as well. The focus of governmental fund financial statements is on reporting major funds rather than on reporting funds by type. Each major fund is presented in a separate column. All governmental funds have been designated as major funds for 2016. Fiduciary funds include the pension and other employee benefit trust funds and agency funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current resources measurement focus. The financial statements for governmental funds consist of a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows and inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The proprietary fund, distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Revenues and expenditures not meeting these criteria are reported as non-operating revenues and expenses.

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

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

- ***General Fund*** – the General Fund is the primary operating fund of ACPS. It is used to account for all financial resources, except those required to be accounted for in another fund.

- ***Capital Projects Fund*** – the Capital Projects Fund is used to account for financial resources used in the acquisition, construction or renovation of major facilities of ACPS.

- ***Grants and Special Projects Fund***- is a special revenue fund used to account for Federal, State, non-profit, and private industry grants that are restricted to expenditures for specific purposes.

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

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

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

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

- ***Pension and Other Employee Benefit Trust Funds*** – Pension and other employee benefit trust funds are fiduciary funds used to account for assets held in a trustee capacity for the members and beneficiaries of the Employees' Supplemental Retirement Plan and for the School Other Post-employment Benefits (OPEB) Trust Fund.

- ***Agency Fund*** – the Student Activity Fund accounts for student activity monies held by the school principals at each school.

c) Budgetary Comparison Schedule

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

d) Basis of Accounting

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

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

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

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

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

e) Encumbrance Accounting

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

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

f) Governmental Accounting Standards Board (GASB) Pronouncements Implemented

During fiscal year ended, June 30, 2016, ACPS adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No 72, Fair Value Measurement and Application

Issued in February 2015, the objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. See Note 2.D-Deposits and Investments for additional information.

Statement No. 82, Pension Issues

Issued in March 2016, the purpose of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 and earlier application is encouraged.

ACPS has elected early adoption of the requirements of this Statement in the year ended June 30, 2016 financial statements and as such, has revised the amounts reported as covered payroll in Exhibit XIII-1, Schedule of Employer Contributions, Exhibit XIII-2, Schedule of Changes in Net Pension Liability and Exhibit XIII-3, Schedule of Employer's Share of Net Pension Liability in the Required Supplementary Information section.

g) Cash and Investments

ACPS cash balances in all governmental and proprietary funds are held by the City and are invested to the extent available by the City Treasurer. These balances are invested in repurchase agreements and obligations of the federal government and are recorded at fair value. The fair value of investments is based on quoted market prices. These balances are reflected as amounts due from the City in the financial statements. The portions of ACPS cash balances attributable to the Grants and Special Projects, School Nutrition and Health Benefits funds are reflected in those funds as Due from other funds, while the General fund reflects an offsetting amount as Due to other funds. As a result, the net change in cash flows shown on the Proprietary Funds, Statement of Cash Flows, Exhibit VI-1, is added to the Due to other funds. See section i) Interfund Transactions for additional information. The pension and OPEB investments reflected in the Fiduciary Funds are discussed in Note 2. The cash in the Agency Fund represents the student activity fund cash balances in the separate bank accounts maintained by the individual schools. Due to the fact that these funds are accounted for on the cash basis of accounting, accrued interest on certificate of deposits with a term of maturity longer than 1 year is not reflected in the cash balance.

h) Due from Other Governments and the City

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

i) Interfund Transactions

Cash for governmental and proprietary funds is held, as pooled cash, by the City, and reflected in the General Fund's Due from the City balance. Governmental and proprietary funds reflect their equity interest in the pooled cash held by the City as due to or due from the General Fund. These amounts are eliminated in the government-wide Statement of Net Position. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

The composition of interfund receivables and payables balances as of June 30, 2016 were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 17,941,972
Grants & Special Projects Fund	-	923,545
School Nutrition Fund	4,409,299	-
Health Benefits Fund	14,456,218	-
Total	$ 18,865,517	$ 18,865,517

Interfund transfers for the year ended June 30, 2016 were as follows:

Fund	Transfers From Other Funds	Transfers To Other Funds
General Fund	$ 2,102,054	$ 1,334,445
Grants & Special Projects Fund	1,334,445	820,000
Health Benefits Fund	-	1,282,054
Total	$ 3,436,499	$ 3,436,499

Transfers were used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires expending them or to move resources from proprietary or special revenue funds as authorized by Board resolution.

j) Inventories and Prepaid Items

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

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

k) Capital Assets

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

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

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

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

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

Description	Estimated Lives
Buildings	40 years
Building improvements	10 years
Furniture and equipment	5-10 years

l) Deferred Outflows

A deferred outflow of resources represents a consumption of net position that applies to a future period, and so, will not be recognized as an outflow of the resources (expenditure) until the future period. At June 30, 2016, ACPS had $33.5 million of deferred outflows of resources, pertaining to employer retirement contributions made after the plan measurement dates, differences between expected/actual investment earnings, actual employer contributions and proportionate share and expected/actual experience.

m) Deferred Inflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2016, ACPS had $28.5 million of deferred inflows of resources, pertaining to the differences between projected and actual proportionate share of contributions between projected and actual investment earnings on pensions and expected and actual experience.

n) Compensated Absences

ACPS accrues compensated absences when vested. All annual and vested sick leave benefits are accrued as a liability when earned by the employees and are reported in the government-wide financial statements. The only portion of the accrued compensated absences liability that is reported in the governmental funds is that which pertains to those employees who retired or resigned on or before June 30, 2016, and have not received payment for their accrued compensatory leave as of June 30, 2016.

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

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

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

o) Net Position

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

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

p) Fund Balance

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

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

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

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

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

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

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

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

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

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

q) Use of Estimates

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

r) Pension Trust Fund

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

s) Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Supplemental Retirement Plan and the additions to/deductions from the Employees' Supplemental Retirement Plan's net fiduciary position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

t) Accrued Personnel Services

At the discretion of ACPS, teachers' payroll is expended over the 10- month school year. Consequently, accrued personnel services at June 30, 2016 include salaries earned prior to year-end but not distributed until the months of July and August 2016.

u) Income Tax

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

NOTE 2. Deposits and Investments

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

A. Deposits

As of June 30, 2016, the carrying value of ACPS' deposits held by the City was $1.8 million in overdraft, of which the City will guarantee payment. ACPS's balances for student activity agency funds was $0.6 million and the carrying amount of deposits held by area financial institutions was $0.6 million. The entire bank balance for each of these accounts was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. Funds deposited in accordance with the requirements of the Act are considered fully secured. The City maintains all ACPS funds except for those of the agency fund, which are maintained by school principals, and the pension trust fund, which is maintained by the pension administrator.

B. Investments

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

During fiscal year 2016, most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS, ICS and NOW accounts were deposits are eligible for FDIC insurance. The LGIP is rated 'AAAm' by Standard & Poor's Rating Services. This rating is the highest principal stability fund rating assigned by Standard & Poor.

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

- **Interest Rate Risk**- As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.

- **Credit Risk** – State Statutes authorize the City to invest in obligations of the US or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and Virginia Local Government Investment Pool. The

City's current investment policy limits investments to obligations of the US and agencies thereof, commercial paper and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service, a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to $50 million), Insured Cash Sweeps (ICS) and NOW accounts (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit). During the fiscal year, the City held its investments in LGIP, CDARS, ICS and NOW accounts, commercial paper, and investments of US agencies and VA municipalities.

- **Custodial Risk** – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, CDARS, ICS and NOW accounts. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

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

At June 30, 2016, the trust and pension plan investment balances for ACPS were as follows:

INVESTMENT MATURITIES (in months)

	Fair Value	Less than 1 year	13-24 months	Longer than 60 months
OPEB Trust Investments	$ 14,179,230	$ -	$ -	$ 14,179,230
Pension Plan Investments	114,303,185	-	-	114,303,185
Total Trust and Pension Plan Investments	128,482,415	-	-	128,482,415
Total Investments	$ 128,482,415	$ -	$ -	$ 128,482,415

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

The following is a reconciliation of total deposits and investments to the government-wide financial statements and statement of fiduciary net position at June 30, 2016.

Investments (controlled by the City)	$ 70,108,290
Excess of outstanding checks over bank balance	(1,804,718)
Net Investment balances for governmental activities	68,303,572
Investments held in trust for retirement benefits	128,482,415
Net governmental and fiduciary investments	196,785,987
Cash held on behalf of student activity funds	548,327
Total	$ 197,334,314

C. ACPS OPEB Trust Fund

Deposit and Investment Policies

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

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

The ACPS OPEB Trust Fund's investment as of June 30, 2016, is summarized below:

Investment Type	Fair Value
Bonds	$ 2,977,638
Mutual Funds	7,429,917
Real Estate	1,091,801
Global Asset Funds	2,679,874
Total Investments	$ 14,179,230

D. ACPS Investments Measured at Fair Value

ACPS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are valued using prices quoted in active markets for identical assets. Level 2 inputs are observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other inputs that are observable or can be corroborate by observable market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of ACPS as of June 30, 2016.

		Fair Value Measurement Using	
Investments by Fair Value Level	**6/30/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Employees' Supplemental Retirement Plan			
Equity Asset Class			
Edge Asset Managemetn Inc.	6,147,072	-	6,147,072
Principal Global Investors	13,594,704	-	13,594,704
T. Rowe Price/Brown Advisory	11,190,418	-	11,190,418
Principal Global/Barrow Hanley	1,792,993	-	1,792,993
Robert Baird/William Blair	1,793,218	-	1,793,218
DFA/Vaughan Nelson/LA Capital	1,849,705	-	1,849,705
AB/CCI/Brown/Emerald	1,794,963	-	1,794,963
Causeway/Barrow Hanley	8,879,153	-	8,879,153
Balanced Asset Allocation			
Diversified Real Asset SA-13	6,099,781	-	6,099,781
Fixed Income Asset Class			
JP Morgan/Neuberger Berman	5,978,689	-	5,978,689
Mellon Capital Mgmt	10,874,527	-	10,874,527
Principal Global Investors	32,796,824	-	32,796,824
Principal Real Estate Investments	11,511,138	-	11,511,138
Total Supplemental Retirement Investments	114,303,185	-	114,303,185
Total investments by fair value level	**114,303,185**	**-**	**114,303,185**
Investments measured at the net asset value (NAV)			
Investment in Internal Investment Pool Controlled by the City	70,108,290		
VACO/VML Pooled OPEB Trust Fund (Portfolio I)	14,179,230		
Total investments measured at net asset value (NAV)	**84,287,520**		
Total investments measured at fair value	**$ 198,590,705**		

At the end of FY 2016, for investments controlled by the City Treasurer, there were $0.7 million classified in Level 1 of the fair value hierarchy, valued using prices quoted in active markets, and $17.6 million classified in Level 2 of the fair value hierarchy, valued using a matrix pricing technique. The Level 2 investments included fixed government securities worth $4.5 million, taxable municipal securities worth $0.3 million and fixed certificates of deposit worth $12.8 million.

NOTE 3. Prepaid Items

Prepaid items represent payments to certain health providers and other vendors applicable to future accounting periods.

