NEWPORT NEWS PUBLIC SCHOOLS

College, Career & Citizen-Ready!

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF
THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA
A Component Unit of the City of Newport News, Virginia

Fiscal Year ended June 30, 2018

(With Report of Independent Auditor)

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A COMPONENT UNIT OF THE CITY OF NEWPORT NEWS, VIRGINIA

Fiscal Year ended June 30, 2018

Prepared by:

BUSINESS OFFICE

Dr. George Parker, III, Superintendent
Mary Lou Roaseau, CPA, Assistant Superintendent – Business and Support Services
Steven Kanehl, CPA, Accounting Supervisor
Kimberly Powell, MPA, Accounting Analyst

12465 Warwick Boulevard
Newport News, VA 23606

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS

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INTRODUCTORY SECTION

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS

Members of the School Board and School Board Officials

School Board

Gary B. Hunter	Chairman
Carlton S. Ashby	Vice-Chairman
Douglas C. Brown	Member
John R. Eley, III	Member
Marvin L. Harris	Member
Shelley A. Simonds	Member
T. Jeff Stodghill	Member

School Board Officials

Dr. George Parker, III	Superintendent
Rashard Wright	Chief of Staff
Mary Lou Roaseau, CPA	Assistant Superintendent – Business & Support Services
Brian Nichols	Chief Academic Officer – Curriculum & Development
Cathy Alexander	Executive Director – Child Nutrition
Dr. Felicia Barnett	Executive Director – Secondary School Leadership
Dr. Catina Bullard-Clark	Executive Director – Elementary School Leadership
Dr. Michele Mitchell	Executive Director – Student Advancement
Nancy Sweat	Executive Director – Secondary Curriculum & Development
Keith Webb	Executive Director – Plant Services

NEWPORT NEWS PUBLIC SCHOOLS

Executive Leadership Team

DIVISION LEADERSHIP

George Parker, III, Ph.D.
Superintendent

Rashard Wright
Chief of Staff
School Leadership

Mary Lou Roaseau
Assistant Superintendent
Business & Support Services

Brian Nichols
Chief Academic Officer
Teaching and Learning

EXECUTIVE DIRECTORS

Cathy Alexander
Executive Director
Nutrition & Wellness

Felicia Barnett, Ed.D.
Executive Director
Secondary School Leadership

Catina Bullard-Clark, Ph.D.
Executive Director
Elementary School Leadership

Michele Mitchell, Ed.D.
Executive Director
Student Advancement

Nancy Sweat
Executive Director
Curriculum & Development

Keith Webb
Executive Director
Plant Services

DIRECTORS

Tracy Brooks
Special Assistant
to the Superintendent

Shay Coates
Director
Transportation

Lisa Cummings
Director
Purchasing

Patrick Finneran
Director
Corporate & Government
Relations

Stephanie Hautz
Director
Human Resources

Kathryn Hermann, Ph.D.
Director
Elementary School
Leadership

Keith Hubbard
Director
Elementary School
Leadership

Chris Jenkins
Interim Director
Technology

Scarlett Minto
Director
Budget, ERP &
Data Analytics

Michelle Price
Director
Public Information &
Community Involvement

Len Wallin
Director
Legal Services

PROGRAM ADMINISTRATORS & SUPERVISORS

Joe Ellis
Supervisor
Academic Data Analytics

Billie Hart
Supervisor
Instructional Technology

Mike Nichols
Program Administrator
Secondary School Leadership

Angela Rhett
Program Administrator
Employee Expertise

As of November 2018

Newport News Public Schools

Business Office
12465 Warwick Boulevard, Newport News, VA 23606-3041 • phone: 757-591-4511 • FAX: 757-595-2461

December 7, 2018

The Honorable Members of the School Board:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of Newport News, Virginia (the School Board or Newport News Public Schools), for the fiscal year ended June 30, 2018. The School Board is responsible for the accuracy, completeness and fairness of the data presented. We believe that the data presented is accurate in all material respects and presents fairly the financial position and results of operations of the School Board's various funds.

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the School Board 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 accounting principles generally accepted in the United States of America (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

An annual audit of the books of accounts, financial records and transactions of the School Board has been performed by Cherry Bekaert LLP, independent certified public accountants. The auditor's report, which includes their unmodified opinion on the basic financial statements of the School Board, is contained in this report.

Overview of the Report

We have divided the CAFR into four sections: introductory, financial, statistical, and compliance. The Introductory Section includes helpful information on the School Board's structure. The Financial Section includes the auditor's report, management's discussion and analysis, government-wide financial statements, governmental fund financial statements, note disclosures, required supplementary information and supplementary information. The Statistical Section is a compilation of tables that show multi-year financial, demographic, economic and operating information. The Compliance section demonstrates our compliance with the requirements associated with Federal grants.

The report covers financial transactions of all services provided by the School Board.

School Board profile

The School Board was established in 1898 to provide educational opportunities to the residents of the City of Newport News, Virginia (the City or Newport News). The School Board is the elected body operating under the Constitution of Virginia and the *Code of Virginia*. The members of the School Board are elected by the citizens of the City to serve four-year terms. The School Board determines educational policy and employs a superintendent of schools to administer the public school system.

The School Board provides a full range of public educational services to approximately 29,200 students from grades pre-kindergarten through the 12th grade.

The School Board receives funding from taxes collected and allocated by the City and state in addition to federal aid. School construction projects are funded by general obligation bonds, operating cash transfers and State Literary Loans approved by the Newport News City Council (the Council). The School Board itself has no power to levy and collect taxes, or to increase the budget. The Council annually appropriates funds to the School Board for educational expenditures, levies taxes and issues debt on behalf of the School Board. The legal liability for general obligation debt remains with the City. Because of the relationship with the City, the School Board is considered a component unit of the city government as defined by GAAP for governmental entities.

The School Board provides educational services in 41 separate school facilities plus alternative services at six additional sites. The School Board's buildings range in age from two-years-old (when the newly constructed Discovery STEM Academy was brought online in September 2016) to 97 years old, with the average age of all schools being 50 years old. Only a few schools have received extensive renovations throughout their life.

The basic financial statements and supplementary data in this report include all funds administered by the School Board in conjunction with its mission of providing elementary and secondary public education.

Factors Affecting Financial Condition

Local Economy. The School Board's boundaries are co-terminus with the City. Huntington Ingalls Industries, Inc. is by far the largest employer and taxpayer of the City. Newport News also has a significant military presence, with numerous military installations located in or near the City. The City has a broad range of industrial parks and commercial centers supporting light industrial, research and technology, and commercial and retail operations. These include the Oakland Industrial Park, Carleton Farm Industrial Park, Patrick Henry Commerce Center, Oyster Point of Newport News, Copeland Industrial Park, the Southeast Commerce Center and the Brooks Crossing development. The City's newest development is Tech Center, a proposed corporate research center consisting of approximately 1.1 million square feet of office and lab space spread across 12 buildings with an estimated 5,500 employees. The presence of a research center next to Jefferson Lab would provide immediate opportunities for collaboration between Jefferson Lab scientists and the private sector. Completion of this development will require the relocation of the school division SCOT center-the new facility is currently under construction and expected to be completed in June 2019. Other major companies that continue to expand their operations in Newport News include Liebherr Mining Equipment Company, Canon Virginia, Inc., Continental Automotive Systems, Printpack, Inc., Ferguson Enterprises and Piggly Wiggly. The City is well situated to maintain a diversified economy.

Budgetary Controls. The School Board maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Activities of the General Fund are included in the annual appropriated budget approved by City Council.

The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the fund level. In addition, certain controls are exercised administratively on the General Fund, such as the number of full-time equivalent (FTE) authorized positions and expenditure budgets by departments and individual line items. The School Board also maintains an encumbrance accounting system. Budgets are adopted on a basis consistent with GAAP, except that encumbrances are included as budgetary expenditures and that net revenues and expenditures for the medical self-insurance program are excluded from the budget comparison.

Annual legal operating budgets are adopted for the Workers' Compensation Fund and Textbook Special Revenue Fund and, are therefore, included in the budget and actual comparisons. Program budgets for other special revenue funds are administratively approved on a basis consistent with the related grant applications. Project and program budgets are utilized in the Capital Projects Funds and certain Special Revenue Funds where appropriations remain open and carry over to succeeding years.

Financial Highlights. The School Board continues to be in sound financial condition as demonstrated by the financial statements and schedules included in this report. The School Board has operated within the resources available while achieving many of its program goals.

The School Board is expected to continue to experience limited growth in funding in the near future and enrollment is expected to decrease slightly. The FY2019 General Fund initially was slated to increase by $8.4 million (2.8%) as compared to the FY2018 actual. The State was providing $6.9 million (82%) of the increase with the City providing $0.7 million (8%), the Federal government $0.6 million (7%), and other revenues $0.2 million (3%). However, after the original FY2019 budget was appropriated by City Council, the State adopted their FY2019 budget. The Schools were to receive $1.2 million more, which City Council did appropriate to the School Board on September 11, 2018. Thus, the total increase for FY2019 was $9.6 million (3.3%) over FY2018 actual, and was $8.0 million (2.7%) as compared to the FY2018 budget. The forecast for FY2020 has the potential for a modest increase, less than that received for FY2019.

See the Management's Discussion and Analysis beginning on page 3 of the financial section of this report for an in-depth financial analysis.

Financial Resiliency. The School Board adopted a strategic plan to drive student success. Achieving the Academic Agenda for students requires a systemic, connected plan. To this end, the Board affirmed five strategic supports that are necessary to achieve student success. One of the supports is financial resiliency. Resilient school divisions evolve their planning process as needed to address new issues, keep up with best practices, and anticipate the changing needs of the organization created by economic conditions, community expectations, and state and federal regulations. NNPS will advance the Academic Agenda by aligning current and future resources with the district's mission through: long-range planning for operations and infrastructure; utilization of best business and operational practices; and community awareness of NNPS fiscal management.

Risk Management. The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Board. Risk is managed with a combination of commercial insurance with small deductibles and self-insurance combined with reinsurance for large claims. Commercial insurance with small deductibles is maintained for general liability, property, and errors and omissions. The School Board participates with the City in a self-insurance program for vehicles (with reinsurance for claims over $1 million). Self-insurance is maintained for employee health insurance (with reinsurance for individual claims over $175 thousand) and workers' compensation (reinsurance contracted for claims over $1 million effective July 1, 2016).

Accomplishments, Recognitions and Awards

School Accreditation. For the 2018-2019 school year, 26 of NNPS' 38 schools are Fully Accredited by the Virginia Department of Education; 12 schools are accredited with conditions; the remaining five schools are making gains towards accreditation. The accreditation trend has steadily increased from 11 accredited schools in 2014 to 26 in 2018.

The Virginia Department of Education adopted new standards for accreditation in November 2017, which are "designed to promote continuous achievement in all schools, close achievement gaps and expand accountability beyond overall performance on Standards of Learning tests." The new standards also recognize the academic growth of students making significant annual progress toward meeting grade-level expectations in English/reading and mathematics. Under the state board's revised Standards of Accreditation, schools are evaluated on school quality indicators grouped in three categories: academic achievement, achievement gaps, and student engagement and outcomes.

The academic year 2018-2019 will be considered a transition year. For 2018-2019 only, a school may achieve full accreditation by meeting the criteria and rules of either the 2017-2018 year or those effective 2018-2019, whichever benefits it the most. Accreditation ratings for the 2018-2019 school year are based on the achievement of students on the 2017-2018 administration of Standards of Learning tests.

More NNPS Students Are Earning Diplomas. By keeping the focus on college and career readiness, NNPS' graduation rate has increased to 93% in 2018 from 72.9 % in 2008. During the same time, the dropout rate decreased from 12% to 2.1%. NNPS' on-time graduation rate is higher than the state average of 91.6% and the NNPS dropout rate is lower than the state average of 5.5%. The overall student completion rate, which includes students who have earned a diploma or a GED in four years, is 95.2%.

NNPS Students Are Preparing for Successful Futures. More high-school students are earning industry and professional certifications, preparing them for future careers. In 2018, NNPS students earned 3,400 certifications, giving them access to advanced post-secondary opportunities, and high-skilled internships and careers. NNPS offers 70 career and technical education courses that prepare students for 21 industry certifications and licenses.

Through the Early College program, dual-enrollment initiatives, International Baccalaureate, Advanced Placement and Honors courses, 85% of high school students were enrolled in rigorous coursework last school year.

A total of 234 NNPS high school students who took Advanced Placement courses during the 2017-2018 school year are named 2018 Advanced Placement (AP) Scholars by the College Board. Students earning this distinction took at least three AP course exams and scored a three or better (out of five) on each exam.

A total of 1,919 students took 3,206 Advanced Placement courses during the 2017-2018 school year. Recognizing the benefits of AP coursework, NNPS encourages all students to prepare for and take at least one AP class. Studies show that AP courses move students towards a higher level of preparedness for success after high school. Students with qualifying grades may earn college credit. NNPS offers more Advanced Placement courses than any other school district or private school on the Virginia Peninsula.

Five high school students were recognized in the 2018 National Merit Scholarship Program. The privately financed, competitive program evaluates scores, and recognizes high performing students - those with the highest PSAT Index scores in critical reading, mathematics and writing skills qualify for recognition in the National Merit® Scholarship program.

Over 80% of NNPS, students participate in a club, activity or sport, connecting them to school through the school district's youth development program.

NNPS Has Qualified Educators. NNPS has 51 National Board Certified Teachers. National Board Certification is recognized nationally as a benchmark for teacher quality and is the highest credential in the profession. Over ninety-nine percent (99%) of NNPS teachers are designated as highly qualified by federal standards.

Awards Newport News Public Schools' English as a Second Language program was named a grand prizewinner in the National School Board Association's 2018 Magna Awards program. The program highlights equity in education and recognizes school districts that remove barriers to achievement. With over 55 languages represented by more than 1,500 ELs (English Learners), and an increasing number of students with limited to no prior school experience, NNPS has made transformative strides to support student learning and acclimate students to the American school environment and culture.

Deer Park and Hilton elementary schools earned 2018 Virginia Board of Education Excellence Awards for exceeding all state and federal accountability benchmarks and making significant progress toward goals for increased student achievement and expanded educational opportunities.

The Governor's Health Sciences Academy at Warwick High School and the ASSIST Student Led Help Desk at the Heritage High School Governor's STEM Academy earned 2017-18 Career and Technical Education (CTE) Creating Excellence Awards. Presented by the Virginia Department of Education and the Virginia Community College System, the awards recognize excellence in CTE exemplary programs, advisory committees, and business and industry partnerships.

Seven schools are recognized as Virginia Naturally Schools for supporting environmental conservation and stewardship by the Virginia Department of Game and Inland Fisheries. Deer Park Elementary earned the recognition for the fourth time and Marshall Early Learning Center was named a Virginia Naturally School for the second consecutive year. Five schools earned the designation for the first time: Denbigh Early Childhood Center, Discovery STEM Academy, Nelson Elementary, Sedgefield Elementary and Booker T. Washington Middle. This is the largest number of Newport News public schools to receive the Virginia Naturally designation.

Newport News Public Schools received a $10,000 grant from the Verizon Foundation to support STEM (science, technology, engineering and mathematics) education. The grant will fund materials for Engineering Design Challenges, STEM Labs at two elementary magnet schools and the annual STEM Community Day, which attracts nearly 10,000 students and community members.

Newport News Public Schools was voted Young Audiences of Virginia's 2017 Sunburst Education Partner of the Year as a result of the division embracing Young Audiences' mission to "engage and inspire students in and through the arts." NNPS has partnered with Young Audiences to provide arts programming to multiple extended learning programs such as 21st Century Learning Centers, WE LEAP, Saturday Academy, SPARK and SPARK Camps, which serve nearly 10,000 students.

Discovery STEM Academy, Newport News Public Schools' newest elementary school, was awarded the Learning By Design Award of Excellence by Learning By Design Magazine. The school is one of five education facility design projects awarded the top prize this year. The Learning By Design program highlights the country's most engaging and enriching learning environments. Discovery STEM Academy was featured in the October 2017 edition of the national magazine.

The Heritage High School library was awarded a $25,000 Libraries Ready to Code grant by the American Library Association to launch Full STEAM Ahead, a program that teaches computational thinking and computer science techniques to special education students.

Denbigh High School's Aviation Academy, a PRIME School (Partnership Response In Manufacturing Education), was awarded a $40,000 grant from Arconic Foundation to develop a modeling and prototype lab to promote science, technology, engineering and mathematics (STEM) in manufacturing. The lab will support all four of the Aviation Academy's pathways: aviation technology, flight operations, aerospace engineering, and aviation security and safety.

Warwick and Woodside high schools are named 2017-2018 W!SE Blue Star Schools for their students' performance on the W!SE Financial Literacy Certification Test. The national certification test is given to high school students upon completion of the personal finance course. To earn the Blue Star designation, students must achieve an 80% pass rate on the test with either a majority of students at a given grade level taking the test or an average score of 85% or higher by students who take the test. Twelve NNPS career and technical education teachers were named W!SE Gold Star teachers for their students' successful performance on the test.

Todd Stadium, home of NNPS football and track and field events, earned recognition as a Field of Excellence by Pioneer Athletics. The Fields of Excellence awards program honors outstanding athletic fields and the hardworking crews who diligently maintain the fields. Todd Stadium was selected as one of 91 winners for the Fields of Excellence Awards for 2017-2018.

Newport News Public Schools has earned several awards in recognition of outstanding financial management and distinguished budget presentation. The school district earned its fifteenth consecutive Outstanding Achievement Award from the Government Finance Officers Association (GFOA) for our Comprehensive Annual Financial Report (CAFR) for the 2017 fiscal year. We also earned our eighth consecutive Certificate of Excellence for Financial Reporting Award from the Association of School Business Officials International (ASBO) for our CAFR. The School Board's FY 2017 comprehensive budget document earned its seventh consecutive ASBO Meritorious Budget Award for excellence in budget presentation.

Acknowledgements

The preparation of the School Board's CAFR was accomplished with the dedicated services of personnel from the Accounting Office of the Business Department. This effort was led by Steven Kanehl, CPA, Accounting Supervisor, and supported by Kimberly Powell, MPA, Accounting Analyst.

Further appreciation is extended to each member of the School Board and the Superintendent for their interest and support in planning and conducting the financial operations of the School Board in a responsible manner.

Sincerely,

Mary Lou Roaseau, CPA
Assistant Superintendent – Business and Support Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Board of the City of Newport News, Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Newport News Public Schools

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso, CAE
Executive Director

FINANCIAL SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Honorable Members of the
School Board of the City of
Newport News, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Funds, a fiduciary fund of the School Board, which represents 5% of the total assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Student Activity Funds were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 (o) to the basic financial statements, the School Board implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A") and the required supplementary information other than MD&A, as listed 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 GASB, 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 School Board's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is also not a required part of the financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
December 7, 2018

The following discussion and analysis of The School Board of the City of Newport News, Virginia's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2018. The analysis focuses on the School Board's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this section.

Financial Highlights for Fiscal Year (FY) 2018

The School Board, on a government-wide basis, had an increase in Net Position of $16.3 million. There was also a prior period adjustment due to change in accounting principal for other postemployment benefits (OPEB). The change was to record deferred outflows of resources and liabilities associated with the OPEB plans in accordance with Governmental Accounting Standards Board Statement No. 75. The net result was a restatement of increasing the Net Position deficit by $81.3 million. The restated Net Position went from a negative $252.7 million to a negative $334.0 million. The increase during FY2018 resulted in Net Position going from the restated negative $334.0 million to $317.7 million. This is the fourth consecutive year we have improved our Net Position, having increased by $23.7 million in FY2015, by $2.8 million in FY2016, by $9.5 million in FY2017 and now by $16.3 million in FY2018, for a total increase of $52.3 million over the past four years.

Net investment in capital assets increased by $4.6 million to $83.7 million primarily due to receiving back from the City the accounting book value (cost less accumulated depreciation) for the building and associated improvements of Greenwood Elementary School. Under the provisions of *Code of Virginia* 15.2-1800 (Assets Held Tenancy in Common) (AHTIC), the City recorded Greenwood on their books as an asset until the general obligation bonds used to finance the construction of the school were repaid (The School Board is not permitted to issue General Obligation Bonds). Restricted Net Position increased by $1.5 million primarily due to an increase in funds restricted for textbooks. Textbooks are generally purchased on a six-year replacement cycle and some years the subjects up for replacement are less than other years. The balance is now $14.5 million. Unrestricted Net Position increased by $19.1 million and is now at negative $407.0 million.

The General Fund utilized all available resources to meet School Board needs and none was returned to the City.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School Board's basic financial statements.

This Comprehensive Annual Financial Report consists of three sections: introductory, financial, statistical, and compliance. The financial section has four components – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information.

The School Board's financial statements consist of two kinds of statements that present different views of the School Board's financial activities.

- The Statement of Net Position and Statement of Activities provide information on a government-wide basis. These statements present an aggregate view of the School Board's finances providing both long-term and short-term information about the School Board's overall financial status.

- The fund financial statements focus on the individual parts of the School Board, reporting School Board operations with more information and detail than the government-wide statements.

Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (e.g., year-to-year or government to government), and enhance the School Board's accountability. 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 the School Board's financial activities and position. The required supplementary information further explains and supports the financial statements.

Government-Wide Financial Statements

The government-wide financial statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. An important question one could ask about the School Board's finances is, "Is the School Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the School Board as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School Board's Net Position and changes in them. The School Board's Net Position, which is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the School Board's financial health. Over time, increases or decreases in the School Board's Net Position are indicators of whether or not its financial position is improving. Other factors will also need to be considered, such as the overall economy of the Commonwealth and the City, from which most of the School Board's resources are derived.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial presentation more familiar. The focus is on the School Board's most significant fund, the General Fund. The Grant Fund and the General Obligation Bond Fund are also considered major funds. All of the School Board's other funds are considered non-major funds and are summarized into one total, but the details of each fund are also shown in the Supplementary Information section.

Financial Analysis of the School Board as a Whole

The School Board presents its financial statements in accordance with GAAP.

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The following table reflects the condensed Net Position of the School Board.

Table 1
Net Position
(FY2017 restated for prior period adjustment)
(In millions)

	FY 2018	FY 2017	Change
Current and other assets	$ 83.8	$ 88.7	$ (4.9)
Capital assets, net	101.7	97.9	3.8
Total assets	185.5	186.6	(1.1)
Deferred outflows of resources	55.5	66.9 *	(11.4)
Other liabilities	30.8	41.3	(10.5)
Long-term liabilities	484.5	528.1 *	(43.6)
Total liabilities	515.3	569.4	(54.1)
Deferred inflows of resources	43.4	18.1	25.3
Net Position:			
Net investment in capital assets	83.7	79.1	4.6
Restricted	14.5	13.0	1.5
Unrestricted	(415.9)	(426.1) *	10.2
Total Net Position	$ (317.7)	$ (334.0)	$ 16.3

* Restated

The School Board's total Net Position shows an increase of $16.3 million increasing from a negative $334.0 million, restated, to a negative $317.7 million. A total of $11.0 million (67% of the total) resulted from a decrease in expenses due to the actuarial calculations involving allocated Virginia Retirement System and City (Newport News Employee Retirement Fund (NNERF)) pension plans and three OPEB plans.

Current and other assets decreased by $4.9 million (5.5%). Over half of this was attributed to a decrease in funds held by Anthem for our self-insured employee health plan. Those funds decreased by $2.6 million. A three-month employee premium holiday lowered the funds by $2.0 million (77% of the decrease), increased claims lowered the funds by $0.4 million (15% of the decrease) and wellness program costs lowered the funds by another $0.2 million (8% of the decrease). Another $1.7 million of the current and other assets decrease was due to lower sales tax due from the Commonwealth of Virginia Department of Treasury. Under GAAP, we record sales tax received in July and August 2018 as due to us at June 30, 2018. GAAP permits this because the underlying economic transaction (i.e. the retail sale) occurred in May and June respectively. However, due to a formula change made by the General

Assembly in June 2018, the amount received in August was substantially less. (We have been informed that we should receive these funds later, but they will then be included as revenue for FY2019).