Prepaid insurance	$	436,033
Prepaid other		776,659
Total	$	1,212,692

NOTE 4. Due from Other Governments

Amounts due from other governments at June 30, 2016 were:

A. Federal Government		
National School Meal Program	$	513,942
JROTC		10,213
Adult Literacy Services		55,940
Career and Technical Education -- Basic Grants to States		29,249
Title I Grants to Local Educational Agencies		975,254
Title I State Agency Program for Neglected and Delinquent Children and Youth		21,921
Improving Teacher Quality State Grants		72,591
English Language Acquisition State Grants		27,554
Special Education-Preschool Grants		15,114
Special Education-Grants to States		459,250
Education for Homeless Children and Youth		5,904
Total due from the Federal Government		2,186,934
B. Commonwealth of Virginia		
Juvenile Detention		493,156
VA Medicaid Assistance		1,472,169
State Sales Tax accrual		501,482
VA E-Learning Backpack		391,400
Miscellaneous Commonwealth programs		94,411
Total due from the Commonwealth of Virginia		2,952,619
C. City of Alexandria		
Miscellaneous		45,438
Total due from other governments	$	5,184,991

NOTE 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2016.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not depreciated				
Land and land improvements	$ 999,381	$ -	$ -	$ 999,381
Total capital assets not depreciated	999,381	-	-	999,381
Other capital assets:				
Buildings and building improvements	38,640,910	254,010	-	38,894,920
Furniture and equipment	16,154,254	302,072	122,952	16,333,374
Total other capital assets	54,795,164	556,082	122,952	55,228,294
Less accumulated depreciation for:				
Buildings and building improvements	36,353,193	388,250	-	36,741,443
Furniture and other equipment	9,579,039	1,216,065	122,952	10,672,152
Total accumulated depreciation	45,932,232	1,604,315	122,952	47,413,595
Total other capital assets, net	8,862,932	(1,048,233)	-	7,814,699
Total Capital Assets, net	$ 9,862,313	$ (1,048,233)	$ -	$ 8,814,080

* Depreciation expense was charged to governmental functions as follows:

General instruction	$ 223,445
Pupil transportation	227,910
Administration	707,504
Plant operations and maintenance	388,250
Food services	57,206
Total governmental activities depreciation expense	$ 1,604,315

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that establishes local option of creating, for financial reporting purposes, a tenancy in common between the city and the local school board when a city issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS. According to the law, the tenancy in common ends when the associated general obligation bonds are repaid; at which time, the assets will revert to the ACPS. Capital debt financing activities are only reported in the City's financial statements. As of June 30, 2016, the City holds approximately $288.2 million in gross assets used by ACPS. No capital assets reverted to ACPS in 2016.

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

Capital outlay	$ 2,194,107
Other assets	302,072
Depreciation expense	(1,604,315)
Capital outlay not capitalizable	(1,940,097)
Total adjustments	$ (1,048,233)

NOTE 6. Lease Obligations

Operating Leases

ACPS leases office equipment and office space under various long-term leases expiring at various dates. Certain leases contain provisions for possible future increased rentals based on changes in the Consumer Price Index. Total costs for such leases were $3.6 million for the year ended June 30, 2016.

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

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

Fiscal Year	Real Estate	Equipment
2017	$ 2,807,098	$ 658,362
2018	2,884,486	658,362
2019	2,964,017	651,018
2020	2,944,354	643,674
2121	2,974,678	643,674
Thereafter	24,894,918	-
Total	$ 39,469,551	$ 3,255,090

In May 2016, ACPS entered into a lease agreement for district-wide copier printers and scanners with a lease commencement date of July 01, 2016. The lease term is for 5 years and provides for lease payments totalling $3.2 million over the life of the lease. The annual lease payments are reflected in the above table.

NOTE 7. Retirement Plans

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

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

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

A. Virginia Retirement System

Plan Description

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

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

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The Retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at Retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1,2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members"). The defined benefit is based on member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013 **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Political Subdivision Plan Only: Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Political Subdivision Plan Only: Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the Hybrid retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax –deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in their required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five year (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
		Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years a member is 50% vested and may withdraw 50% of employer contributions After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 ½.
Calculating the Benefit The Basic Benefit is calculated based on formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** Defined Benefit Component: See definition under Plan 1 The benefit is based on contributions made by the member and any matching contributions made by the member made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The Retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political Subdivision hazardous duty employees: the retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013**.** Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political Subdivision hazardous duty employees: the retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. **Political Subdivisions hazardous duty employees:** Age 60 **Normal Retirement Age** **VRS:** Normal Social Security retirement age.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** the retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political Subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political Subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Age 65. **Political Subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political Subdivisions hazardous duty employees:** Not applicable**.** **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions,
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees**: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees**: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility Defined Benefit Component:** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees**: Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Any Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) or creditable service.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	**Political subdivisions hazardous duty employees**: 50 with at least five years of creditable service.	**Political subdivisions hazardous duty employees**: Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act of the Transitional Benefits Program.	**Cost-of Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Employees of political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component**: Not applicable.

VRS Political Subdivision Retirement Plan

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Count
Inactive members:	
Vested inactive members	29
Non-vested Inactive Members	101
Inactive members active elsewhere in VRS	48
Total Inactive Members	**178**
Inactive members or their beneficiaries currently receiving benefits	**186**
Active Members	**237**
Total Covered Employees	**601**

Contributions

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

ACPS' contractually required contribution rate for the year ended June 30, 2016 was 5.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from ACPS were $0.9 million and $0.8 million for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

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

Actuarial Assumptions- General Employees

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

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	14% of deaths are assumed to be service related
Largest 10- Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.
All Others (non 10 Largest) Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

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

Largest 10-Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest)-Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at June 30, 2014	$ 40,182,558	$ 43,625,512	$ (3,442,954)
Changes for the year:			
Service Cost	758,027	-	758,027
Interest	2,731,791	-	2,731,791
Differences between expected and actual experience	(1,408,359)	-	(1,408,359)
Contributions - employer	-	428,560	(428,560)
Contributions - employee	-	393,832	(393,832)
Net investment income	-	1,959,825	(1,959,825)
Benefit payments, including refunds of employee contributions	(2,313,945)	(2,313,945)	-
Administrative expenses	-	(27,928)	27,928
Other changes	-	(411)	411
Net changes	(232,486)	439,933	(672,419)
Balances at June 30, 2015	$ 39,950,072	$ 44,065,445	$ (4,115,373)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of ACPS using the discount rate of 7%, as well as, what ACPS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	(-1%) Decrease 6.00%	**Current Discount Rate** 7.00%	**(+1%) Increase** 8.00%
Net Pension Liability (Asset)	$ 511,708	$ (4,115,373)	$ (8,017,606)

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

For the year ended June 30, 2016, ACPS recognized pension expense of ($0.79 million). As of June 30, 2016, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 832,612	$ 2,017,493
Employer contributions subsequent to the measurement date	479,241	-
Differences between expected and actual experience	-	955,510
Total	$ 1,311,853	$ 2,973,003

The $0.5 million reported as deferred outflows of resources related to pensions resulting from ACPS's contributions subsequent to the measurement date that will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount ($000)
2017	$ (917)
2018	(917)
2019	(514)
2020	208
2021	-
Thereafter	-
	$ (2,140)

Payables to the Pension Plan

At June 30, 2016, ACPS reported payables to the VRS Political Subdivision Retirement Plan of $0.1 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

<u>VRS Teachers Retirement Plan</u>

Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school division by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contributions may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution.

In addition, for existing employees, employers were required to beginning making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013, adjusted for the transfer in June 2015 of $192.9 million as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provision of title 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from ACPS were $29.3 million and $25.7 million for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, ACPS reported a liability of $226.7 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. ACPS' proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 1.80155% as compared to 1.77072% at June 30, 2014.

For the year ended June 30, 2016, ACPS recognized pension expense of $16.1 million. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 13,886,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,497,000	4,526,000
Differences between expected and actual experience	-	3,122,000
Employer contributions subsequent to the measurement date	21,900,603	-
Total	$ 25,397,603	$ 21,534,000

The deferred outflows of resources of $21.9 million related to pensions, resulting from the school division's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount ($000)
2017	$ (6,689)
2018	(6,689)
2019	(6,689)
2020	1,990
2021	40
Thereafter	-
	$ (18,037)

Actuarial Assumptions

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

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	14% of deaths are assumed to be service related
Largest 10- Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.
All Others (non 10 Largest) Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012.

Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Long – Term Expected Rate of Return

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

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

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

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

Sensitivity of the School Division's Proportionate share of the Net Pension Liability to Changes in the Discount Rate
The following presents ACPS' proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(-1%) Decrease 6.00%	Current Discount Rate 7.00%	(+1%) Increase 8.00%
ACPS' proportionate share of VRS Teacher Plan Net Pension Liability	$ 331,826,000	$ 226,749,000	$ 140,249,000

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

Payables to the Pension Plan
At June 30, 2016, ACPS reported payables to the VRS Teacher Retirement Plan of $5.5 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

B. Employees' Supplemental Retirement Plan

Plan Description
The Employees' Supplemental Retirement Plan (the Plan) is a single-employer defined benefit plan sponsored by ACPS. The Plan is governed by the Alexandria School Board (Board) which has the authority to make all investment and policy decisions impacting the Plan's existence, investments, benefits, and administration. The Board has established an Investment Advisory Board (Advisory Board) to monitor and manage the Plan. The Advisory Board consist of five members: 1) the Plan

Administrator/ ACPS Chief Human Resource Officer; 2) the Plan Investment Officer/ ACPS Chief Financial Officer; 3) one teacher member selected from among active employee participants; 4) one retired member actively earning benefits from the plan; and 5) one certified investment management professional. The Board has contracted with the Principal Financial Group to manage certain plan assets and administer the retirement benefits to the plan participants.

The purpose of the Plan is to provide supplemental retirement benefits to employees of Alexandria City Public Schools. Statutory authority for the establishment of this Plan is provided by the Code of Virginia §51.1-800 through §51.1-803.

All full-time employees are eligible to participate in the Plan as of July 1, 1961, if classified as a twelve month employee. Ten-month employees were eligible to participate in the Plan as of July 1, 1971. The Plan's fiscal year end is August 31. For purposes of implementing GASB No. 68, Accounting and Financial Reporting for Pension Plans, the measurement period of 09/01/2014 to 08/31/2015 has been used for the plan year ending 08/31/2015. The net pension liability reported for period ending 08/31/2015 was measured as of 08/31/2015, using the total pension liability that was determined by an actuarial valuation as 09/01/2015.

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

Measurement Date
A measurement date of August 31, 2015 has been used for GASB 68 reporting.

Benefits provided
The Plan provides disability and death benefits. Benefits at retirement are based upon years of service and the average earnable compensation of an eligible employee during any three years that provide the highest average earnable compensation and are adjusted for inflation after retirement. Benefits at early retirement are reduced by an early retirement factor. Employees are considered vested on or after completing five years of service, or on or after attaining age 60. Employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.40 percent of effective compensation multiplied by credited future service on and after September 1, 1984, and 1.625 percent of effective compensation not to exceed $100 plus 0.25 percent of the amount by which effective compensation exceeds $100 multiplied by credited past service before September 1, 1984, and 1.625 percent of past service compensation in excess of $100 plus 0.25 percent of past service compensation in excess of $100 times credited past service. There have been no changes in plan provisions during the measurable period.

Contributions
Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The funding policy of the Plan provides for monthly contributions at actuarially-determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation report. Starting January 2013, contributions were made at the rate of 1.50% of covered payroll. During FY 2016, only ACPS employees contributed to the Plan. These contributions totaled $2.5 million for the fiscal year ended June 30, 2016. Administrative costs of the Plan are paid from the Plan's assets.

Investment policy

The objective of the Plan is to maintain actuarial soundness so that funds will be available to meet contractual benefit obligations. The investment policy may be amended by the Board at any time. Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Plan. The following was the Plan's adopted asset allocation policy as of August 31, 2015.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Expected Geometric Return
U.S Equity - Large Cap	27.46%	8.80%	7.45%
U.S Equity - Mid Cap	3.10%	9.10%	7.45%
U.S Equity - Small Cap	3.15%	9.55%	7.45%
Non-US Equity	9.79%	9.20%	7.45%
REITs	0.99%	8.35%	6.55%
Real Estate (direct property)	8.05%	6.30%	5.95%
TIPS	1.48%	4.10%	3.90%
Core Bond	40.86%	4.25%	4.15%
High Yield	5.12%	6.30%	5.90%
Total	100.00%		
Exp LTROA (arithmetic mean)	6.61%		
Portfolio Standard Deviation	8.49%		
40th percentile	5.68%		
45th percentile	5.98%		
Expected Compound Return	**6.27%**		
55th percentile	6.57%		
60th percentile	6.87%		

Portfolio Investment Mix: Equity 44%/Fixed Income 47%/Other 9%

Concentrations

As of the measurement date, the plan had investments (other than US Government and US Government guaranteed obligations) in only Principal Financial Group, totaling $113.7 million, that represented 5 percent or more of the Plan's fiduciary net position.

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2015, the annual money-weighted rate of return on plan investments for the measurement period is (0.72)%. The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

Long-Term Expected Rate of Return

For the plan year ending August 31, 2015, the expected long-term rate of return assumption is 6.5%. The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan using the long-term capital market assumption. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis.

Actuarial Assumptions

The actuarial assumptions used in the August 31, 2015 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	2,012
Retirees and beneficiaries currently receiving benefits	1,191
Inactive or disabled plan members entitled to but not receiving benefits	970
Total	4,173
Normal retirement age	65 years
Benefits age	50 yrs (+30 yrs of service)
Benefits vesting years	5 years
Disability and death benefits	Yes

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Long-term rate of return	6.50%
Discount rate	6.50%
Projected salary increase attributed to:	
Inflation	2.25%
Seniority /merit	4.88 - 7.18%
Retirement increases	-
Actuarial cost method	Entry Age Normal actuarial cost method
Open/closed	Open
Remaining amortization period	18 years
Asset valuation method	Contract Basis
Mortality - Pre-retirement	RP2000 Combined healthy mortality (male/female)
Mortality - Post-reretirement	RP2000 Combined healthy mortality (male/female)

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

Employee contribution percentage	1.50%
Employer contribution percentage	0.00%
Employee contribution, during the measurement period	$ 2,032,505
Employer contribution	-
Total amount contributed	$ 2,032,505
Covered payroll (Annual member compensation)	$ 130,993,574
Legally-required reserves	None
Long-term contribution contracts	None

Projected Cash Flows
Projected cash flows are based upon the underlying assumptions used in the development of the accounting liabilities.

Discount Rate
The discount rate is a single rate that incorporates the long-term rate of return assumption. The long-term rate of return assumption was applied to the projected benefit payments from 2015 to 2111. Benefit payments after 2111 are projected to be $0.00.

Net Pension Liability
The net pension liability reported for ACPS fiscal year end of June 30, 2016 was measured as of August 31, 2015, using the total pension liability that was determined by an actuarial valuation as of August 31, 2015.

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at August 31, 2014	$ 98,761,824	$ 118,590,035	$ (19,828,211)
Changes for the year			
Service Cost	2,573,225	-	2,573,225
Interest	6,378,985	-	6,378,985
Differences between expected and actual experience	140,424	-	140,424
Contributions - employer	-	-	-
Contributions - employee	-	2,032,505	(2,032,505)
Net investment income	-	(840,277)	840,277
Benefit payments, including refunds of employe contributions	(5,918,926)	(5,918,926)	-
Administrative expenses	-	(124,855)	124,855
Net changes	3,173,708	(4,851,553)	8,025,261
Balances at August 31, 2015	$ 101,935,532	$ 113,738,482	$ (11,802,950)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the Employees' Supplemental Retirement Plan using the discount rate of 6.5%, as well as what the pension net pension liability would be if it was calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

	(-1%) Decrease 5.50%	Current Discount Rate 6.50%	(+1%) Increase 7.50%
Net Pension Liability (Asset)	$ 991,058	$ (11,802,950)	$ (22,450,849)

Pension Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Employees' Supplemental Retirement Plan pension expense for the fiscal year ended June 30, 2015 is ($146,334). For the year ended June 30, 2016, ACPS reported deferred inflows of resources related to pensions for this Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	$ 6,725,130	$ 4,022,397
Differences between expected and actual experience	105,666	-
Total	$ 6,830,796	$ 4,022,397

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30,	Amount
2017	$ 375,242
2018	375,242
2019	375,242
2020	1,682,673
2021	-
Thereafter	-
Total	$ 2,808,399

Payables to the Pension Plan

At June 30, 2016, ACPS reported no payables to the Employees' Supplemental Retirement Plan.

The following is a summary of fiduciary net position of the Plan as of June 30, 2016.

Summary of Fiduciary Net Position
Employees' Supplementary Retirement Plan
As of June 30, 2016

ASSETS	
Bonds	$ 49,650,040
Mutual Funds	35,675,735
Other Investments	28,977,410
Total assets	114,303,185
LIABILITIES	
Accounts Payable	-
Total liabilities	-
NET POSITION	
Held in trust for pension benefits	$ 114,303,185

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2016.

Summary of Changes in Fiduciary Net Position
Employees' Supplementary Retirement Plan
For the Year Ended June 30, 2016

ADDITIONS	
Contributions	$ 2,496,842
Investment Income	858,796
Total Additions	3,355,638
DEDUCTIONS	
Benefit payments	6,149,672
Administrative expenses	145,399
Total Deductions	6,295,071
Change in net position	(2,939,433)
NET POSITION, beginning of year	117,242,618
NET POSITION, end of year	$ 114,303,185

NOTE 8. Other Post Employment Benefits (OPEB)

Plan Description

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

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

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

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

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from $0.00 to $1,435.53 based on the medical plan under which the retiree is covered. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees. The subsidies in this program are accounted for in the ACPS OPEB Trust Fund. In FY 2016, ACPS contributed up to $265.00 for each participant.

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

- Non-Medicare eligible retirees and spouses (Under age 65) - The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of $265.00 equal to 5% per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The retiree and spouse/dependent pay the remainder of the premium.

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

At January 01, 2016, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and spouses	567
Active plan members	2,291
Total	2,858

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

The following is a summary of fiduciary net position of the ACPS OPEB Trust as of June 30, 2016:

Summary of Fiduciary Net Position
ACPS Other Post Employment Benefits Trust
As of June 30, 2016

ASSETS		
Bonds	$	2,977,638
Mutual Funds		7,429,917
Other Investments		3,771,675
Total assets		14,179,230
LIABILITIES		
Accounts Payable		-
Total liabilities		-
NET POSITION		
Held in trust for pension benefits	$	14,179,230

The following is a summary of the changes in fiduciary position of the ACPS OPEB Trust as of June 30, 2016:

Summary of Changes in Fiduciary Net Position ACPS Other Post Employment Benefits Trust For the Year Ended June 30, 2016	
ADDITIONS	
Contributions	$ 2,212,844
Investment Income (Loss)	(29,332)
Total Additions	2,183,512
DEDUCTIONS	
Benefit payments	1,453,588
Administrative expenses	15,799
Total Deductions	1,469,387
Change in net position	714,125
NET POSITION, beginning of year	13,465,105
NET POSITION, end of year	$ 14,179,230

Funding Policy

Contribution requirements of ACPS are established and may be amended by the Board. The required contributions were actuarially-determined and are based upon projected pay-as-you go financing requirements with additional amount to prefund benefits. The costs of administering the plan are paid for by the OPEB Trust Fund through the use of investment income and employer contributions. For the period ending June 30, 2016, ACPS contributed $1.4 million for current costs and an additional $0.8 million to prefund benefits.

Annual OPEB Cost

ACPS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially-determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB Statement No. 45 requires recognition of the current program expense based on each ARC, but it does not require funding of the related liability. The current ARC rate is 1.47% of annual covered payroll. The following table shows the components of ACPS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Calculation of Net OPEB Obligation (NOO)

Annual Required Contributions (ARC)	$ 2,212,844
Interest on Net OPEB Obligation	(125,035)
Adjustment to Annual Required Contribution	134,528
Annual OPEB Cost	2,222,337
Contributions made	2,212,844
Increase in net OPEB obligation	9,493
Net OPEB obligation (asset) -July 1, 2015	(1,786,221)
Net OPEB obligation (asset) -June 30, 2016	$ (1,776,728)

Trend Information

ACPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three year period ended June 30, 2016 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2016	$2,222,337	99.6%	($1,776,728)
June 30, 2015	$2,006,025	201.0%	($1,786,221)
June 30, 2014	$2,024,592	129.7%	$239,536

Actuarial Methods and Assumptions

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

In the January 1, 2016 actuarial valuation, the cost method was changed from projected unit credit to entry age normal level percentage of pay (EAN). The actuarial assumptions reflect an investment rate of return (net of administrative expenses) of 7.0%. The actuarial assumptions also include an annual health care cost trend rate of 7.0% for non-medicare eligible and medicare eligible claims, reduced by decrements to an ultimate rate of medical inflation of 4.0% and 10% for pharmacy claims. Unfunded actuarial accrued liability is being amortized as an open level dollar amount over a period of 30 years.

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $27.6 million and the actuarial value of assets was $13.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $14.4 million. The covered payroll of active participating employees was $150.3 million and the ratio of the UAAL to covered payroll was 9.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 9. Long-term Liabilities

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year	Long-term Payable
Compensated absences	$ 7,863,777	$ 11,875,392	$ (12,367,226)	$ 7,371,943	$ 943,653	$ 6,428,290
Workers' Compensation Claims	908,124	843,798	(772,974)	978,948	685,264	293,684
Rent Abatement Accrual	2,477,265	432,181	168,026	2,741,420	212,244	2,529,176
Total	$ 11,249,166	$ 13,151,371	$ (12,972,174)	$ 11,092,311	$ 1,841,161	$ 9,251,151

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. For compensated absences, the General Fund reflects a liability of $0.5 million for amounts due to terminated or retired employees as of June 30, 2016. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. See Note 6 for an explanation of the Rent Abatement Accrual. The adjustment from modified accrual to full accrual is composed of the items in the table below.