Capital assets increased by $3.8 million (3.9%). This increase was due to the City transferring Greenwood Elementary School back to the School Board under the provisions of AHTIC, since the bonded debt has been repaid, which added $5.6 million. All other capital assets transactions, including depreciation expense, accounted for the remaining $1.8 million decrease.

Deferred outflows of resources decreased by $11.4 million (17%) due to adjustments associated with actuary calculations related changes in experience data of the VRS and NNERF pension and OPEB plans.

Other liabilities decreased by $10.5 million (25%), primarily due to lower accounts payable of $8.1 million (77% of the decrease) due at June 30. Almost half of the decrease is related to capital projects. In FY2017, we owed $4.4 million to contractors for HVAC replacement projects at Hines and Gildersleeve Middle Schools and Lee Hall Elementary. However, at June 30, 2018 we had no major projects underway. The Heritage High HVAC renovation project began later than planned due to late funding appropriation, and as such, the project was not substantially underway by June 30. There are four other accounts payable explanations. In FY2017, we owed $0.9 million for the completion of the energy-savings performance contract funded by facility notes payable. In FY2017, a large amount of technology equipment was delivered the last three days of June and we owed $0.9 million. In addition, we owed $0.4 million for the delivery of career and technical education computers also delivered in late June 2017. Finally, we owed $0.3 million at June 2017 for HVAC projects at Nelson and Sanford. Another factor in the decrease of other liabilities was that payroll withholdings and accrued employee benefits decreased by $2.0 million (19% of the total decrease). In FY2018, the monthly payment to VRS for pension costs was paid by June 30, whereas in FY2017 the payment was not made until early July.

Long-term liabilities decreased by $43.6 million and this was almost all the result of a decrease in allocated pension liabilities offset partially by an increase in OPEB related liabilities. Allocated pension liabilities decreased by $52.9 million ($37.1 for VRS and $15.8 for NNERF); however, OPEB liabilities increased by $10.5 million, for a net of $42.4 million. The OPEB increase was related to the actuarial calculation that involves a blended imputed interest rate. In FY2018, due to budget constraints, we ceased making annual contributions of $2.1 million to the OPEB Trust Fund. There are no plans to resume these contributions in the near future. The actuary factored in lower investment earnings going forward, which increased our actuarially computed net OPEB liability.

Deferred inflows of resources increased by $25.3 million primarily due to changes from actuarial computations associated expected versus actual experience with the VRS teacher pooled pension plan. A total of $17.7 million (70% of the total change) is due to this pension plan. A total of $4.9 million (19% of the total change) is related to the timing of School Board contributions to the City under AHTIC.

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The following table summarizes the changes in the School Board's Net Position:

Table 2
Changes in Net Position
(In millions)

	FY 2018	FY 2017	Change
Revenues:			
Program revenues:			
Charges for services	$ 5.2	$ 6.8	$ (1.6)
Operating grants and contributions	73.8	69.1	4.7
Capital grants and contributions	1.4	1.9	(0.5)
General revenues:			
Local	115.1	117.6	(2.5)
State	151.8	151.6	0.2
Federal	1.9	3.2	(1.3)
Interest	0.1	0.1	-
Total revenues	349.3	350.3	(1.0)
Expenses:			
Academic services	233.5	239.1	(5.6)
Attendance and health	5.8	5.8	-
Transportation services	19.5	19.4	0.1
Operations and facilities	32.6	33.5	(0.9)
Child nutrition services	17.8	17.4	0.4
Technology services	14.8	15.9	(1.1)
Administration	8.5	8.8	(0.3)
Interest on capital debt	0.5	0.9	(0.4)
Total expenses	333.0	340.8	(7.8)
Change in net position	16.3	9.5	6.8
Beginning net position, as originally stated	(252.7)	(262.2)	9.5
Prior period adjustment, change in accounting principal	(81.3)	-	(81.3)
Beginning net position, as restated	(334.0)	(262.2)	(71.8)
Ending net position	$ (317.7)	$ (252.7)	$ (65.0)

(Comments on this page pertain to Table 2 on page 7)

For the Fiscal Year ended June 30, 2018, revenues from governmental activities (excluding charges for services and interest) totaled \$344.1 million, \$0.6 million (0.2%) more than in FY2017. Charges for services and interest were \$5.2 million to bring the total to \$349.3 million.

Charges for services was \$5.2 million (1.5% of the total) and decreased by \$1.6 million from FY2017. This was due to \$0.7 million less for Erate funding. In FY2017, we obtained one-time funding for expanding and upgrading our wireless network. Workers' Compensation fund charges were \$0.6 million less due to less funds needed due to positive claims experience. Child Nutrition Services saw a \$0.3 million decrease in charges for meals as more students qualified for Federal free and reduced lunch and breakfast.

Operating grants, which were comprised of approximately 50% from Virginia sources, 49% from Federal sources and 1% from local sources, totaled \$73.8 million (21.1% of the total). This was an increase of \$4.7 million (6.8%). Lottery funded programs accounted for \$3.5 million of the increase due to changes in the State funding formula. In addition, the State continued to provide an Extended School Year grant for children at risk, and this accounted for \$1.0 million of the increase. Child Nutrition Services saw an increase of \$0.7 million due to more meals served, which included an expanded dinner program and additional summer meals for qualifying students.

Capital grants, which was primarily for technology, was \$1.4 million (0.4% of the total) decreased by \$0.5 million due primarily the timing of grant-related purchases of Chromebooks for student use.

Local revenue from the City is shown net of the amount returned for debt service (to reflect bonded debt still outstanding and owed by the City for school capital assets). The detail is as follows:

Revenue to the General Fund	\$ 119,000,000
Less debt service returned to the City	(9,165,347)
Add Revenue General Obligation Bonds	7,632,216
Add Revenue General Capital Fund	2,000,000
Less net capital assets transferred tenancy-in-common	(4,390,265)
Net amount from City - Entity-wide statements	\$ 115,076,604

Revenue from the City in FY2018 was \$115.1 million (33.0% of the total), a decrease of \$2.5 million (2.1%). However, it should be pointed out that the City provided an additional \$0.7 million (0.6%) more to the General Fund.

Commonwealth Standards of Quality (SOQ) Funds accounted for \$151.8 million (43.5%) of the School Board's resources. These funds are based on student membership counts. These funds increased by \$0.2 million (0.1%).

Federal revenue decreased by \$1.3 million to \$1.9 million (0.5% of the total) in FY2017 due to decreased Impact Aid funding.

(Comments below prior to Capital Assets pertain to Table 2 on page 7)

Expenses for FY 2018 totaled $333.0 million, a decrease of $7.8 million (2.3%). Actuarially calculated pension and OPEB adjustments accounted for all of the decrease. Were it not for these adjustments expenses would have increased by $3.3 million, which would have a 0.9% increase.

Academic services accounted for $233.5 million (70.1%) of the School Board's total spending, the same percentage as in FY2017. A significant portion of this amount is for the salaries and benefits of teachers, teacher assistants and instructional administrators. The decrease compared to FY2017 is $5.6 million (2.3%). Pension and OPEB adjustments accounted for all of the decrease. Without those adjustments, expenses would have increased by $1.8 million (0.8%).

Operations and facilities were the next highest cost category with a total of $32.6 million (9.8% of the total, also the same percentage as in FY2017). Much of these expenses relate to the operation (utilities and insurance), maintenance, and cleaning of our 41 regular schools, six alternative school sites, and administrative offices. This category showed a $0.9 million (2.7%) decrease. Pension and OPEB adjustments accounted for all of the decrease. Without those adjustments, expenses would have increased by $0.1 million.

Transportation services are the third largest cost category, with expenses of $19.5 million (5.9% of the total). This category increased by $0.1 million (0.5%). Without pension and OPEB adjustments, this category would have increased by $0.7 million (3.6%). The additional expenses are due to increased pay-rates for bus drivers to staff fully all bus routes. Total compensation increased by $1.3 million. Some of the increased bus driver costs were to transport students for an expanded summer program.

Child nutrition services is the fourth largest cost category, with expenses of $17.8 million (5.3% of the total). This category showed an increase of $0.4 million (2.3%). Without pension and OPEB actuarial computations, this category would have increased by $0.9 million (5.2%), most of it related to the cost of increased summer and dinner feeding programs.

Capital Assets

At the end of 2018, the School Board had invested $101.7 million in capital assets, which reflects historical cost of $224.2 million and accumulated depreciation of $122.5 million. In addition, the School Board and the City have under the provisions of AHTIC a net of $140.3 million of capital assets, which are reflected in the financial statements of the City (historical cost of $215.4 million net of accumulated depreciation of $75.1 million). Most school buildings and improvements undertaken in the past 20 years, for which City bonded debt has been issued, are included therein.

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The following table shows the capital assets recorded on the School Board's books at year- end.

Table 3
Capital Assets, Net
(In millions)

	FY 2018	FY 2017	Change
Nondepreciable assets:			
Land	$ 2.9	$ 2.9	$ -
Construction in progress	-	20.7	(20.7)
Other capital assets:			
Buildings	73.4	66.2	7.2
Building improvements	80.3	56.5	23.8
Equipment and vehicles	67.6	66.6	1.0
Accumulated depreciation	(122.5)	(115.0)	(7.5)
Total	$ 101.7	$ 97.9	$ 3.8

Construction in progress was decreased by $20.7 million due primarily to the completion of the energy savings performance contract projects. Buildings increased by $7.2 million due primarily to the transfer of Greenwood Elementary to the School Board under the provisions of AHTIC, as City bonded debt associated with the building construction has been paid off. Building improvements increased by $23.8 million due to the completion of the energy savings performance contract projects as well as a transfer of Greenwood Elementary improvements from the City to the School Board under the provisions of AHTIC. Accumulated depreciation increased by $7.5 million. This was due to $7.6 million of depreciation expense. See Note 4 to the financial statements for additional information.

Long-Term Liabilities

The School Board cannot issue bonded debt. Accordingly, long-term liabilities of $484.5 million as shown on Table 1 are related to capital leases on equipment, capital facility notes payable, compensated absences, workers' compensation claims payable (under our self-insurance program), other postemployment benefits and incurred but not reported claims under our self-insured employee health insurance program and pension obligations. FY2017 liabilities as shown on Table I were restated due to a prior period adjustment to implement GASB 75 as relates to OPEB. This restatement increased the June 30, 2017 liabilities by $92.1 million. During FY2018, long-term liabilities had a net decrease of $43.6 million primarily due to a decrease in allocated pension obligations of $52.9 million. OPEB liabilities increased by $9.9 million. See Note 6 in the notes to basic financial statements for additional information.

Financial Analysis of the School Board's Governmental Funds

(The comments in this section pertain to the Balance Sheet – Governmental Funds on page 14 and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on page 15).

For the fiscal year ended June 30, 2018, the governmental funds had a combined fund balance of $48.3 million. This is an increase of $4.7 million (11.0%) as compared to June 30, 2017. There were three primary reasons for the increase. The General Obligation Bond Fund increased by $2.5 million. This was due primarily to funding provided by the City for a purchase order issued for the Heritage High HVAC replacement project. However, due to delay by the City in making the project appropriation no expenditures were made on this project in FY2018. The Textbook nonmajor Special Revenue Fund increased by $1.3 million. State revenue exceeded the amount of textbooks purchased in FY2018. Textbooks are on a six-year replacement cycle and FY2018 was a year in which only a few books were scheduled for replacement. Lastly, the General Cash Capital Projects Fund increased by $2.0 million. The City provided funding for school buses. The buses were ordered but were not delivered as of June 30, 2018 (they were delivered in September 2018). These increases total $5.8 million. They were partially offset by a $0.8 million decrease in the General Fund primarily due to a health insurance premium holiday for employees which lowered the cash held by agent (Anthem) used as a premium stabilization balance for the School Board's self-insured health insurance plan.