Compensated Absences, long-term decrease	$ (179,683)
Compensated Absences, current decrease	17,684
Workers' Compensation	21,247
Total	$ (140,752)

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

NOTE 10. Risk Management

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

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

Self-Insurance

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

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

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

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

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

Changes in the estimated claims payable for worker's compensation and self-insured health programs during the fiscal years ended June 30, 2016 and 2015 were as follows:

	IBNR Accrual (Health Benefits Fund)	Workers Compensation (General Fund)
Liability Balances, July 1, 2014	$ 1,033,966	$ 1,037,123
Claims and changes in estimates	12,837,050	589,941
Claims payments	(12,914,943)	(718,940)
Liability Balances, June 30, 2015	956,073	908,124
Claims and changes in estimates	15,031,121	843,798
Claims payments	(14,940,280)	(772,974)
Liability Balances, June 30, 2016	$ 1,046,914	$ 978,948
Due Within One Year	$ 1,046,914	$ 685,264

NOTE 11. Contingent Liabilities

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

NOTE 12. Fund Balance Disclosure

The constraints placed upon fund balance for the governmental funds are presented below: ACPS' governmental fund balances, as of June 30, 2016, were classified as follows:

Governmental Fund Balances

	General	Capital Projects	Grants and Special Projects	School Nutrition
FUND BALANCES:				
Nonspendable:				
Prepaid Items	$ 1,149,724	$ -	$ -	$ 28,440
Inventories	-	-	-	306,779
Total Nonspendable	**1,149,724**	**-**	**-**	**335,219**
Spendable				
Restricted for:				
Grant Funded Programs	-	-	856,880	-
Total Restricted	-	-	856,880	-
Committed for:				
School Board Reserves	1,934,459	-	-	-
Subsequent Year Fund Balance	5,062,340	-	-	-
Total Committed	6,996,799	-	-	-
Assigned for:				
School/Department Programs	1,745,472	2,685,034	-	-
School Nutrition Program	-	-	-	4,214,781
Total Assigned	1,745,472	2,685,034	-	4,214,781
Unassigned:				
Unassigned	5,032,932	-	-	-
Total Unassigned	5,032,932	-	-	-
Total Spendable	**13,775,203**	**2,685,034**	**856,880**	**4,214,781**
TOTAL FUND BALANCES	**$ 14,924,927**	**$ 2,685,034**	**$ 856,880**	**$ 4,550,000**

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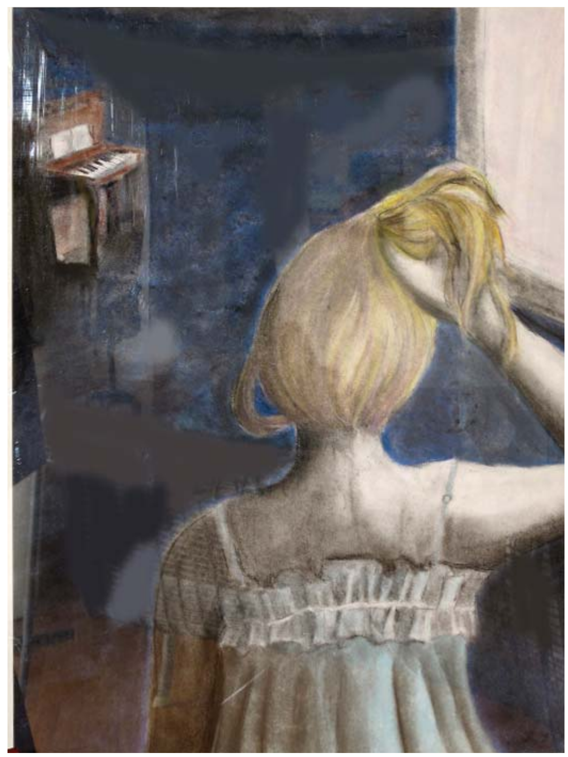
REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

The Required Supplementary Information subsection includes:

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



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #4
Facilities and the Learning Environment: ACPS will provide optimal and equitable learning environments.

Exhibit IX

Alexandria City Public Schools, Virginia

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budget			Variance from Final Budget
	Original	Final	Actual	Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	198,811,472	198,811,472	198,811,472	$ -
State aid	36,315,348	36,315,348	38,776,618	2,461,270
Federal aid	114,655	114,655	121,133	6,478
Tuition and fees	547,016	547,016	379,411	(167,605)
Other local funds	559,503	559,503	331,334	(228,169)
Total Revenues	236,347,994	236,347,994	238,419,968	2,071,974
Expenditures				
Current:				
General instruction	182,160,006	182,378,462	182,374,945	3,517
Adult education	760,367	675,849	645,434	30,415
Summer school and kindergarten prep	1,409,056	1,432,998	1,121,039	311,959
Administration	18,897,749	19,063,411	16,791,373	2,272,038
Attendance and health services	5,794,407	5,888,881	5,822,403	66,478
Pupil transportation	9,791,653	9,960,182	9,957,978	2,204
Plants operations and maintenance	20,727,954	21,296,145	19,346,952	1,949,193
Food services	745,125	765,227	647,228	117,999
Total Expenditures	240,286,317	241,461,155	236,707,352	4,753,803
Excess (deficiency) of revenue over (under) expenditures	(3,938,323)	(5,113,161)	1,712,616	6,825,777
Other Financing Sources (Uses)				
Transfers In	2,102,054	2,102,054	2,102,054	-
Transfers Out	(1,423,882)	(1,423,882)	(1,334,445)	89,437
Total Other Financing Sources and (Uses), net	678,172	678,172	767,609	89,437
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	$ (3,260,151)	$ (4,434,989)	2,480,225	$ 6,915,214
Fund Balance-July 1, 2015			12,444,702	
Fund Balances-June 30, 2016			$ 14,924,927	

See accompanying note to the budgetary comparison schedule.

Exhibit X

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
Grants and Special Projects Fund
For the Year Ended June 30, 2016

	Budget			Variance from final budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	$ -	$ -	$ -	$ -
State aid	3,637,755	4,019,014	3,651,302	(367,712)
Federal aid	7,217,658	8,211,733	6,945,305	(1,266,428)
Fees	-	45,909	46,031	122
Other local revenue	935,842	1,411,455	1,297,936	(113,519)
Total Revenues	11,791,255	13,688,111	11,940,574	(1,747,537)
Expenditures				
Current:				
General instruction	11,369,883	14,359,378	11,484,163	2,875,215
Adult education	317,810	410,024	376,148	33,876
Administration	1,764,045	1,739,023	1,647,354	91,669
Plants operations and maintenance	-	4,005	4,005	-
Attendance and health services	-	2,318	318	2,000
Pupil transportation	-	2,930	2,930	-
Food services	8,300	205,351	48,201	157,150
Total Expenditures	13,460,038	16,723,028	13,563,119	3,159,910
Excess (deficiency) of revenue over (under) expenditures	(1,668,783)	(3,034,918)	(1,622,545)	1,412,373
Other Financing Sources (Uses)				
Transfers In	1,423,882	1,423,882	1,334,445	(89,437)
Transfers Out	(820,000)	(820,000)	(820,000)	-
Total Other Financing Sources and Uses, net	603,882	603,882	514,445	(89,437)
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	$ (1,064,901)	$ (2,431,036)	(1,108,100)	$ 1,322,936
Fund Balance-July 1, 2015			1,964,980	
Fund Balances-June 30, 2016			$ 856,880	

See accompanying note to the budgetary comparison schedule.

Exhibit XI

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
School Nutrition Fund
For the Year Ended June 30, 2016

	Budget Original	Budget Final	Actual	Variance from Final Budget Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	$ -	$ -	$ -	$ -
State aid	131,000	131,000	131,371	371
Federal aid	5,955,000	5,955,000	6,251,009	296,009
Food Sales	1,723,707	1,723,707	1,691,104	(32,603)
Other local revenue	36,000	36,000	77,135	41,135
Total Revenues	7,845,707	7,845,707	8,150,619	304,912
Expenditures				
Food services	7,947,333	7,959,824	7,643,615	316,209
Total Expenditures	7,947,333	7,959,824	7,643,615	316,209
Excess (deficiency) of revenues over (under) expenditures	$ (101,626)	$ (114,117)	507,004	$ 621,121
Fund Balance-July 1, 2015			4,042,996	
Fund Balances-June 30, 2016			$ 4,550,000	

See accompanying note to the budgetary comparison schedule.

Exhibit XII

Alexandria City Public Schools, Virginia
Schedule of Funding Progress
Other Employee Benefit Trust Fund
For the Fiscal Year Ended June 30, 2016

Other Post-Employment Benefits

Actuarial Valuation as of	[1] Actuarial Value of Assets	[2] Actuarial Accrued Liability (AAL)*	[3] Unfunded AAL (UAAL) [2-1]	[4] Assets as % of AAL [1/2]	[5] Annual Covered Payroll	[6] UAAL as a Percentage of Covered Payroll [3/5]
1/1/2016	$ 13,146,171	$ 27,576,997	$ 14,430,826	47.67%	$ 150,313,298	9.60%
1/1/2015	10,528,602	24,632,920	14,104,318	42.74%	148,298,826	9.51%
1/1/2014	8,877,690	23,730,119	14,852,429	37.41%	143,979,443	10.32%
1/1/2012	4,382,643	18,232,604	13,849,961	24.04%	99,260,162	13.95%
1/1/2011	2,858,322	14,147,966	11,289,644	20.20%	98,855,235	11.42%
1/1/2009 (1)	-	13,460,400	13,460,400	0.00%	88,738,000	15.17%

* For the year 2016, the Entry Age Normal Level Percentage of Pay actuarial cost method was used to calculate the Actuarial Accrued Liability. For years 2009 to 2015, the Projected Unit Credit cost method was used for this calculation.

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

Exhibit XIII-1

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2016

Schedule of Employer Contributions
Last 10 Fiscal Years [1]

Date	Actuarially/ Contractually Required Contribution [3]	Contributions in Relation to Actuarially/ Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll [2]	Contributions as a % of Covered Payroll	% of Actual Contributions Contributed
Employees' Supplemental Retirement Plan						
2016	$ 1,388,123	$ -	$ 1,388,123	$ 130,993,574	0.00%	0.00%
2015	350,409	-	350,409	123,779,616	0.00%	0.00%
VRS Political Subdivision Retirement Plan						
2016	$ 440,195	$ 479,241	$ (39,046)	$ 7,804,877	6.14%	108.87%
2015	425,527	428,373	(2,846)	7,544,808	5.68%	100.67%
VRS Teacher Retirement Plan						
2016	$ 19,874,324	$ 21,900,603	$ (2,026,280)	$ 141,353,655	15.49%	110.20%
2015	18,771,021	18,953,112	(182,091)	133,506,551	14.20%	100.97%

[1] Information is only available for the fiscal years shown. Future years will be added to the schedule.
[2] Covered payroll amount for 2015 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues
[3] The required contribution shown for the Employees' Supplemental Plan was actuarially determined.

Exhibit XIII-1
(Continued)

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2016

Schedule of Employer Contributions

ACPS Other Post-employment Benefit Trust Fund

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2016	$ 2,212,844	100.0%
2015	$ 2,007,918	200.8%
2014	$ 2,031,235	129.2%
2013	$ 1,816,372	158.3%
2012	$ 1,963,129	131.2%
2011	$ 1,415,049	219.5%
2010	$ 1,706,791	158.6%

Exhibit XIII-2

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2016

Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years [1]

Employees' Supplementary Retirement Plan

	2015	2014
Total Pension Liability		
Service costs	$ 2,573,225	$ 2,462,314
Interest	6,378,985	6,243,019
Differences between expected and actual experience	140,424	(475,091)
Benefit payments	(5,918,926)	(5,712,337)
Net Changes in Total Pension Liability	3,173,708	2,517,905
Total Pension Liability, beginning	98,761,824	96,243,919
Total Pension Liability, ending	$ 101,935,532	$ 98,761,824
Fiduciary Net Position		
Contributions- Employee	$ 2,032,505	$ 2,171,044
Contributions- Employer	-	-
Net investment income	(840,277)	13,644,193
Benefit payments	(5,918,926)	(5,712,337)
Administrative expenses	(124,855)	(111,595)
Net Changes in Total Pension Liability	(4,851,553)	9,991,305
Fiduciary Net Position, beginning	118,590,035	108,598,730
Fiduciary Net Position, ending	$ 113,738,482	$ 118,590,035
Net Pension Liability (Asset), as of August 31,	$ (11,802,950)	$ (19,828,211)
Fiduciary Net Position as a percentage of Total Pension Liability	111.58%	120.08%
Covered Payroll	130,993,574	123,779,616 [2]
Net Pension Liability as a percentage of Covered Payroll	-9.01%	-16.02%

Money-Weighted Rate of Return
Last 10 Fiscal Years [1]

	2015	2014
Employees' Supplementary Retirement Plan	-0.72%	12.79%

[1] Information is only available for the fiscal years shown. Future years will be added to the schedule.

[2] Covered payroll amount for 2014 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

Exhibit XIII-2
(Continued)

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2016

Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years [(1)]

VRS - Political Subdivision Retirement Plan (Non-Professional)

	2015	2014
Total Pension Liability		
Service costs	$ 758,027	$ 796,338
Interest	2,731,791	2,642,578
Differences between expected and actual experience	(1,408,359)	-
Benefit payments	(2,271,322)	(1,965,795)
Refund of Contributions	(42,623)	(49,162)
Net Changes in Total Pension Liability	(232,486)	1,423,959
Total Pension Liability, beginning	40,182,558	38,758,599
Total Pension Liability, ending	$ 39,950,072	$ 40,182,558
Fiduciary Net Position		
Contributions- Employee	$ 428,560	$ 379,449
Contributions- Employer	393,832	410,609
Net investment income	1,959,825	6,037,662
Benefit payments	(2,271,322)	(1,965,795)
Refunds of Contributions	(42,623)	(49,162)
Administrative expenses	(27,928)	(33,280)
Other	(411)	319
Net Changes in Total Pension Liability	439,933	4,779,802
Fiduciary Net Position, beginning	43,625,512	38,845,710
Fiduciary Net Position, ending	$ 44,065,445	$ 43,625,512
Net Pension Liability (Asset), as of June 30,	$ (4,115,373)	$ (3,442,954)
Fiduciary Net Position as a percentage of Total Pension Liability	110.30%	108.57%
Covered Payroll	$ 7,804,877	$ 7,544,808 [2)]
Net Pension Liability as a percentage of Covered Payroll	-52.73%	-45.63%

[(1)] Information is only available for the fiscal years shown. Future years will be added to the schedule.

[(2)] Covered payroll amount for 2014 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

Exhibit XIII-3

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2016

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years [(1)]

VRS Teacher Retirement Plan

	2016 [(3)]	**2015** [(3)]
Employer's Proportion of the Net Pension Liability	1.80%	1.77%
Employer's Proportionate Share of the Net Pension Liability	$ 226,749,000	$ 213,986,000
Employer's Covered Payroll	$ 141,353,655	$ 133,506,551 [(2)]
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	160.41%	160.28% [(2)]
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

[(1)] Information is only avaiable for the fiscal years shown. Future years will be added to the schedule.

[(2)] Covered payroll amount for 2015 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

[(3)] The amounts presented have a measurement date of the previous fiscal year end.

A. Budgetary information

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

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

Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for governmental funds. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule presents GAAP expenditures. Management is authorized to transfer funds within major categories of expenditure (i.e., administration, instruction, salaries, benefits, etc.) up to $25,000. Transfers in excess of $25,000 require the approval of the superintendent; however, revisions that alter the total expenditures of the General Fund must be approved by the School Board. The legally-adopted budget cannot be exceeded.

B. Pension and Other Employee Benefits

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

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

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

For the Employees' Supplemental Retirement Plan, the VRS Teacher Retirement Plan and the VRS Political Subdivision Retirement Plan, the schedule of employer contributions provides a comparison of the actuarially/contractually required contributions with actual contributions. Actuarially/contractually required contributions are also shown as a percentage of covered employee payroll, as well as a percentage of actual contributions made. Covered payroll, as defined in GASB 68, is the total payroll of employees that are provided with pensions through the pension plan, which may or may not be the pensionable payroll for that employee. This is a change from GASB 27's definition of covered payroll, which defined covered payroll as pensionable payroll.

Information pertaining to the Employees' Supplemental Retirement Plan, VRS Teacher and Political Subdivision Plans and the OPEB Trust Fund can be found in notes 7 and 8, respectively, in the notes to the basic financial statements.

C. Retirement Plan Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System benefit provisions since the prior actual valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. The liabilities presented in Exhibit XIII-2 do not reflect the hybrid plan since it covers new employees joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2015 are minimal.

There have been no changes to the Employees' Supplemental Retirement Plan benefit provisions for fiscal year 2016.

D. Retirement Plan Changes of Assumptions

For the VRS Political Subdivision Retirement Plan, the following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:
Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

For the VRS Teacher Retirement Plan, the following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

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

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OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

The Other Supplementary Information subsections include the following:

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

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #5
Health and Wellness: ACPS will promote efforts to enable students to be healthy and ready to learn.

FIDUCIARY FUNDS

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

- Employees' Supplemental Retirement Plan is a single-employer defined benefit plan for eligible full-time employees. It accounts for assets held in trust by Principal Financial Group for ACPS.

- ACPS Other Post-Employment Benefits Trust (OPEB) accounts for accumulating and investing assets for ACPS' post-employment health benefit subsidies for eligible retirees and their surviving spouses.

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

Exhibit XIV

Alexandria City Public Schools, Virginia

Combining Statement of Fiduciary Net Position

Pension and Other Post-Employment Benefit Trust Funds

June 30, 2016

	Employees' Supplementary Retirement Plan	ACPS Other Post-Employment Benefit Trust	Total Pension and Other Employee Benefit Trust Funds
Assets			
Investments, at fair value			
Bonds	$ 49,650,040	$ 2,977,638	$ 52,627,678
Mutual funds	35,675,735	7,429,917	43,105,652
Real estate	17,610,919	1,091,801	18,702,720
Global asset allocation	11,366,491	2,679,874	14,046,365
Cash	-	-	-
Total assets	114,303,185	14,179,230	128,482,415
Liabilities			
Accounts Payable	-	-	-
Total liabilities	-	-	-
Net Position			
Restricted for pension and other employee benefits	114,303,185	14,179,230	128,482,415
Total net position held in trust	$ 114,303,185	$ 14,179,230	$ 128,482,415

Exhibit XV

Alexandria City Public Schools, Virginia

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2016

	Employees' Supplementary Retirement Plan	ACPS Other Post Employment Benefits Trust	Total Pension and Other Employee Benefit Trust Funds
Additions			
Employer contributions	$ -	$ 2,212,844	$ 2,212,844
Employee contributions	2,496,842	-	2,496,842
Net investment income (loss)	858,796	(29,332)	829,464
Total additions	3,355,638	2,183,512	5,539,150
Deductions			
Benefit payments	6,149,672	1,453,588	7,603,260
Administrative expenses	145,399	15,799	161,198
Total deductions	6,295,071	1,469,387	7,764,458
Change in net position	(2,939,433)	714,125	(2,225,308)
Net position-July 1, 2015	117,242,618	13,465,105	130,707,723
Net position-June 30, 2016	$ 114,303,185	$ 14,179,230	$ 128,482,415

Exhibit XVI

Alexandria City Public Schools, Virginia

Statement of Changes in Assets and Liabilities

Student Activity Fund

For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash held on behalf of student activity fund	$ 581,393	1,242,671	1,275,837	$ 548,227
Total assets	$ 581,393	1,242,671	1,275,837	$ 548,227
Liabilities				
Due to student groups	$ 581,393	1,242,671	1,275,837	$ 548,227
Total liabilities	$ 581,393	1,242,671	1,275,837	$ 548,227

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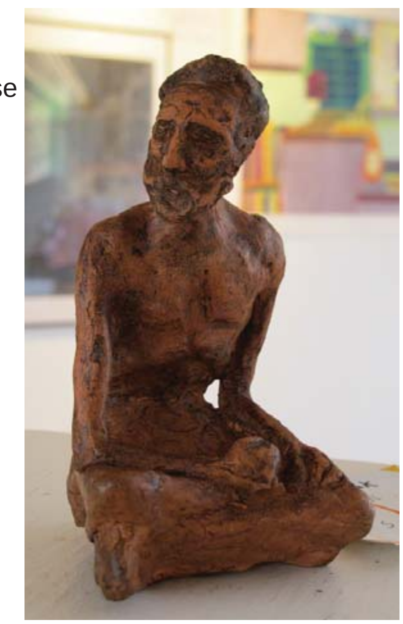
STATISTICAL SECTION

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

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

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

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



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

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

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

ACPS' goal #6
Effective and Efficient Operations: ACPS will be efficient, effective, and transparent in its business operations.

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Table 1

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

Governmental Activities:

	Net investment in capital assets[1]	Unrestricted	Restricted	Total net postion
2016	$ 8,814,080	$ (189,017,265)	$ 12,526,032	$ (167,677,153)
2015	9,862,313	(205,113,466)	16,773,840	(178,477,313) [2]
2014	9,666,296	(215,168,814)	17,449,685	(188,052,833)
2013	10,101,429	17,173,118	3,091,635	30,366,182
2012	9,848,454	17,140,693	2,562,085	29,551,232
2011	8,184,654	15,391,860	3,763,533	27,340,047
2010	7,085,154	13,145,935	-	20,231,089
2009	7,567,843	8,439,002	-	16,006,845
2008	7,280,285	4,206,663	-	11,486,948
2007	6,766,066	7,258,018	-	14,024,084

1) Amounts shown are net of any related debt.

2) ACPS implemented Governmental Accounting Standards Board Statement No.68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date in fiscal year 2015 and as result, the net position for fiscal year 2014 was restated.