General Fund Budgetary Highlights

Table 4
General Fund Budget to Actual Summary (non-GAAP basis)
Year ended June 30, 2018
(In millions)

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
State	$ 181.4	$ 181.4	$ 180.6	$ (0.8)
City	119.0	119.0	119.0	-
Federal	3.3	3.3	2.9	(0.4)
Other	2.0	2.0	1.6	(0.4)
Total revenues	305.7	305.7	304.1	(1.6)
Expenditures and transfers:				
Expenditures	297.0	296.6	295.1	1.5
Transfers	8.7	9.1	9.1	-
Total expenditures and transfers	305.7	305.7	304.2	1.5
Change in fund balance	$ -	$ -	$ (0.1)	$ (0.1)

Revenues from the Commonwealth were $0.8 million less than the budget due to lower sales tax. Federal revenues were $0.4 million less than the budget due to decreased Impact Aid funds. Other revenue was $0.4 million less than the budget due to lower indirect costs allowed to be charged to grants. The net revenue shortfall of $1.6 million was covered by savings expenditures being $1.5 million under budget and $0.1 million from cancelled prior year purchase orders.

Economic Factors

The School Board is financially dependent upon the Commonwealth and City governments. Virginia funding is primarily dependent upon income and sales tax, both of which are expected to show moderate growth in the near term. The City is dependent upon property tax revenues, which are expected to be flat in the near term. FY2019 General Fund projected actual funding is expected to be $8.4 million (2.8%) higher as compared to FY2018 actual. The State is expected to provide $6.9 million (82%) of the increase with the City providing $0.7 million (8%). The remainder of $0.8 million is coming from the Federal government and from charges for services. The projection for FY2020 has potential for a modest increase.

Contacting the School Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, local business owners, parents and vendors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Mary Lou Roaseau, Assistant Superintendent – Business and Support Services, 12465 Warwick Boulevard, Newport News, Virginia 23606, telephone (757) 591-4511. In addition, there is nonfinancial information on our schools, curriculum and programs on the School Board's website at www.sbo.nn.k12.va.us.

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BASIC FINANCIAL STATEMENTS

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Net Position – Governmental Activities

June 30, 2018

Assets	
Cash and temporary investments	$ 53,597,428
Cash with agent	10,315,287
Accounts receivable, net	768,731
Receivables from other governments:	
City of Newport News, Virginia	7,226,810
Federal:	
Department of Agriculture	841,239
Department of Defense	9,012
Commonwealth of Virginia:	
Department of Treasury – sales tax	3,631,552
Department of Education	4,273,932
Inventories, at cost	1,655,974
Pension asset	1,488,925
Capital assets, non-depreciable	2,896,704
Capital assets, depreciable, net	98,758,871
Total assets	185,464,465
Deferred Outflows of Resources	
Deferred pension (NNERF)	7,886,522
Deferred pension (VRS teacher pool plan)	31,630,364
Deferred pension (VRS stand-alone plan)	310,725
Deferred OPEB (NNPS Trust Fund)	11,009,396
Deferred OPEB (VRS health income credit)	2,151,528
Deferred OPEB (VRS group life insurance)	2,550,518
Total deferred outflows of resources	55,539,053
Liabilities:	
Accounts payable	2,491,634
Accrued liabilities	812,983
Payroll withholdings and accrued fringe benefits	27,425,686
Unearned revenues	105,575
Long-term liabilities:	
Due within one year	4,959,619
Due in more than one year	479,510,622
Total liabilities	515,306,119
Deferred inflows:	
Deferred pension (VRS teacher pool plan)	32,444,000
Deferred pension (VRS stand-alone plan)	316,155
Deferred OPEB (NNPS Trust Fund)	497,776
Deferred OPEB (VRS health care credit)	506,000
Deferred OPEB (VRS group life insurance)	1,550,000
Deferred contribution to City - AHTIC	4,929,503
Deferred grant proceeds	3,177,372
Total deferred inflows	43,420,806
Net Position:	
Net investment in capital assets	83,735,916
Restricted for:	
Adult Education	134,022
Capital Projects	50,981
Child Nutrition Services	6,060,427
Textbooks	4,469,544
Workers' Compensation	3,738,294
Unrestricted (deficit)	(415,912,591)
Total net position	$(317,723,407)

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Activities – Governmental Activities

Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Academic services	$ 233,563,436	$ 964,365	$ 57,106,120	$ -	$ (175,492,951)
Attendance and health services	5,772,856	-	-	-	(5,772,856)
Transportation services	19,477,828	-	-	-	(19,477,828)
Operations and facilities	32,622,223	456,180	-	-	(32,166,043)
Child nutrition services	17,763,684	2,137,859	16,704,900	-	1,079,075
Technology services	14,763,143	118,209	-	1,371,676	(13,273,258)
Administration	8,540,498	1,543,042	-	-	(6,997,456)
Interest on capital debt	502,197	-	-	-	(502,197)
Total governmental activities	$ 333,005,865	$ 5,219,655	$ 73,811,020	$ 1,371,676	(252,603,514)
General revenues:					
City of Newport News, Virginia					115,076,604
Commonwealth of Virginia					151,756,817
Federal government					1,877,070
Interest					110,753
Miscellaneous					39,418
Total general revenues					268,860,662
Change in net position					16,257,148
Net position at beginning of year, as originally reported					(252,723,904)
Prior period adjustment, change in accounting principle for OPEB liability					(81,256,651)
Net position at beginning of year, as restated note 1-O					(333,980,555)
Net position at end of year					$ (317,723,407)

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Balance Sheet – Governmental Funds

June 30, 2018

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 32,893,866	$ 3,144,665	$ -	$ 17,558,897	$ 53,597,428
Cash with agent	10,315,287	-	-	-	10,315,287
Accounts receivable, net	620,573	80,213	-	67,945	768,731
Receivables from other governments:					
City of Newport News	-	-	7,226,810	-	7,226,810
Federal:					
Department of Agriculture	-	-	-	841,239	841,239
Department of Defense	-	9,012	-	-	9,012
Commonwealth of Virginia:					
Department of Treasury – sales tax	3,631,552	-	-	-	3,631,552
Department of Education	-	4,273,932	-	-	4,273,932
Inventories, at cost	1,167,137	-	-	488,837	1,655,974
Due from other funds	3,980,000	-	-	-	3,980,000
Total assets	$ 52,608,415	$ 7,507,822	$ 7,226,810	$ 18,956,918	$ 86,299,965
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	$ 1,614,518	$ 350,450	$ 180,147	$ 346,519	$ 2,491,634
Accrued liabilities	792,745	-	-	20,238	812,983
Payroll withholdings and accrued employee benefits	27,425,686	-	-	-	27,425,686
Due to other funds	-	3,980,000	-	-	3,980,000
Unearned revenues	105,575	-	-	-	105,575
Total liabilities	29,938,524	4,330,450	180,147	366,757	34,815,878
Deferred inflows of resources:					
Deferred grant proceeds	-	3,177,372	-	-	3,177,372
Total deferred inflows of resources	-	3,177,372	-	-	3,177,372
Fund balances:					
Nonspendable:					
Imprest funds	2,125	-	-	-	2,125
Inventories	1,167,137	-	-	-	1,167,137
Restricted:					
Adult education services	-	-	-	134,022	134,022
Capital projects	-	-	-	50,981	50,981
Child nutrition services	-	-	-	6,060,427	6,060,427
Textbooks				4,469,544	4,469,544
Workers' compensation	-	-	-	3,738,294	3,738,294
Assigned to:					
Adult education services	-	-	-	391,349	391,349
Child nutrition services	-	-	-	733,253	733,253
Contractual obligations	11,185,342	-	7,046,663	3,012,291	21,244,296
Health insurance	10,315,287	-	-	-	10,315,287
Total fund balances	22,669,891	-	7,046,663	18,590,161	48,306,715
Total liabilities, deferred inflows of resources and fund balances	$ 52,608,415	$ 7,507,822	$ 7,226,810	$ 18,956,918	$ 86,299,965

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances reported in governmental funds	$ 48,306,715
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	101,655,575
Pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,488,925
Deferred retirement outflows of resources used in governmental activities are not financial resources and, therefore, are not repor	55,539,053
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(484,470,241)
Deferred inflows from City tenancy-in-common are not recognized in the current period and, therefore, are reported in the fund	(4,929,503)
Deferred retirement inflows of resources are not recognized in the current period and, therefore, are not reported in the funds	(35,313,931)
Net position of governmental activities	$ (317,723,407)

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

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

Year Ended June 30, 2018

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
City of Newport News, Virginia	$ 109,834,653	$ -	$ 7,632,216	$ 2,000,000	$ 119,466,869
Commonwealth of Virginia	180,640,690	6,678,845	-	2,786,565	190,106,100
Federal government	2,899,206	19,136,772	-	16,092,091	38,128,069
Charges for services	1,551,775	-	-	3,667,880	5,219,655
Investment income	-	-	-	110,753	110,753
Miscellaneous	39,418	582,415	-	-	621,833
Total revenues	294,965,742	26,398,032	7,632,216	24,657,289	353,653,279
Expenditures:					
Current:					
Academic services	214,489,088	24,037,840	-	1,000,260	239,527,188
Attendance and health services	5,956,221	51,106	-	-	6,007,327
Transportation services	19,143,378	-	-	-	19,143,378
Operations and facilities	32,457,973	601,343	-	101,924	33,161,240
Child nutrition services	-	-	-	18,585,550	18,585,550
Technology services	13,597,592	1,540,161	-	-	15,137,753
Administration	7,344,047	167,582	-	1,223,925	8,735,554
Debt service:					
Principal	1,412,277	-	-	407,437	1,819,714
Interest and other charges	907,210	-	-	-	907,210
Capital outlay	1,457,037	-	5,137,905	295,168	6,890,110
Total expenditures	296,764,823	26,398,032	5,137,905	21,614,264	349,915,024
Deficiency of revenues under expenditures	(1,799,081)	-	2,494,311	3,043,025	3,738,255
Other financial sources:					
Issuance of capital lease	956,819	-	-	-	956,819
Total other financing sources	956,819	-	-	-	956,819
Net change in fund balances	(842,262)	-	2,494,311	3,043,025	4,695,074
Fund balances at beginning of year	23,457,385	-	4,552,352	15,510,420	43,520,157
Increase in nonspendable inventory	54,768	-	-	36,716	91,484
Fund balances at end of year	$ 22,669,891	$ -	$ 7,046,663	$ 18,590,161	$ 48,306,715

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net change in fund balances – total governmental funds		$ 4,695,074
Amounts reported for governmental activities in the Statement of Activities are different because:		
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 capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 6,890,110	
Items capitalized, but shown as expended	3,953,588	
Deferred inflow - contribution to City for tenancy-in common	4,929,503	
Transfer from City, tenancy-in-common	5,677,143	
Transfer to City, tenancy-in-common	(10,067,408)	
Capital outlay, net	11,382,936	
Loss on disposal of capital assets	(10,300)	
Depreciation expense	(7,634,306)	3,738,330
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the Statement of Activities.		1,819,714
Issuance of capital leases is a fnancing source in the governmental funds, but does not affect the Statement of Activities		(956,819)
Repayment of accrued interest payable is an expenditure in the governmental funds, but does not affect the Statement of Activities		405,013
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This year, compensated absences earned exceeded the amount used by $113,492, workers' compensation claims incurred were more than the amount paid by $38, health insurance claims incurred were less than the amount paid by $484,000, other postemployment benefits incurred for all plans were more than the amount paid by $10,546,380, VRS teacher pool pension costs incurred were less than the amount paid by $37,158,000 and City of Newport News pension costs incurred were less than the amount paid by $15,770,160.		42,752,250
Statement of Activities, pension asset increased, thus increasing net position		556,766
Statement of Activities, deferred outflows of resources associated with pension and OPEB plans decreased, but are not included in governmental funds		(11,377,477)
Statement of Activities, change in deferred inflows of resources associated with pension and OPEB plans increased, but are not included in governmental funds		(20,537,684)
Statement of Activities, change in deferred inflows of resources associated with City contribution related to tenancy-in-common		(4,929,503)
Change in nonspendable inventory from governmental funds is included in expenses in the Statement of Activities.		91,484
Change in net position of governmental activities		$ 16,257,148

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2018

	OPEB Trust Fund	Agency Fund
Assets:		
Cash and cash equivalents (note 2)	$ -	$ 1,608,018
Investments, at fair value:		
Money market trust	25,315,593	-
Total assets	25,315,593	$ 1,608,018
Liabilities:		
Accounts payable	-	$ -
Due to students	-	1,608,018
Total liabilities	-	$ 1,608,018
Net Position:		
Net position held in trust for other postemployment benefits	$ 25,315,593	

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended June 30, 2018

	OPEB Trust Fund
Additions	
Contributions:	
Employer contributions	$ 5,120,869
Plan member (retiree) contributions	1,506,699
Total contributions	6,627,568
Net investment income:	
Net appreciation in the fair value of investments	2,230,711
Interest and dividends	7,950
Total investment gain	2,238,661
Total additions	8,866,229
Deductions	
Benefits	6,627,568
Administrative expenses	26,340
Total deductions	6,653,908
Change in net position	2,212,321
Net position at beginning of year	23,103,272
Net position at end of year	$ 25,315,593

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Narrative Profile

The School Board of the City of Newport News, Virginia (the School Board) was established in 1898 to provide educational opportunities to the residents of the City of Newport News, Virginia (the City). The School Board is the elected body operating under the Constitution of Virginia and the *Code of Virginia*. The members of the School Board are elected by the citizens of the City to serve four-year terms. The School Board determines educational policy and employs a Superintendent of schools to administer the public school system.