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 2

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
General instruction	$ 147,112,270	$ 148,262,135	$ 158,246,046	$ 157,543,359	$ 162,112,276	$ 172,528,593	$ 180,228,637	$ 173,706,777	$ 178,975,925	$ 185,579,090
Adult education	1,150,506	1,250,546	1,347,001	1,378,268	1,406,505	1,263,518	889,144	900,966	957,153	1,021,582
Summer school	1,902,445	2,046,501	2,113,576	1,936,304	1,488,236	1,086,494	594,626	668,925	792,906	1,121,039
Administration	14,242,151	18,882,108	15,648,631	14,685,291	12,715,266	17,331,705	16,617,218	16,686,774	16,485,282	17,873,172
Attendance and health services	4,779,220	5,055,413	4,983,770	4,888,721	4,683,823	4,587,196	4,928,558	5,733,737	5,704,138	5,560,676
Pupil transportation	6,345,873	7,008,642	6,849,868	8,285,171	8,201,645	8,225,165	9,144,732	8,101,913	9,344,396	10,646,893
Plant operations and maintenance	15,876,284	16,343,026	15,657,789	14,048,738	16,076,092	16,667,322	16,936,841	16,194,488	18,475,458	19,391,281
Food services	4,837,436	5,426,369	5,766,168	5,784,936	6,156,504	6,407,033	6,919,510	6,507,249	7,619,108	8,309,824
Capital Improvement Services	3,259,996	3,875,624	3,240,363	2,143,870	2,712,093	3,219,204	3,205,123	3,098,165	4,166,558	2,194,108
Total governmental expenses	199,506,181	208,150,364	213,853,212	210,694,658	215,552,440	231,316,230	239,464,389	231,598,994	242,520,924	251,697,665
Program revenues										
Charges for services										
Instruction	302,813	340,414	400,238	580,627	367,919	305,139	335,299	292,105	217,277	237,841
Plant operations and maintenance	264,588	371,854	398,298	306,428	299,672	329,484	328,755	135,101	119,190	187,600
Food services	1,676,770	1,985,718	2,065,103	1,863,922	1,901,699	1,893,970	1,766,299	1,706,521	1,617,692	1,768,238
Operating grants and contributions	14,779,561	11,263,558	13,028,821	17,342,988	21,376,623	22,343,336	19,240,425	16,199,266	17,152,274	18,398,056
Total program revenues	17,023,732	13,961,544	15,892,460	20,093,965	23,945,913	24,871,929	21,670,778	18,332,993	19,106,433	20,591,735
Net (expenses)	(182,482,449)	(194,188,820)	(197,960,752)	(190,600,693)	(191,606,527)	(206,444,301)	(217,793,611)	(213,266,001)	(223,414,491)	(231,105,930)
General revenues										
Intergovernmental:										
City of Alexandria	150,719,166	164,165,802	171,851,307	166,506,350	170,134,763	178,449,148	185,841,404	185,939,138	196,303,878	202,798,138
State aid	26,950,438	26,626,964	29,862,535	26,511,976	25,786,037	27,984,171	31,627,807	34,039,898	35,999,443	38,776,618
Grants not restricted to specific programs	19,362	56,623	28,780	8,323	1,043,535	-	-	-	-	-
Other local funds	559,094	802,296	738,026	1,798,288	1,751,150	2,222,167	1,139,350	1,651,826	686,690	331,334
Total general revenues	178,248,060	191,651,685	202,480,648	194,824,937	198,715,485	208,655,486	218,608,561	221,630,862	232,990,011	241,906,090
Change in net position	**$ (4,234,389)**	**$ (2,537,135)**	**$ 4,519,896**	**$ 4,224,244**	**$ 7,108,958**	**$ 2,211,185**	**$ 814,950**	**$ 8,364,861**	**$ 9,575,520**	**10,800,160**

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

Table 3

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

	Pre-GASB 54		
	2007	**2008**	**2009**
General Fund			
Reserved for:			
Encumbrances	$ 720	$ 734	$ 960
Prepaid items	834	537	676
Unreserved	3,368	6,615	11,503
Total general fund	**$ 4,922**	**$ 7,886**	**$ 13,139**
All Other Governmental Funds			
Reserved for:			
Inventories	$ 142	$ 87	$ 159
Encumbrances	4	67	31
Prepaid items	23.700	13	14
Unreserved, reported in:			
Capital projects funds	27	78	-
Non major governmental funds	2,845	2,424	2,704
Total all other governmental funds	**$ 3,042**	**$ 2,670**	**$ 2,907**

	Post -GASB 54						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
General Fund							
Non Spendable:							
Non Spendable	$ 628	$ 866	$ 959	$ 910	$ 882	$ 879	$ 1,150
Spendable:							
Restricted	-	-	-	-	-	-	-
Committed	-	3,900	-	6,670	4,566	3,260	6,997
Assigned	7,892	8,333	8,545	952	1,928	1,309	2,586
Unassigned	5,925	2,879	6,669	4,566	3,651	6,997	4,192
Total general fund	**$ 14,445**	**$ 15,978**	**$ 16,173**	**$ 13,098**	**$ 11,027**	**$ 12,445**	**$ 14,925**
All Other Governmental Funds							
Non Spendable:							
Special Revenue Fund	$ 128	$ 144	$ 133	$ 199	$ 177	$ 203	$ 335
Spendable:							
Restricted							
Special Revenue Fund	2,267	2,753	2,562	3,092	3,141	1,965	857
Committed	-	-	-	-	-	-	-
Assigned							
Capital Projects	503	39	312	3,337	567	892	2,685
Special Revenue Fund	1,533	1,903	2,437	2,704	3,363	3,840	4,215
Unassigned	-	-	-	-	-	-	-
Total all other governmental funds	**$ 4,431**	**$ 4,840**	**$ 5,444**	**$ 9,332**	**$ 7,248**	**$ 6,900**	**$ 8,092**

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

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Intergovernmental:										
City of Alexandria	$ 150,719,166	$ 164,165,802	$ 167,953,749	$ 166,506,350	$ 170,134,763	$ 178,449,148	$ 185,841,404	$ 185,939,138	$ 196,303,878	$ 202,798,138
State aid	30,676,038	28,496,080	32,413,733	29,186,616	28,473,281	31,497,154	35,765,060	37,164,240	39,386,758	42,559,291
Federal aid	11,053,961	9,394,442	10,477,624	14,668,348	19,732,840	18,830,353	15,103,172	13,074,924	13,002,053	13,317,447
Tuition and fees	567,401	692,734	797,537	887,054	667,591	634,623	664,054	578,266	431,166	425,442
Food sales	1,445,583	1,716,098	1,760,739	1,673,573	1,693,935	1,701,929	1,756,982	1,652,483	1,572,260	1,691,104
Gift and donations	19,362	56,623	28,780	8,323	-	-	-	-	-	-
Other local funds	790,281	1,091,450	1,043,389	1,988,638	1,958,989	2,414,208	1,148,667	1,554,803	1,400,329	1,706,405
Total Revenues	195,271,792	205,613,229	214,475,551	214,918,902	222,661,399	233,527,415	240,279,339	239,963,854	252,096,444	262,497,827
Expenditures										
General instruction	147,316,483	149,190,613	155,663,182	157,627,102	163,499,284	173,129,524	179,159,223	182,232,872	186,340,827	193,859,108
Adult education	1,150,506	1,250,546	1,347,001	1,378,268	1,406,505	1,263,517	889,144	900,966	957,153	1,021,582
Summer school	1,902,445	2,046,501	2,113,576	1,936,304	1,488,236	1,086,494	594,626	668,925	792,906	1,121,039
Administration	13,617,285	13,285,978	16,056,640	17,340,738	16,773,681	16,560,782	16,601,020	18,093,707	18,499,001	18,438,727
Attendance and health services	4,779,220	5,055,413	4,983,770	4,888,721	4,683,823	4,587,196	4,928,558	6,002,891	5,939,303	5,822,721
Pupil transportation	6,691,253	6,804,158	7,531,734	7,912,014	8,251,496	9,062,813	9,441,875	9,549,575	10,051,282	9,960,908
Operation of plants and maintenance	15,613,171	16,168,702	15,522,740	13,889,873	15,823,826	16,337,333	16,593,733	16,669,275	18,811,209	19,350,957
Food services	4,791,958	5,342,989	5,689,337	5,706,699	6,081,273	6,421,638	7,008,020	6,902,514	7,792,603	8,339,044
Capital improvement services	3,259,996	3,875,624	-	2,143,870	2,712,092	3,219,204	3,205,123	3,098,165	4,166,558	2,194,108
Debt Service:										
Principal	-	-	-	-	-	1,045,511	1,013,289	-	-	-
Interest	-	-	-	-	-	13,426	32,221	-	-	-
Total Expenditures	199,122,317	203,020,524	208,907,980	212,823,589	220,720,216	232,727,438	239,466,832	244,118,890	253,350,842	260,108,194
Excess (deficiency) of revenues ove expenditures	(3,850,525)	2,592,705	5,567,571	2,095,313	1,941,183	799,977	812,507	(4,155,036)	(1,254,398)	2,389,633
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	1,195,221	1,079,387	4,874,636	3,436,499
Transfers out	-	-	-	-	-	-	(1,195,221)	(1,079,387)	(2,550,004)	(2,154,445)
Total Other Financing Sources (uses)	-	-	-	-	-	-	-	-	2,324,632	1,282,054
Total Net Change in Fund Balances	**$ (3,850,525)**	**$ 2,592,705**	**$ 5,567,571**	**$ 2,095,313**	**$ 1,941,183**	**$ 799,977**	**$ 812,507**	**$ (4,155,036)**	**$ 1,070,234**	**$ 3,671,687**

Source: Alexandria City Public Schools Comprehensive Annual Financial Repor

Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and Fiscal years afterward.

Table 5

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PERSONNEL SERVICES										
Personnel services	$ 115,268,038	$ 116,586,533	$ 122,861,904	$ 122,642,742	$ 124,375,779	$ 132,703,464	$ 138,857,082	$ 142,806,798	$ 145,193,704	$ 153,495,475
Benefits	40,580,867	43,103,596	45,615,300	44,120,346	41,338,213	43,841,559	47,639,880	49,626,807	53,900,044	52,480,610
Total Personnel Services	155,848,905	159,690,129	168,477,204	166,763,088	165,713,992	176,545,023	186,496,962	192,433,605	199,093,748	205,976,085
NON-PERSONNEL SERVICES										
Professional services	2,560,821	2,926,602	3,260,212	3,148,080	4,273,545	3,544,539	2,981,527	3,207,115	2,596,283	2,569,775
Temporary help service fees	695,608	851,782	1,041,777	1,055,076	1,623,562	1,635,059	1,744,523	1,507,817	1,556,284	1,721,543
Maintenance services and contracts	2,505,266	2,490,311	2,886,637	3,587,639	3,800,347	4,300,112	4,255,492	4,081,610	4,781,510	5,542,122
Transportation	877,588	691,861	904,163	1,007,425	1,179,986	1,349,859	1,411,008	1,451,944	1,587,439	1,452,706
Printing and binding	267,505	215,942	206,223	163,385	197,130	199,400	146,569	194,802	187,794	206,436
Purchase of services from other govt. entities	1,526,329	1,233,851	1,050,084	712,917	509,934	399,802	376,375	308,360	306,315	198,449
Other purchased services	59,845	58,060	53,004	57,033	53,357	50,006	32,559	32,167	52,622	34,684
Internal services	124,576	82,882	90,154	101,263	89,599	12,373	(777)	6,443	3,499	1,008
Utilities	2,748,445	3,041,355	3,052,269	1,691,991	2,293,175	2,814,813	2,753,748	2,637,463	2,857,652	2,835,800
Communications	808,646	692,365	640,400	739,419	820,685	804,807	834,353	807,257	920,515	800,220
Insurance	378,069	408,630	365,365	387,114	339,081	300,733	292,202	312,349	279,658	269,764
Leases and rentals	3,756,201	3,630,369	3,189,449	3,239,017	3,956,231	2,381,312	3,269,711	2,501,502	4,379,671	3,617,247
Travel	565,535	369,735	436,791	419,366	561,331	477,103	479,205	530,679	531,201	611,580
Awards and grants	-	-	-	-	1,180.000	54,200	415,473	537,833	627,760	484,473
Miscellaneous	176,114	165,676	196,715	213,616	232,722	210,466	206,269	244,376	242,609	290,835
Educational and recreational supplies	1,669,931	1,563,509	1,583,593	1,662,459	1,899,576	1,940,712	2,239,990	1,892,870	1,929,657	2,163,693
Textbooks	1,067,601	1,028,206	912,578	1,097,526	1,114,354	1,342,578	647,396	2,694,179	1,219,696	641,291
Food supplies and food service supplies	118,911	72,123	82,883	57,954	61,244	353,446	440,840	411,875	421,654	442,635
Technology	948,084	983,743	1,034,923	856,002	999,503	1,693,719	2,126,434	1,599,853	1,700,148	1,848,303
Medical and laboratory supplies	21,122	19,176	17,386	14,937	78,528	19,756	21,623	21,161	25,118	23,756
Repair and maintenance supplies	357,558	424,822	-	-	-	296,935.000	212,785	260,433	382,833	298,222
Laundry, housekeeping and janitorial supplies	432,020	394,586	438,602	415,701	410,780	429,144	452,425	427,118	425,525	437,919
Vehicle and power equipment fuel	365,248	453,857	397,915	404,963	378,342	744,831	543,069	580,756	473,636	320,157
Vehicle and power equipment supplies	272,842	300,377	263,103	328,938	478,374	199,905	258,569	242,774	319,096	289,289
Other operating supplies	248,715	729,674	65,803	493,185	504,846	631,732	364,630	291,445	337,441	355,572
Capital outlay	2,613,595	2,287,111	2,965,402	2,426,022	2,166,190	2,198,171	2,327,968	2,758,917	2,659,793	3,273,788
Total Non-personnel Services	25,166,175	25,116,605	25,135,430	24,281,028	28,023,603	28,385,513	28,833,966	29,543,098	30,805,409	30,731,267
GRAND TOTAL	**$ 181,015,080**	**$ 184,806,734**	**$ 193,612,634**	**$ 191,044,116**	**$ 193,737,595**	**$ 204,930,536**	**$ 215,330,928**	**$ 221,976,703**	**$ 229,899,157**	**$ 236,707,352**