(a) Financial Reporting Entity

The School Board receives funding from taxes collected and allocated by the City and the Commonwealth in addition to federal aid. School construction projects are funded by general obligation bonds and State Literary Loans approved by City Council (the Council). The School Board itself has no power to levy and collect taxes, or to increase its budget. The Council annually appropriates funds to the School Board for educational expenditures, levies taxes, and issues debt on behalf of the School Board. The legal liability for general obligation debt remains with the City. Because of the relationship with the City, the School Board is considered a component unit of the City Primary Government as defined by accounting principles generally accepted in the United States of America (GAAP) for governmental entities.

(b) Basis of Presentations

The School Board's financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities along with fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the School Board as a whole, except for fiduciary funds. These statements are reported on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Transfers are eliminated to avoid "doubling up" revenues and expenditures.

The Statement of Net Position presents the financial condition of the governmental activities of the School Board at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School Board governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are identifiable to a particular function. Expenses are grouped in the following categories: Academic services, Attendance and health services, Transportation services, Operation and facilities, Child nutrition services, Technology services, Administration, and Interest on capital debt.

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include adult education, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Board. This includes funding provided by the Commonwealth of Virginia related to their adopted Standards of Quality (SOQ). SOQ funds take into account funding for all educationally related functions of the School Board and are based upon student enrollment and prevailing average costs throughout the Commonwealth. These revenues are reported as general revenues as the intricacies of the funding formula do not permit a breakdown by function. 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 the School Board. The School Board does not allocate indirect expenses. When both restricted and unrestricted resources are available for use, it is the School Board's policy to use restricted resources first.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated.

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

The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, deferred flows of resources and fund balance, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds.

The School Board reports the following major governmental funds:

> *General Fund* – The General Fund is the general operating fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily from intergovernmental revenues.
>
> *Grant Fund* – The Grant Fund accounts for the proceeds of Federal and Virginia operating and capital grants, which are received for a designated purpose.
>
> *General Obligation Bond Fund* – This fund accounts for proceeds of general obligation bonds issued by the City to construct or purchase capital assets.

Additionally, the School Board reports the following governmental and fiduciary funds:

> *Special Revenue Funds* – Special Revenue Funds account for revenue derived from specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The School Board utilizes four special revenue funds - Workers' Compensation Fund, Textbook Fund, Child Nutrition Services Fund and Adult Education Fund.
>
> *Capital Projects Funds* – Capital Projects Funds are used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities or maintenance of the school plant (other than those financed by the other funds).

Fiduciary Funds – Fiduciary Funds account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The School Board's fiduciary funds are presented in the Fund financial statements by type (Other Postemployment Benefits (OPEB) or agency). Since by definition these assets are being held for the benefit of a third party (private parties or OPEB participants), and cannot be used to address activities or obligations of the School Board, these funds are not incorporated into the Government-wide statements. The following are the School Board's fiduciary funds:

Trust Fund – The Trust Fund consists of the School Board's postemployment benefit plan, an OPEB trust fund.

Agency Funds – Agency Funds are custodial in nature. Therefore, their assets equal their liabilities, the balances of which are reported in the Statement of Fiduciary Net Position. Agency Funds, however, do not present results of operations, and accordingly are not reported in the Statement of Changes in Fiduciary Net Position. The Agency Funds consist of the assets and liabilities of the School Activity Funds.

(c) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide and fiduciary funds' financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. The Agency fiduciary fund has no measurement focus. Governmental funds use the modified accrual basis of accounting and the current financial resources measurement focus. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenues and deferred flows of resources, and in the presentation of expenses versus expenditures. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Under the modified accrual basis of accounting, revenues are recorded when subject to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School Board considers collections within 60 days of year-end as available. Sales tax revenue is accrued when the underlying sales transaction has taken place and is remitted to the School Board within 60 days of the sales transaction. Expenditures, other than those related to long-term obligations (e.g., principal and interest on long-term debt, compensated absences, retirement), which is recorded when due, are recorded when the related fund liability is incurred.

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

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

(d) Encumbrances

The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as "assigned to contractual obligations" as part of fund equity, since they constitute neither expenditures nor liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City Code, unexpended, unencumbered appropriations lapse at the end of the year.

(e) Cash and Temporary Investments

Cash and temporary investments are pooled with the cash and investments of the City, except for $250,000 held in escrow with our workers' compensation third-party administrator and petty cash of $2,320. The School Board utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. The cash in the Agency Fund represents the Student Activity Fund cash balances in the separate bank accounts maintained by the individual schools. The investments are maintained in the Virginia Association of Counties/Virginia Municipal League (VACo/VML) OPEB Pooled Trust Fund are valued using the Net Asset Value (NAV) per share, which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the OPEB Pooled Trust Fund. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

(f) Cash with Agent

Cash with agent of $10,315,287 represents healthcare premiums paid in advance and on deposit with our third-party claims administrator. The School Board's healthcare program is self-insured (see Note 8 (a) for further information). Premiums paid in prior years have been more than actual claims and expenses. The premiums are on deposit to pay future healthcare premiums.

(g) Receivables and Due from Other Governments

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

(h) Inventories

Inventories consist of consumable materials and supplies held for future consumption. Inventory is accounted for under the purchases method. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. Quantities on hand at year-end are recorded on the Governmental Funds' Balance Sheet at cost on a first-in, first-out basis and classified as a non-spendable fund balance.

(i) Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated acquisition value on the date received. The capitalization threshold for equipment, improvements and buildings is $5,000 with a useful life of at least five years. Land and textbooks are capitalized regardless of value. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy-in-common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. The School Board and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid, upon which time the book value of the assets in question will be transferred back to the School Board's books. At June 30, 2018, the City holds capital assets related to school property with a net book value of $140,327,082.

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

Description	Estimated useful lives
Buildings	60 years
Improvements	25 years
Machinery and equipment	5-20 years

(j) Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation leave, which upon retirement, termination or death, may be compensated for certain amounts at their then current rate of pay. Upon termination for reasons other than retirement, School Board employees are not paid for accumulated sick leave. Upon retirement, sick leave may be taken in cash at $30 per day depending upon employment status (maximum payment of $5,000) or exchanged for additional service credit towards retiree health insurance subsidy. A liability for these amounts is reported in governmental funds only if they are expected to be paid with currently expendable financial resources.

(k) Fund Balance and Net Position Items

GAAP prescribes classifications of fund balance at the following levels of restriction:

Non-spendable items – This category includes the resources of imprest funds, inventories and prepaid property and liability insurance not available for appropriation.

Restricted items – This category includes resources restricted by the City Primary Government or grantor.

- The Workers' Compensation special revenue fund has a restricted fund balance of $3,738,294, which City Council restricts to the use of these funds for workers' compensation for the School Board's self-insured workers' compensation plan.
- The Textbook special revenue fund has a restricted fund balance of $4,469,544, which City Council restricts to the use of these funds for textbooks. The School Board intends to purchase textbooks in the upcoming years based upon a six-year replacement cycle for most subjects.
- The Adult Education special revenue fund has a restricted fund balance of $134,022 representing the portion of the fund balance provided over the years from State grants restricted for the purpose of providing adult citizens of the community with educational services.
- The State Construction Capital Projects Fund has a fund balance of $50,681, restricted by the Commonwealth to capital outlay and repayment of debt issued for capital outlay.
- The General Cash Capital Projects Fund has a fund balance of $300 restricted by the City for capital outlay.
- The Child Nutrition Services special revenue fund has a restricted fund balance of $6,060,427 representing the portion of the fund balance provided over the years from Federal and Virginia grants restricted for the purpose of providing students with nutritional meals.

Assigned to items – Assigned items represents School Board management's intent to use certain resources for assigned purposes. The Superintendent is authorized by the School Board annually during the budget approval process to make the following assignments as of June 30, 2018.

- $391,349 is assigned to provide adult education services in the community as represented in the Adult Education special revenue fund.
- $733,253 is assigned to provide students attending the schools with a nutritious breakfast and lunch, meeting the regulations of the United States Department of Agriculture and the Commonwealth as represented in the Child Nutrition Services special revenue fund.
- $21,244,296 is assigned to meet contractual obligations. The School Board has purchase orders outstanding with vendors in this amount and expects the vendors to deliver the goods and services in the upcoming fiscal year. The amounts are $11,185,342 in the General Fund, $7,046,663 in the General Obligation Bond Fund, $950,748 in the Textbook special revenue fund, $12,583 in the Child Nutrition Services special revenue fund, $26,434 in the State Construction capital projects fund and $2,022,526 in the General Cash capital projects fund.
- $10,315,287 is assigned to the employee self-insured health insurance plan. Funds equal to this amount are on deposit with our contracted health insurance provider and shown as a prepaid item in the asset section of the Balance Sheet.

Unassigned items – The School Board has no unassigned fund equity in governmental fund balances at June 30, 2018.

Net investment in Capital Assets - The Statement of Net Position includes net investment in capital assets. The amount was determined as follows:

Net Investment in capital assets	
Capital assets:	
Capital assets, non-depreciable	$ 2,896,704
Capital assets, depreciable, net	98,758,871
Total capital assets	101,655,575
Less related debt:	
Capital leases payable	1,402,592
Capital facility notes payable	16,517,067
Total related debt	17,919,659
Net Investment in capital assets	$ 83,735,916

Resource flow assumption – The flow assumption between restricted and assigned to resources is a pro-rata base determined by the amount of funding provided by each source.

(l) Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All interfund transactions, except interfund services provided and used, and reimbursements, are reported as transfers. Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

(m) Deferred Inflows and Outflows

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows represent a consumption of net position and deferred inflows represent an acquisition of net position that applies to a future period. Deferred outflows will be recognized as an outflow of resources (expense/expenditure) and deferred inflows will be recognized as an inflow of resources (revenue) in those future periods.

Deferred outflows of resources for pensions and OPEB can result from changes in actuarial assumptions and proportions, pension investment returns that exceed projected earnings and pension contributions made subsequent to the measurement date. Changes in actuarial assumptions and proportions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

Deferred inflows of resources, under the modified accrual basis of accounting, representing grants receivable not meeting revenue recognition yet, are reported in the governmental funds' Balance Sheet. Deferred inflows of resources may also be reported for amounts related to pensions and OPEB in the government-wide Statement of Net Position, such as actuarial losses resulting from a difference in actual experience and actuarial assumptions. Changes in inflows, other than those related to investment activities, actuarial assumptions would be deferred and amortized over the remaining service life of all participants and deferred inflows resulting from pension investment returns lower than projected earnings are deferred and amortized over a closed five-year period.

(n) Pensions

For the purpose 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 Supplemental Retirement System (VRS) pension plan and the Newport News Employees' Retirement Fund (NNERF), and additions to/deductions from the plans' fiduciary net position, have been determined on the same basis as they are reported by VRS and NNERF respectively. 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.

(o) Change in Accounting Principle and Restatement of Prior Period Net Position

Effective July 1, 2017, the School Board adopted the provision of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This implementation required the School Board to recognize a net liability for each qualified OPEB plan in which it participates, which represents the excess of the total net liability over the fiduciary net position of the qualified OPEB plan. Changes in the net OPEB liability during the period are recorded as an OPEB expense or as deferred inflows or deferred outflows of resources, depending upon the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred inflows or deferred outflows of resources that rise from change in actuarial assumptions or other inputs, and long with differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB and recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on qualified OPEB plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

As a result, the adoption of this guidance resulted in a decrease in the beginning net position in the government-wide Statement of Net Position. The net position as of June 30, 2017 has been adjusted accordingly.

Net Position, beginning of the year as previously reported	($252,723,904)
Change in reported value of OPEB NNPS Trust Fund	(42,107,932)
Change in reported value of OPEB VRS health insurance credit	(24,119,293)
Change in reported value of OPEB VRS group life insurance	(15,029,426)
Balance, as restated, June 30, 2017	($333,980,555)

Additionally, this implementation of GASB 75 required the School Board to restate the total long-term liabilities as previously reported at June 30, 2017. The restatement of prior long liabilities for fiscal year ending June 30, 2017 increased long-term liabilities by the change in the net OPEB liability. As a result, long-term liabilities as of June 30, 2017 have been adjusted accordingly.

Total long-term liabilities, beginning of the year as previously reported	$435,908,387
Change in reported value of OPEB NNPS Trust	50,378,999
Change in reported value of OPEB VRS health insurance credit	25,892,000
Change in reported value of OPEB VRS group life insurance	15,906,000
Balance, as restated, June 30, 2017 (Note 6)	$528,085,386

Furthermore, the implementation of GASB 75 required the School Board to restate deferred outflows of resources as previously reported at June 30, 2017.

Total deferred outflows of resources, beginning of the year as previously reported	$55,996,182
Changed in reported value for OPEB – NNPS Trust Fund	8,271,067
Change in reported value for OEPB – VRS health insurance credit	1,772,707
Change in reported value for OPEB – VRS group life insurance	876,574
Balance, as restated, June 30, 2017	$66,916,530

(2) Cash and Cash Equivalents

All of the $53,597,428 of School Board cash and cash equivalents (except for $250,000 of funds in escrow with our workers' compensation third-party administrator and $2,320 of petty cash funds) are maintained on deposit with the Treasurer of the City. All of the funds are available for immediate School Board use. See the City's Comprehensive Annual Financial Report for additional details. A copy may be obtained from the City of Newport News, Virginia's Finance Department, 2400 Washington Avenue, Newport News, VA 23607.

(3) Due To/Due From and Transfers In and Out

Interfund receivables and payables as of June 30, 2018 are as follows:

Funds	Due from other funds	Due to other funds
General Fund	$ 3,980,000	$ -
Grant Fund	-	3,980,000
Total all funds	$ 3,980,000	$ 3,980,000

The amounts that are due to other funds are to provide for cash to pay for expenditures of the Grant Fund until revenue is received in cash.

(4) Capital Assets, Net

A summary of changes in capital assets follows:

	Balance July 1, 2017	Increases	Decreases	Assets Held Tenancy In-Common	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 2,896,704	$ -	$ -	$ -	$ 2,896,704
Construction in progress	20,726,356	68,085	20,794,441	-	-
Total capital assets not being depreciated	23,623,060	68,085	20,794,441	-	2,896,704
Other capital assets:					
Buildings	66,190,087	3,269,251	-	3,932,488	73,391,826
Improvements	56,542,729	18,869,148	69,000	4,916,577	80,259,454
Machinery and Equipment	66,591,468	4,346,016	3,323,308	-	67,614,176
Total other capital assets	189,324,284	26,484,415	3,392,308	8,849,065	221,265,456
Less accumulated depreciation for:					
Buildings	42,493,978	1,031,390	-	1,989,916	45,515,284
Improvements	26,164,890	2,606,405	69,000	1,234,272	29,936,567
Machinery and Equipment	46,371,231	3,996,511	3,313,008	-	47,054,734
Total accumulated depreciation	115,030,099	7,634,306	3,382,008	3,224,188	122,506,585
Other capital assets, net	74,294,185	18,850,109	10,300	5,624,877	98,758,871
Totals	$ 97,917,245	$ 18,918,194	$ 20,804,741	$ 5,624,877	$ 101,655,575

The adjustment for Assets Held Tenancy in-Common is for a school building held on the books of the City until the bonded debt was repaid. This is permitted per the laws of the Commonwealth of Virginia. Once the debt is repaid, an accounting entry is made to move the building back to the School Board. All the while, the School Board holds the deed to the property, retains full control and operates all programs at the property and insures the property.

Depreciation was charged to governmental functions as follows:

Academic services	$ 4,447,034
Attendance and health services	26,630
Transportation services	1,348,772
Operations and facilities	1,182,206
Child nutrition services	171,243
Technology services	273,796
Administration	184,625
Total governmental activities depreciation expense	$ 7,634,306

Loss on disposal of assets of $10,300 is charged to the Operations and facilities function.

Construction in progress is composed of the following at June 30, 2018:

	Project Authorization	Expended Through June 30, 2018	Balance of Authorization	Future Requirements
Total School projects	$ 19,342,612	$ 10,203,616	$ 9,138,996	$ -

Of the amount expended through June 30, 2018, all $10,203,616 relates to assets transferred to the City under the AHTIC provisions. The balance of authorization of $9,138,996 will be transferred to the City as AHTIC once completed. There are purchase orders totaling $7,046,663 at June 30, 2018, leaving $2,092,333 balance of authorization available for project procurement.

(5) Leases

(a) Operating Leases

The School Board had three ongoing-leased buildings in FY2018. Part of the leased space expires on June 30, 2028 and other leased space in that same building expires on June 30, 2030. One other lease expired on December 31, 2017, but the School Board intends to renew for 3.5 years to June 2021. We also lease space for high school graduation ceremonies on a year-to-year basis. Total costs for such leases were approximately $817,588 for the year ended June 30, 2018.

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The future minimum lease payments for these leases are as follows:

Year ending June 30:	
2019	$ 745,524
2020	658,673
2021	663,606
2022	707,751
2023	712,882
2024-2028	3,645,073
2029-2030	588,464
	$ 7,721,973

(b) *Capital Leases*

The School Board has four lease agreements at June 30, 2018 for financing the acquisition of property and equipment.

The net book value of assets acquired through the four capital leases as of June 30, 2018 is as follows:

Machinery and equipment	$ 2,068,108
Less accumulated depreciation	(772,628)
	$ 1,295,480

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year ending June 30:	
2019	$ 466,783
2020	354,643
2021	317,262
2022	374,602
Total minimum lease payments	1,513,290
Less amounts representing interest	(110,698)
Present value of minimum capital lease payment	$1,402,592

(Remainder of page left intentionally blank)

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	One Year
Compensated absences	$ 4,820,173	$ 2,532,478	$ 2,418,984	$ 4,933,667	$ 740,050
Workers' compensation claims	5,332,357	1,173,032	1,172,994	5,332,395	1,066,479
Incurred but not reported health claims	3,078,000	28,348,765	28,832,765	2,594,000	2,594,000
Capital leases payable	872,986	956,819	427,213	1,402,592	418,969
Capital facility notes payable	17,909,568	-	1,392,501	16,517,067	140,121
OPEB NNPS Trust Fund (restated)	76,414,250	15,132,399	2,212,021	89,334,628	-
OPEB VRS health care credit (restated)	25,892,000	2,058,000	2,279,000	25,671,000	-
OPEB VRS life insurance (restated)	15,906,000	255,000	2,408,000	13,753,000	-
VRS teacher pool pension	286,104,000	34,713,000	71,871,000	248,946,000	-
City of Newport News pension (NNERF)	91,756,052	2,489,197	18,259,357	75,985,892	-
Totals	$ 528,085,386	$ 87,658,690	$ 131,273,835	$ 484,470,241	$ 4,959,619

GASB 75 required that the School Board restate the beginning balances of various OPEB plans. The OPEB NNPS Trust Fund was restated from $26,035,251 to $76,414,250. The OPEB VRS health care credit was recorded for the first time under GAAP as $25,892,000 and the OPEB VRS group life insurance was also recorded for the first time under GAAP as $15,906,000.

Incurred but not reported health claims represent an estimate of healthcare claims incurred by our employees as of June 30, 2018, but not paid by our third-party claims administrator. As we are self-insured for healthcare claims, we consider the entire amount as due within one year. In fact, the claims are paid in a matter of a few weeks after year-end as the medical providers submit their claims to the third-party administrator.

Long-term liabilities are normally paid from the General Fund, including OPEB and pension obligations.

The annual requirements to pay principal and interest on capital facility notes payable due to Bank of America Public Capital Corp. are as follows:

	Principal	Interest	Total
FY2019	140,121	52,122	192,243
FY2020	852,720	419,398	1,272,118
FY2021	913,818	397,702	1,311,520
FY2022	977,662	374,441	1,352,103
FY2023	1,044,359	349,545	1,393,904
FY2024 - FY2028	6,309,282	1,311,983	7,621,265
FY2029 - FY2032	6,279,105	408,536	6,687,641
Totals	$ 16,517,067	$ 3,313,727	$ 19,830,794

The interest rate on $13,962,084 of debt is 2.651% and an annual payment is due each July 15. The interest rate is 2.04% on $2,554,983 of the debt and an annual payment is due each March 1.

Capital facility notes payable provided financing for energy performance contract improvements and are paid from the General Fund.

(7) Defined Benefit Retirement Plans

(a) Newport News Employees' Retirement Fund (NNERF)

1. Plan Description

The NNERF is a cost-sharing multiple employer, defined benefit, public employee retirement system established and administered by the City to provide pension benefits for employees of the Primary Government, including the School Board. For those schoolteachers and administrative support personnel employed by the Newport News School Board, the City plan is a supplement to the VRS. The Plan has been closed to new School Board hires and rehires effective July 1, 2009 and since March 1, 2010 for the City. School Board employees whose primary pension benefit is through VRS, and thus receive only a supplemental benefit from NNERF, have had their supplemental benefit frozen as of December 31, 2012.

Full-time regular employees hired on or before July 1, 2009 for the School Board and March 1, 2010 for the City are members of this fund. NNERF benefits are available only to employees with five years' service. School VRS employees who did not have five years' service when the supplemental NNERF benefits were frozen at December 31, 2012 are not eligible for a supplemental benefit from NNERF. Employees hired after the above dates are in VRS, an agent multiple-employer defined benefit plan as discussed in note 7 (b). For the years ended June 30, 2018 and 2017, the total payroll of the School Board was approximately $199.0 million and $193.3 million, respectively, with approximately $108.2 million and $113.3 million covered by NNERF.

At June 30, 2018, NNERF membership consisted of:

	Retirees and Beneficiaries	Vested Terminated or Frozen Employees	Active Employees Vested	Total
City general	1,424	699	767	2,890
City police and fire	926	266	615	1,807
Public utilities	293	90	192	575
School VRS	2,742	3,127	-	5,869
School Non-VRS	941	269	428	1,638
Total	6,326	4,451	2,002	12,779

NNERF provides retirement benefits as well as death and disability benefits. All benefits vest after five years of credited service. Employees who retire at or after age 60 (50 for police officers, firefighters and deputy sheriffs) with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their average final compensation (AFC) for each year of credited service accumulated to February 28, 2010, 1.85% from March 1, 2010 through December 31, 2012 and 1.65% for each year of credited service after January 1, 2013. (For public safety, employees the multiplier remains at 1.85% for time worked after January 1, 2013). AFC is defined as the average rate of salary received during the highest paid 36 consecutive months of credited service. Employees with 30 years (25 for police officers, firefighters and deputy sheriffs) credited service may retire at any age with full benefits. Employees (other than police officers, firefighters and deputy sheriffs) with 25 years of service may retire prior to age 60 and receive a reduced benefit. Members began contributing to the Pension Fund as of January 1, 2013 for City employees and July 1, 2013 for School employees. City employees in NNERF began to contribute 5% of their salary to the Plan as of January 1, 2013. School employees began contributing 2% of their pay effective July 1, 2013, and effective July 1, 2014 contribute 5% of pay.

Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits.

Employees with at least five years of credited service are eligible to purchase all or part of certain prior service credits, subject to Internal Revenue Service limits. The types of prior service eligible include time employed under other government programs and military service.

2. Contributions

Effective January 1, 2013 employee contributions to the Plan were made mandatory. Contributions totaling $7,611,499 and $640,991 were made by the employer and employees respectively to NNERF during the year ended June 30, 2018. The percentage of contributions to covered payroll for fiscal year 2018 was 7.04% and 6.42% for fiscal year 2017. The percentage of normal costs to covered payroll was 8.18% for fiscal year ending June 30, 2018 and 8.13% for fiscal year ending June 30, 2017.

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

At June 30, 2018, the School Board reported a liability of $75,985,892 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 18.5783% as compared to 19.7110% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized pension expense of $2,214,174. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, 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, 2018, the School Board reported deferred outflows of resources related to NNERF pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$	275,023	$	-
Contributions to the plan subsequent to the measurement date		7,611,499		-
Total	**$**	**7,886,522**	**$**	**-**

$7,611,499 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30		Deferred Outflows
2018	$	(164,886)
2019		1,928,415
2020		560,885
2021		(2,049,391)
	$	275,023

4. Actuarial Assumptions

The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2016, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Projections of benefits are based on the substantive plan (the plan as understood by the City and Plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	30 years level dollar closed as of July 1, 2011

Asset valuation method	Five-Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Rate of salary increases:	Non-VRS Schools: 3.00% for the next year 2.00% for second year 4.50% thereafter
Cost of living adjustment	1.33%
Inflation	2.80%
Rate of Mortality	RP-2000 sex distinct combined healthy mortality projected to 2020 by Scale AA

The long-term expected rate of return on NNERF investments was determined using best-estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Equities	4.60%	24.0%
Mid Cap Equities	8.40%	14.0%
Small Cap Equities	6.30%	12.0%
International Equities	3.50%	12.0%
Emerging Markets	7.90%	4.0%
Real Estate	6.50%	4.0%
Private Equities	10.10%	6.0%
Timberland	3.60%	8.0%
Fixed Income (Bonds)	1.80%	15.0%
Cash	-2.80%	1.0%
Total		100.0%

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

The following presents the net pension liability of the School Board, calculated using the discount rate of 7.5 percent, as well as what the School Board's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.50 percent) or 1 percent point higher (8.5 percent) than the current rate:

	1.00% Lower 6.50%	Current Discount Rate: 7.50%	1.00% Higher 8.50%
Proportionate share of the NNERF Net Pension Liability	$102,798,012	$75,985,892	$53,368,920

6 Pension Plan Fiduciary Net Position

NNERF is a separate pension trust fund and is considered part of the City's financial reporting entity. The City issues a publicly available financial report that includes financial statements and required information for NNERF. That report may be obtained by writing to NNERF, 2400 Washington Avenue, Newport News, VA 23607.

(b) Virginia Retirement System:

1. Plan Description

All full-time, salaried permanent (professional) employees of the School Board are automatically covered by the VRS Teacher Retirement Plan, a multiple-employer cost-sharing plan, upon employment. All full-time, salaried, permanent (nonprofessional) employees of the School Board are automatically covered by the VRS Retirement Plan, an agent multiple-employer plan, upon employment. Both plans are administered by the Virginia Retirement System (the System) 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 – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

VRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
Plan 1 is a defined benefit plan. The retirement benefit is based upon 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.	Plan 2 is a defined benefit plan. The retirement benefit is based upon 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.	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 upon a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
<u>Eligible Members</u> 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 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.	<u>Eligible Members</u> 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 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.	<u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • School division 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. .
<u>Retirement Contributions</u> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The School Board elected to phase in the required 5% member contribution; all employees have paid the full 5% as of July 1, 2014. 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	<u>Retirement Contributions</u> Same as VRS Plan 1.	<u>Retirement Contributions</u> 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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
		the employer contribution portion of the plan.
<u>Vesting</u> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	<u>Vesting</u> Same as Plan 1.	<u>Vesting</u> 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. 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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
		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, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
<u>Calculating the Benefit</u> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options 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.	<u>Calculating the Benefit</u> See definition under Plan 1.	<u>Calculating the Benefit</u> Defined Benefit Component: See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<u>Average Final Compensation</u> A member's average final compensation is the average of the 36 consecutive months	<u>Average Final Compensation</u> A member's average final compensation is the average of their 60 consecutive months of highest	<u>Average Final Compensation</u> Same as Plan 2. It is used in the retirement formula

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
of highest compensation as a covered employee.	compensation as a covered employee.	for the defined benefit component of the plan.
<u>Service Retirement Multiplier</u> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	<u>Service Retirement Multiplier</u> Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<u>Service Retirement Multiplier</u> Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%. For members that 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. Defined Contribution Component: Not Applicable.
<u>Normal Retirement Age</u> Age 65.	<u>Normal Retirement Age</u> Normal Social Security retirement age.	<u>Normal Retirement Age</u> Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<u>Earliest Unreduced Retirement Eligibility</u> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	<u>Earliest Unreduced Retirement Eligibility</u> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	<u>Earliest Unreduced Retirement Eligibility</u> Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable

VRS PLAN 1	**VRS PLAN 2**	**HYBRID RETIRMENT PLAN**
		service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility Defined Benefit Component: Age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as 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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
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 the unreduced retirement eligibility date.		
<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
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.		
<u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<u>Disability Coverage</u> Employees of political subdivision and school divisions (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, which the School Board has elected to provide. 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.
<u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior	<u>Purchase of Prior Service</u> Same as Plan 1.	<u>Purchase of Prior Service Defined Benefit Component:</u> Same as VRS Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
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.		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. <u>Defined Contribution Component:</u> Not applicable.

2. Employees Covered by Benefit Terms – Nonprofessional

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Members receiving benefits	6
Inactive members:	
Vested inactive members	11
Non-vested inactive members	276
Inactive members active elsewhere in VRS	27
Total inactive members	314
Active Members	397
Total covered employees	717

3. 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 the School Board 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 contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% 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 five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Professional

Each School Board's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and rolled forward. The actuarial rate for the Teacher Retirement Plan was 16.32%. The contractually required rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 72.92% of the actuarial rate for the year ended June 30, 2018. Contributions to the pension plan from the School Board were $27,964,364 and $20,947,209 for the years ended June 30, 2018 and 2017, respectively.

Nonprofessional

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 3.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. Contributions to the pension plan from the School Board were $297.786 and $290,298 for the years ended June 30, 2018 and 2017, respectively.

4. Net Pension Liability (Asset)

Professional

At June 30, 2018, the School Board reported a liability of $248,946,000 for its proportionate share of the Net Pension Asset, which was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation done as June 30, 2016 and rolled forward to June 30, 2017. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 2.02429% as compared to 2.04154% at June 30, 2016.

Nonprofessional

The School Board Net Pension Asset was measured as of June 30, 2017. The total pension liability used to calculate the Net Pension Asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

5. Actuarial Assumptions

The total pension liability for the Professional and Nonprofessional Plans were based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95%
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*

* 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 GAAP 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.

Mortality rates: 14 % of deaths are assumed to be service related

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75-90.

Post-Disablement:
RP-2014 Disability Mortality Rates Projected with Scale BB to 2020; 115% of rates for males and females.

All Others (Non-10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward four years and females were set back two years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward one year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back three years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2010 through June 30, 2014. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to more current mortality table – RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70-75
- Adjusted rates to better match experience
- No change

6. 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 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	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Estate	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
	Inflation		2.50%
*** Expected arithmetic nominal return**			**7.30%**

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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 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 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.

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

The following presents the School Board's proportionate share (Professional) and the Net Pension Liability (Nonprofessional) using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1.00% Lower 6.00%	Current Discount Rate 7.00%	1.00% Higher 8.00%
Professional Net Pension Liability	$371,760,000	$ 248,946,000	$147,354,000
Nonprofessional Net Pension (Asset)	(1,067,841)	(1,488,925)	(1,825,311)

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Changes in Net Pension Liability – Nonprofessional Plan

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balance at July 1, 2016	**$ 2,262,285**	**$ 3,194,444**	**$ (932,159)**
Changes for the Year:			
Service cost	589,528	-	589,528
Interest	156,742	-	156,742
Change in assumptions	(181,126)	-	(181,126)
Difference between expected and actual experience	(122,907)	-	(122,907)
Contributions -- employer		231,378	(231,378)
Contributions -- employee	-	345,945	(345,945)
Net investment income	-	423,954	(423,954)
Benefit payments including refunds of employee contributions	(46,216)	(46,216)	-
Admininstrative expense	-	(1,869)	1,869
Other changes	-	(405)	405
Net Changes	396,021	952,787	(556,766)
Balances at June 30, 2017	**$ 2,658,306**	**$ 4,147,231**	**$ (1,488,925)**

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

Professional

For the year ended June 30, 2018, the School Board recognized pension expense of $16,308,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, 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.

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At June 30, 2018, the School Board 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	$ -	$ 9,044,000
Change in assumptions	3,633,000	-
Change in proportion and differences between employer contributions and proportionate share of contributions	33,000	5,772,000
Change in expected versus actual experience	-	17,628,000
Contributions to the plan subsequent to the measurement date	27,964,364	-
Total	**$ 31,630,364**	**$ 32,444,000**

$27,964,364 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed on page 54.

Nonprofessional

For the year ended June 30, 2018, the School Board recognized pension expense of $49,899. At June 30, 2018, the School Board 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
Differences between expected and actual experience	$ 12,939	$ 114,902
Change in assumptions	-	133,835
Net difference between projected and actual earnings on pension plan investments	-	67,418
Contributions to the plan subsequent to the measurement date	297,786	-
Total	**$ 310,725**	**$ 316,155**

$297,786 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction/increase of the Net Pension Asset in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed on page 54.

Year Ending June 30	School Board (non-teacher) Plan	School Board Teacher Retirement Plan
2019	$ (110,582)	$ (11,837,000)
2020	(84,345)	(2,327,000)
2021	(71,923)	(4,340,000)
2022	(36,366)	(9,121,000)
2023	-	(1,153,000)
	$ (303,216)	**$ (28,778,000)**

9. Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8. Other Postemployment Benefits (OPEB)

(a) NNPS OPEB Trust Fund

1. Plan Description

In FY 2000, an OPEB Trust fund was established to accumulate assets to pay for other postemployment benefits. The fund was administered by the City to provide health, dental and life insurance benefits for City and School Board pre-65 retirees. During FY 2010, the School Board established a separate Trust Fund apart from the City and all assets belonging to the School Board were transferred to this new fund. The plan is a single-employer plan. Benefits and contribution provisions are established by the School Board and may be amended only by the School Board. An actuarial service is employed to advise the School Board of the contributions necessary to fund the benefits.

The School Board provides health, drug and dental insurance for their pre-65 retirees under the school's group plans. The School Board annually determines the retiree's contribution to participate in the medical plans. The total contribution is based on the active premium rates except that employees retiring after July 1, 2011 have their group premiums based upon the health claim experience of just the retiree group (adjusted to filter out large claims greater than $75,000). The amount contributed by the School Board is based on the retiree's years of service at retirement. Retirees with thirty years of service and who retired by July 1, 2011 will pay what an active employee would pay. Retirees after that date pay higher premiums commensurate with claims experience.

Approximately 207 School Board retirees are grandfathered to participate in the City OPEB Fund's sponsored life insurance coverage paid for by the School Board. The premiums are not material. These retirees have elected supplemental coverage under the City OPEB fund.

The specific information about the NNPS OPEB is set out below:

Eligibility - All are eligible to retire at age 60 with at least 5 years of service or 30 years of service In order to receive coverage retirees must have at least 15 years of credited service (10 years before August 1, 2011) with the School Board.

Benefits

Pre Medicare eligibility:

- Employees hired after 7/1/2009 receive no subsidy. Employees hired prior to 7/1/2009 are entitled to a subsidy based on service with the School Board as shown below of $5,855.
- For employees retired between 7/1/2011 and 7/31/2014, the Board contribution may continue to cover spouse and dependents until retiree is Medicare eligible.
- For employees retiring after August 1, 2014, the Board contributions will be based on employee only coverage but the retiree may still enroll spouse and dependents in the non-Medicare plan.