Source: Alexandria City Public Schools Financial Services Department

Table 6

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
John Adams	$ 355	$ 488	$ 33	$ -	$ -	$ 6	$ 59	$ 63	$ 43	$ 115	$ 1,162
Charles Barrett	1	-	-	-	84	-	-	-	38	289	412
Patrick Henry	23	278	2	-	-	348	194	5	-	-	850
Jefferson-Houston	332	-	-	-	-	14	-	-	771	-	1,117
Cora Kelly	-	-	-	-	-	-	296	6	-	-	302
Lyles-Crouch	-	61	90	-	-	49	3	-	-	46	249
Douglas MacArthur	-	212	-	-	64	-	-	-	-	-	276
George Mason	10	141	143	47	365	-	-	-	-	228	934
Maury	-	-	-	-	-	33	-	-	-	-	33
Mount Vernon	18	-	-	-	-	-	-	3	17	160	198
James Polk	-	-	-	-	13	-	-	-	-	-	13
William Ramsay	79	15	-	-	-	211	-	-	-	-	305
F.C. Hammond	239	13	162	109	241	205	161	103		179	1,412
George Washington	411	-	23	7	183	-	-	-	290	-	914
T.C. Williams	-	-	-	-	3	37	-	-	21	148	209
Minnie Howard	47	248	-	-	28	-	-	-	-	-	323
Rowing Facility	-	290	32	-	-	-	43	97	20	105	587
System Wide	1,745	2,129	2,755	1,981	1,731	2,316	2,449	2,821	2,966	924	21,817
GRAND TOTAL	**$ 3,260**	**$ 3,875**	**$ 3,240**	**$ 2,144**	**$ 2,712**	**$ 3,219**	**$ 3,205**	**$ 3,098**	**$ 4,166**	**$ 2,194**	**$ 31,113**

Source: Alexandria City Public Schools Financial Services Department

Table 7

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

Fiscal Year	Principal	Interest	Total Capital Lease Payments	General Fund Expenditures [2]	Ratio
2016	$ -	$ -	$ -	$ 236,707,352	0.00%
2015	-	-	-	229,899,158	0.00%
2014	-	-	-	221,976,703	0.00%
2013	1,013,289	32,221	1,045,510	215,330,928	0.49%
2012	1,045,511	13,426	1,058,937	204,930,536	0.52%
2011	1,132,990	15,638	1,148,628	193,737,595	0.59%
2010	1,132,990	15,638	1,148,628	191,044,116	0.60%
2009	1,132,991	15,637	1,148,628	193,612,634	0.59%
2008 [3]	339,086	2,340	341,426	184,806,734	0.18%
2007	-	-	-	181,015,080	0.00%

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

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

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

Source: Alexandria City Public Schools Comprehensive Annual Financial Reports

Table 8

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

Fiscal Year	Governmental Funds Expenditures [1]	Actual Enrollment [2]	Cost Per Pupil [4]	Average Daily Attendance [ADA] [3]	Average Daily Membership [ADM] [3]
2016	$ 257,914,086	14,729	$ 16,896	13,853	14,610
2015	249,184,284	14,224	16,731	13,280	13,963
2014	241,020,725	13,623	16,977	12,679	13,279
2013	236,261,709	13,114	17,211	12,271	12,913
2012	229,508,234	12,395	17,626	11,496	12,062
2011	218,008,124	11,999	17,343	11,090	11,677
2010	210,679,719	11,623	17,247	10,936	11,482
2009	208,907,980	11,225	17,157	10,416	11,094
2008	199,144,900	10,557	18,090	9,885	10,488
2007	195,862,321	10,332	18,181	9,446	10,019

Note: The formula for calculating the cost per pupil considers general operating funds and federal entitlement grants that support students in grades kindergarten (KG)-12 divided by KG-12 enrollment. Exclusions include preschool costs, adult education, and the school nutrition program which is a self-sufficient, special revenue fund.

ACPS has revised the actual enrollment data series for FY 2006 and 2007 to include all students, consistent with the other fiscal years shown.

Source: [1] Alexandria City Public Schools Comprehensive Annual Financial Report, not including expenditures for capital improvement services
[2] Alexandria City Public Schools Budget Office
[3] Alexandria City Public Schools Technology Services Office
[4] Alexandria City Public Schools Budget Office, Average All Students

Table 9

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

Fiscal Year	Personal Income ($000) [(6)]	Per Capita Personal Income [(6)]	Number Receiving Free or Reduced Price Meals [(1)]	Unemployment Rate [(2)]	Number Receiving Special Education [(3)]	Population [(2)]	Number in English as a Second Language [(4)]	Number in Gifted and Talented [(5)]
2016	$ 11,789,823	$ -	8,664	2.6%	1,672	153,511	4,381	1,744
2015	12,071,851	-	8,582	3.5%	1,634	150,575	4,202	1,605
2014	12,115,212	77,142	8,100	4.6%	1,621	148,892	3,642	1,488
2013	11,760,450	81,078	7,370	4.7%	1,641	146,294	3,406	1,671
2012	10,758,922	80,952	6,916	4.6%	1,686	144,301	3,005	1,269
2011	10,627,334	78,383	6,665	4.8%	1,701	141,287	2,698	1,383
2010	10,441,443	76,362	6,264	4.7%	1,906	150,006	3,430	1,293
2009	10,178,071	70,846	5,866	2.8%	1,830	144,100	2,909	1,225
2008	10,204,006	72,220	5,012	2.9%	1,786	140,024	2,083	1,249
2007	9,507,531	70,632	4,961	2.2%	1,802	139,000	1,882	1,337

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

Source:
(1) School Nutrition Services
(2) The City of Alexandria
(3) Office of Student Services
(4) Office of English Language Learners
(5) Office of Curriculum and Instruction
(6) Bureau of Economic Analysis (BEA), as revised, data is only shown for the fiscal years available.

Table 10

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary										
Pre-K & Kindergarten	1,226	1,212	1,303	1,352	1,484	1,643	1,792	1,703	1,735	1,795
Grades 1-3	2,679	2,748	3,023	3,276	3,342	3,454	3,666	3,898	4,013	4,144
Grades 4-6	2,211	2,322	2,420	2,455	2,606	2,782	2,915	3,022	3,134	3,259
Total Elementary	6,116	6,282	6,746	7,083	7,432	7,879	8,373	8,623	8,882	9,198
Secondary										
Grades 7-8	1,428	1,369	1,415	1,478	1,484	1,492	1,540	1,656	1,811	1,878
9th Grade	698	731	751	741	758	784	813	892	1,028	975
10th Grade	720	720	786	813	769	803	847	846	917	1,069
11th Grade	691	742	756	766	776	713	789	832	795	814
12th Grade	588	601	656	616	715	655	673	714	734	736
Total Secondary	4,125	4,163	4,364	4,414	4,502	4,447	4,662	4,940	5,285	5,472
Special Placements- District-wide	91	112	115	126	65	69	79	60	57	59
Grand Total	**10,332**	**10,557**	**11,225**	**11,623**	**11,999**	**12,395**	**13,114**	**13,623**	**14,224**	**14,729**

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

Source: Alexandria City Public Schools Budget Office

Table 11

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

	2007	2008	2009	2010 [1]	2011	2012	2013	2014 [2]	2015	2016	10-year Average
DAYS MEALS SERVED											
No. of days, Traditional calendar schools	183	183	183	173	183	182	182	175	180	177	180
Additional days, Modified calendar schools	29	27	25	20	22	22	22	21	21	19	23
Total school days	212	210	208	193	205	204	204	196	201	196	203
NUMBER OF PUPIL LUNCHES SERVED:											
Paid lunches	355,876	388,809	387,071	358,600	379,712	360,061	316,368	277,992	271,798	287,176	338,346
Reduced price lunches	176,533	200,207	224,052	200,052	199,665	222,870	201,473	202,174	215,702	207,005	204,973
Free lunches	565,305	629,393	712,383	712,383	830,026	876,088	932,328	956,096	1,051,000	1,082,959	834,796
Total Pupil Lunches	1,097,714	1,218,409	1,323,506	1,271,035	1,409,403	1,459,019	1,450,169	1,436,262	1,538,500	1,577,140	1,378,115
NUMBER OF PUPIL BREAKFASTS SERVED:											
Paid breakfasts	54,569	55,646	58,438	51,448	46,660	61,791	76,700	87,558	73,799	82,379	64,899
Reduced price breakfasts	60,423	66,085	80,846	89,922	75,621	85,305	95,741	94,799	89,078	94,076	83,190
Free breakfasts	242,961	258,731	296,015	329,858	321,589	397,465	428,969	452,947	458,130	565,853	375,252
Total Pupil Breakfasts	357,953	380,462	435,299	471,228	443,870	544,561	601,410	635,304	621,007	742,308	523,341

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

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

Source: Alexandria City Public Schools School Nutrition Services

Table 12

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10-year Total	10-year Average
Revenues												
Federal aid	$ 2,661,998	$ 3,148,929	$ 3,585,354	$ 3,780,951	$ 4,211,055	$ 4,512,869	$ 4,995,585	$ 5,196,567	$ 5,863,269	$ 6,251,009	$ 44,207,585	$ 4,420,759
State aid	51,993	52,225	57,474	62,872	62,817	107,671	119,895	126,034	121,568	131,371	893,920	89,392
Local	1,676,769	1,985,718	2,065,102	1,863,922	1,901,624	1,893,969	1,766,299	1,706,521	1,617,693	1,768,239	18,245,856	1,824,586
Total Revenue	4,390,760	5,186,872	5,707,931	5,707,745	6,175,496	6,514,509	6,881,779	7,029,122	7,602,530	8,150,619	63,347,362	6,334,736
Expenditures												
Salaries	1,709,459	1,829,295	1,884,905	1,888,260	1,946,823	2,049,420	2,152,742	2,195,771	2,261,433	2,582,048	20,500,156	2,050,016
Benefits	664,485	760,551	790,539	800,823	732,585	808,633	892,643	896,539	1,004,572	1,001,727	8,353,097	835,310
Purchased services	246,552	258,666	203,005	212,813	364,693	58,396	39,071	61,592	41,016	57,408	1,543,212	154,321
Internal services	4,554	4,381	2,808	4,558	5,192	8,451	4,590	4,489	2,304	1,747	43,075	4,307
Other charges	35,904	62,649	21,879	17,024	17,305	18,348	16,521	9,482	11,461	12,469	223,042	22,304
Food supplies	1,803,241	2,074,105	2,420,184	2,440,852	2,566,743	2,911,883	3,244,483	3,214,658	3,497,335	3,854,325	28,027,809	2,802,781
Capital outlay	60,302	6,828	54,617	52,221	156,031	137,282	197,917	10,147	281,269	133,892	1,090,506	109,051
Other	-	46,661	-	-	-	-	-	-	-	-	46,661	4,666
Total Expenditures	4,524,497	5,043,136	5,377,937	5,416,551	5,789,373	5,992,413	6,547,967	6,392,678	7,099,390	7,643,615	59,827,557	5,982,756
Revenues over (under) Expenditures	$ (133,737)	$ 143,736	$ 329,994	$ 291,194	$ 386,122	$ 522,096	$ 333,812	$ 636,444	$ 503,140	$ 507,004	$ 3,519,805	$ 351,980

Source: Alexandria City Public Schools, Financial Services Department Accounting Office

Table 13

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

Fiscal Year	Student Breakfast	Student Lunch Elementary	Student Lunch Middle	Student Lunch High	Adult Breakfast	Adult Lunch
2016	1.75	2.65	2.85	2.85	N/A[1]	3.60
2015	1.75	2.45	2.65	2.65	N/A[1]	3.40
2014	1.75	2.45	2.65	2.65	N/A[1]	3.30
2013	1.50	2.35	2.60	2.60	N/A[1]	3.25
2012	1.25	2.25	2.50	2.50	1.55	3.25
2011	1.25	2.25	2.50	2.50	1.55	3.10
2010	1.15	2.15	2.45	2.45	1.55	3.10
2009	1.05	2.15	2.45	2.45	1.55	3.10
2008	1.05	2.05	2.35	2.35	1.55	3.10
2007	1.05	2.05	2.35	2.35	1.55	2.50

(1) Starting with FY 2013, Alexandria School Board approved a la carte menu items for adult breakfast.

Source: Alexandria City Public Schools School Nutrition Services

Table 14

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

Client	Current Year Sales	Current Year Rank	Current Year Percentage of Sales	Nine years Ago Sales	Nine years Ago Rank	Nine years Ago Percentage of Sales
Students	$ 807,659	1	47.8%	$ 854,587	1	52.1%
A La Carte	457,117	2	27.0%	413,235	2	25.2%
Catering/Other	275,473	3	16.3%	194,247	3	11.8%
Summer School Feeding Program	104,968	4	6.2%	102,334	4	6.2%
Adult	45,601	5	2.7%	67,985	5	4.2%
Vending	286	6	0.0%	7,443	6	0.5%
Total	$ 1,691,104		100.0%	$ 1,639,831		100.0%

Source: Alexandria City Public Schools School Nutrition Services

Table 15

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction	1,625.1	1,595.4	1,628.3	1,663.2	1,761.4	1,770.6	1,768.0	1,746.4	1,775.0	1,882.3
Adult Education	9.0	7.0	10.0	10.0	10.0	9.1	4.0	4.0	4.0	4.0
Administration	68.5	63.5	73.3	63.0	65.6	69.6	69.0	75.0	84.5	95.6
Attendance and Health	54.1	53.6	55.6	37.4	34.4	34.4	34.3	54.9	60.0	58.3
Transportation	131.0	129.0	135.0	135.0	134.0	134.0	137.0	141.5	148.5	152.0
Plant Operations & Maintenance	156.5	135.4	122.8	111.2	95.8	90.2	90.5	108.5	102.5	107.5
School Food Services	75.0	74.5	79.6	78.6	79.6	87.0	92.0	103.1	93.6	126.0
Total FTEs	**2,119.2**	**2,058.4**	**2,104.5**	**2,098.5**	**2,180.9**	**2,194.9**	**2,194.8**	**2,233.5**	**2,268.0**	**2,425.7**

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

Table 16

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instructional Facilities										
Elementary Schools	13	13	13	13	13	12	12	12	12	12
Pre-Kindergarden to Eighth Grade Schools (K-8)	-	-	-	-	-	1	1	1	1	1
Middle Schools	2	2	2	5 [1]	5 [1]	5 [1]	5 [1]	5 [1]	2 [1]	2
High Schools	1	1	1	1	1	1	1	1	1	1
Alternative Education	1	1	1	1	1	1	2	2	2	2
Plant Operations and Maintenance										
Vehicles	43	40	44	44	45	45	52	53	59	57
Pupil Transportation										
Buses	71	72	74	98	100	101	101	107	107	99

[1] From fiscal years 2010 to 2014, the student population at the two middle school locations were divided into five groups. Each group was organized and managed as a separate middle school, led by a principal. In 2015, the student groups were reduced to two, based upon the school location. Each separate middle school location is led by a principal and supported by two or more assistant/associate principals.

Source: Alexandria City Public Schools Accounting and Finance Office

Table 17

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' EDUCATION AND EXPERIENCE
June 30, 2016

Degree	Number of Teachers	Percentage of Total
Bachelor's Degree	328	21.9%
Master's Degree	909	60.7%
Master's + 30	261	17.4%
Total	1,498	100.0%

Years of Experience	Number of Teachers	Percentage of Total
0 - 5	416	27.8%
6 - 10	324	21.6%
11 and over	758	50.6%
Total	1,498	100.0%

Source: The Alexandria City Public Schools Human Resources Office

Table 18

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

Fiscal Year	Minimum Salary [1]	Mean Salary	Maximum Salary [2]	Percentage Change [3]
2016	$ 47,242	$ 76,096	$ 107,259	1.0%
2015	47,242	73,612	107,259	1.0%
2014	47,242	73,705	107,259	1.1%
2013	46,773	72,704	106,197	7.2%
2012	43,633	71,239	99,064	6.5%
2011	42,671	69,845	93,007	0.0% [4]
2010	42,671	69,305	93,007	0.0%
2009	42,671	68,836	93,007	0.0%
2008	42,671	69,301	93,007	1.5%
2007	42,040	66,837	91,633	2.0%

NOTES:

1) The minimum salary represents the minimum amount an ACPS teacher with a Bachelor's degree may earn for regular classroom instruction during the school year, according to the professional salary schedule for teachers and paraprofessionals.

2) The maximum salary represents the maximum amount an ACPS teacher with a Masters degree and 30 years of service may earn for regular classroom instruction during the school year, according to the professional salary schedule for teachers and paraprofessionals, dependent on educational attainment and years of service.

3) The percentage change is the official increase for that year as approved by the School Board.

4) One-time bonus payments were given in lieu of salary increases.

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

Table 19

Principal Employers
Current Year (as of July 1, 2016 and Nine Years Ago)

Current Year	Employees[1]	Percentage of Total City Employment[2]	Nine Years Ago	Employees[1]	Percentage of Total City Employment[2]
LARGEST PUBLIC EMPLOYERS			*LARGEST PUBLIC EMPLOYERS*		
U.S. Department of Commerce	1,000 & over	3.41%	U.S. Patent Trademark Office	1,000 & over	9.50%
U.S. Department of Defense	1,000 & over	3.41%	U.S. Department of Defense	1,000 & over	8.10%
Alexandria Public Schools	1,000 & over	2.88%	City of Alexandria	1,000 & over	2.80%
City of Alexandria	1,000 & over	2.59%	Alexandria Public Schools	1,000 & over	2.50%
WMATA	500-999	0.85%	U.S. Department of Agriculture	500-999	0.80%
Institute for Defense Analysis	500-999	0.85%	Northern Virginia Community College	500-999	0.60%
Grant Thorton LLP	500-999	0.85%	U.S. Attorney's Office	500-999	0.60%
Wegmans Store #07	500-999	0.85%	U.S. Postal Service	500-999	0.60%
		15.69%			25.50%
LARGEST PRIVATE EMPLOYERS			LARGEST PRIVATE EMPLOYERS		
INOVA Health System	1000 & over	3.41%	INOVA Alexandria Hospital	1,000 & over	1.60%
ABM Janitorial Services M Inc	500-999	0.85%	Institute for Defense Analysis	1,000 & over	1.30%
Institute for Defense Analysis	500-999	0.85%	Alion Science and Technology	500-999	0.80%
Grant Thornton LLP	500-999	0.85%	Center for Naval Analysis	500-999	0.70%
CNA Corporation	250-499	0.43%	Boat Owners Assoc. of the U.S	500-999	0.50%
Oblon Spivak McClelland PC	250-499	0.43%	Crs Facility Services	500-999	0.50%
Catholic Diocese of Arlington	250-499	0.43%	Hilton Hotels	500-999	0.50%
Giant Food	250-499	0.43%	Safeway Stores	500-999	0.50%
		7.68%			6.40%

SOURCE: Virginia Employment Commission
[1] Employment ranges are given to ensure confidentiality.
[2] Percentages are based on the midpoint of the employment range.

Table 20

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

	Real Property ($000)				Personal Property ($000)				
Calendar Year	Residential	Commercial	Total	Tax rate per $100	Motor Vehicle and Tangibles Assessment	Tax rate per $100	Machine and Tools Assessment	Tax rate per $100	Total Assessment
2015	$ 21,195,556	$ 15,376,112	$ 36,571,668	1.050	$ 1,426,427	5.00	$ 10,776	4.50	$ 1,437,203
2014	20,314,910	15,020,272	35,335,182	1.043	1,397,502	5.00	11,281	4.50	1,408,783
2013	19,384,653	14,706,140	34,090,793	1.038	1,417,679	4.75	11,506	4.50	1,429,185
2012	18,715,707	15,066,989	33,782,696	0.998	1,343,202	4.75	12,631	4.50	1,355,833
2011	18,430,731	14,201,221	32,631,952	0.998	1,309,164	4.75	10,665	4.50	1,319,829
2010	18,270,905	13,378,585	31,649,490	0.993	1,226,896	4.75	14,336	4.50	1,241,232
2009	19,152,518	14,811,680	33,964,198	0.903	1,170,972	4.75	14,246	4.50	1,185,218
2008	19,255,906	15,123,257	34,379,163	0.845	1,354,932	4.75	17,837	4.50	1,372,769
2007	20,143,403	15,411,555	35,554,958	0.830	1,400,114	4.75	11,485	4.50	1,411,599
2006	20,205,364	14,037,667	34,243,031	0.815	1,394,947	4.75	14,906	4.50	1,409,853

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore assessed values are equal to actual values.
Tax rates are assessed per $100 of assessed value.

Source: City of Alexandria Comprehensive Annual Financial Report

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

The Members of the Alexandria City School Board
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria City Public Schools (ACPS), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Alexandria Public Schools' basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

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

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

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

Members of the Alexandria City School Board
Alexandria City Public Schools

Compliance and Other Matters

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

Purpose of this Report

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

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Arlington, Virginia
November 14, 2016

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Alexandria City Public Schools

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Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

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