After Medicare eligibility:

- Retire and become Medicare eligible between 7/1/2011 and 7/1/2014, retain the Non-Medicare Board contribution percentage applied to the retiree for the duration of their retirement
- Retire and become Medicare eligible between 7/1/2014 and 6/30/2024, receive a flat $4.00 per month times service to a maximum of 30 years for the duration of their retirement.
- Retire and become Medicare eligible after 6/30/2024 receive no board contribution but have access to the medical plans.

As of the July 1, 2016 actuarial valuation, the following employees were covered by the benefit terms of the NNPS OPEB plan:

Number of Participants	Total
Active	2,558
Retired	1,764
Total Participants	4,322

The OPEB Trust Fund does not issue a separate report.

2. Contributions Required and Contributions Made

OPEB funding policy provides for periodic employer contributions at actuarially determined rates that express, as percentages of annual covered payroll, contributions sufficient to accumulate sufficient assets to pay benefits when due. A level percentage of payroll with a 25-year amortization period is used for purposes of computing the minimum accrual in accordance with GAAP. The projected unit credit method is used for cost calculations.

3. Net NNPS OPEB liability

The school division's net NNPS OPEB liability was measured as of June 30, 2018. The total NNPS OPEB liability was determined by an actuarial valuation performed as of July 1, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

4. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level Dollar Closed
Amortization period	24 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.00% net of investment expense and including inflation at 2.75%
Projected salary increases	NA
Healthcare inflation rate	7.80% initially (6.70% for Medicare), grading down to 4.50% ultimate 4.50% for dental benefits
Inflation Rate	NA
Mortality Rate	RP2000 Combined Healthy tables, projected to 2026 with scale AA, set forward 5 years for disabled lives

Investment gains and losses for each year, beginning with FY2018, will be recognized over five years. Demographic gains and losses as well as assumption changes will be recognized over the average remaining working lifetimes of all plan participants, which could vary from year to year. In general, any impact of any plan changes will be recognized immediately.

5. Long-Term Expected Rate of Return

The long-term expected rate of return on NNPS OPEB plan investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each 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 adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the OPEB's plan target asset allocation as of June 30, 2018, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected Real Return-Portfolio	Weight
Domestic Equity	5.70%	36.00%
International Funds	5.85%	18.00%
U.S. Fixed Income	2.70%	21.00%
Hedge Funds	3.50%	10.00%
Real Estate	4.25%	7.00%
Private Equity	7.65%	5.00%
Commodities	2.60%	3.00%
		100.00%
Total Weighted Average Expected Real Return	4.78%	
Plus Inflation	2.50%	
Total Return without Adjustment	7.28%	
Risk Adjustment	-0.28%	
Total Geometric Expected Return	**7.00%**	

The weighted average rate of return for FY2018 was 9.7%.

6. Discount Rate

The discount rate used to measure the total NNPS OPEB liability is 4.95%. The School's funding expectations/policy is to contribute approximately $2,100,000 per year to the NNPS OPEB trust, in addition to paying benefits for retirees. It is expected that benefits will be paid from the trust when a 50% funding level is reached. Based on this information, we project that benefits will be financed on a pay-as-you-go basis until 2035, then from the trust there forward. Therefore, the expected trust return of 7.00% is blended with the 20-year Aa bond rate of 3.56% (Source: Fidelity general obligation municipal bond index).

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7. Changes in Net NNPS OPEB Liability

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2017	**$ 99,517,522**	**$ 23,103,272**	**$76,414,250**
Changes for the Year:			
Service cost	356,543	-	356,543
Interest	6,134,980	-	6,134,980
Change in assumptions	13,762,045	-	13,762,045
Contributions -- employer		5,120,869	(5,120,869)
Contributions -- employee	-	1,506,699	(1,506,699)
Net investment income	-	2,238,661	(2,238,661)
Benefit payments	(5,120,869)	(6,627,568)	1,506,699
Admininstrative expense	-	(26,340)	26,340
Net Changes	15,132,699	2,212,321	12,920,378
Balances at June 30, 2018	**$ 114,650,221**	**$ 25,315,593**	**$89,334,628**

8. Sensitivity of the Net NNPS OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the plans, calculated using the discount rate of 4.95%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1% Lower 3.95%	Current Discount Rate 4.95%	1.00% Higher 5.95%
Total OPEB Liability	$125,557,480	$114,650,221	$ 105,340,800
Plan Net Position	25,315,593	25,315,593	25,315,593
Net OPEB Liability	$100,241,887	$ 89,334,628	$ 80,025,207
Ratio of Plan Net Position to Total OPEB Liability	20.16%	22.08%	24.03%

9. Sensitivity of the net OPEB liability to changes in the healthcare trend rate

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 7.80% to an ultimate rate of 4.5%, as well as what each plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

	1% Lower 3.50%	Current Ultimate Trend Rate 4.50%	1.00% Higher 5.50%
Total OPEB Liability	$ 95,279,539	$114,650,221	$ 137,957,821
Plan Net Position	25,315,593	25,315,593	25,315,593
Net OPEB Liability	$ 69,963,946	$ 89,334,628	$ 112,642,228
Ratio of Plan Net Position to Total OPEB Liability	26.57%	22.08%	18.35%

10. NNPS OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to NNPS OPEB

For the year ended June 30, 2018, the school division recognized NNPS OPEB expense $7,529,329. At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the NNPS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 11,009,396	$ -
Net difference between projected and actual earnings	-	(497,778)
Total	**$ 11,009,396**	**$ (497,778)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

Year Ended June 30	Deferred Inflows
2019	$ 2,627,904
2020	2,627,904
2021	2,627,904
2022	2,627,906
2023	-
Thereafter	-
	$10,511,618

(b) OPEB VRS Teacher Employee Health Insurance Credit

The VRS Teacher Employee Health Insurance Credit (HIC) Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:

At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.

Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- $4.00 per month, multiplied by twice the amount of service credit, or
- $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the HIC as a retiree.

2. Contributions Required and Contributions Made

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were $2,151,528 and $1,772,707 for the years ended June 30, 2018 and June 30, 2017, respectively.

3. Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee HIC Program OPEB

At June 30, 2018, the School Board reported a liability of $ 25,671,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion of the VRS Teacher Employee HIC Program was 2.02361% as compared to 2.04142% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of $2,058,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee HIC Program net OPEB expense was related to deferred amounts from changes in proportion.

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At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Teacher HIC OPEB plan investments	$ -	$ 46,000
Change in assumptions	-	264,000
Change in proportionate share	-	196,000
Contributions to the plan subsequent to the measurement date	2,151,528	-
Total	**$ 2,151,528**	**$ 506,000**

$2,151,528 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Deferred Inflows
2019	$ (81,000)
2020	(81,000)
2021	(81,000)
2022	(81,000)
2023	(70,000)
Thereafter	(112,000)
	$ (506,000)

4. Actuarial Methods and Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.50 percent
Salary increases, including inflation – Teacher Employees	3.5 percent – 5.95 percent

Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

* 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 OPEB liabilities

5. Mortality rates-Teachers

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to more current mortality table – RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70-75
- Adjusted rates to better match experience
- No change

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Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$ 1,364,702
Plan Fiduciary Net Position	96,091
Employers' Net HIC OPEB Liability	$ 1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

6. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Arithmetic Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equities	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

7. Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

8. Sensitivity of the Teacher Employee HIC liability to changes in the discount rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
Proportionate share of the VRS Teacher HIC OPEB Plan Net OPEB Liability	$28,652,000	$25,671,000	$23,138,000

9. Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(c) Virginia Retirement System Group Life Insurance Program

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees: Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts: The benefits payable under the GLI Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit

- o Repatriation benefit
- o Felonious assault benefit
- o Accelerated death benefit option

Reduction in benefit Amounts: The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

11. Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the School Board were $2,323,641 and $835,279 for Professionals and were $138,887 and $41,295 for Non-professionals for the years ended June 30, 2018 and June 30, 2017, respectively.

12. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the School Board reported a liability of $13,105,000 and $648,000 for its proportionate share of the Professional and Non-professional Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was .87085% as compared to .87208% for Professionals and .04305% as compared to .03712% for Non-professionals at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized GLI OPEB expense of $144,000 and $23,000 for Professionals and Non-professionals, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Group Life Insurance OPEB plan investments	$ -	$ 493,000
Change in assumptions	-	675,000
Change in proportionate share	-	19,000
Change in expected versus actual experience	-	291,000
Contributions to the plan subsequent to the measurement date	2,323,641	-
Total	**$ 2,323,641**	**$ 1,478,000**

Non-professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Group Life Insurance OPEB plan investments	$ -	$ 24,000
Change in assumptions	-	33,000
Change in proportionate share	88,000	-
Change in expected versus actual experience	-	15,000
Contributions to the plan subsequent to the measurement date	138,877	-
Total	**$ 226,877**	**$ 72,000**

$2,323,641 for Professionals and $138,877 for Non-professionals reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Professional

Year Ended June 30	Deferred Inflows & Outflows
2019	$ (303,000)
2020	(303,000)
2021	(303,000)
2022	(303,000)
2023	(180,000)
Thereafter	(86,000)
	$ (1,478,000)

Non-professional

Year Ended June 30	Deferred Inflows & Outflows
2019	$ 3,778
2020	3,778
2021	3,778
2022	3,778
2023	888
Thereafter	-
	$ 16,000

13. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.50 percent
Salary increases, including inflation –	
Professional	3.5 percent – 5.95 percent
Non-Professional	3.5 percent – 5.95 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

*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 GAAP 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 the OPEB liabilities.

Mortality rates – Professional

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to more current mortality table – RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70-75
- Adjusted Withdrawal rates to better match experience at each year age and service through 9 years of service
- No change to salary scale

Mortality rates – Largest Ten Locality Employers – Non-professional

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75

- Adjusted termination rates to better fit experience at each age and service year
- Lowered disability rates
- No change to salary scale

Mortality rates – Non-Largest Ten Locality Employers – Non-professional

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
- Adjusted termination rates to better fit experience at each age and service year
- Lowered disability rates
- No change to salary scale

14. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability	$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

15. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Arithmetic Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equities	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

16. Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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, 2019, the rate contributed by the school division for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees.

Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

17. Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Professional

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
Proportionate share of the VRS Group Life Insuance OPEB Plan Net OPEB Liability	$16,950,000	$13,105,000	$9,988,000

Non-professional

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
Proportionate share of the VRS Group Life Insuance OPEB Plan Net OPEB Liability	$838,000	$648,000	$494,000

18. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(9) Self-Insurance

(a) Medical Benefits

The School Board is self-insured for its medical benefits through funding from the General Fund for employees up to $175,000 per employee per year. Claims in excess of the limitation are covered by third-party insurance. Expenditures for "premiums" are charged to the fund to which the employees' payroll expenditure is charged at amounts that approximate what third-party insurers would have charged. The insurance coverage is substantially the same as in prior fiscal years.

Claims processing and payments for the medical claims are made through a third-party administrator. The School Board uses the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. Amounts due in future years on claims as of June 30, 2018 are recognized as a long-term liability due within one year in the Statement of Net Position.

Changes in the incurred but not reported amount during the fiscal years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Claims payable at beginning of year	$ 3,078,000	$ 2,827,000
Claims and changes in estimates	28,348,765	28,355,880
Claim payments	(28,832,765)	(28,104,880)
Claims payable at end of year	$ 2,594,000	$ 3,078,000

(b) Workers' Compensation

The School Board self-insures for workers' compensation through funding from the Workers' Compensation Special Revenue Fund. Expenditures are charged to the various departments at amounts that approximate what third-party insurers would have charged. Amounts due in future years on claims made as of June 30, 2018 are accounted for as long-term liabilities. These long-term liabilities include an estimate of claims that have been incurred but not reported. The following is a reconciliation of changes in workers' compensation claims payable for years ended June 30, 2018 and 2017:

	2018	2017
Claims payable at beginning of year	$ 5,332,357	$ 4,895,770
Claims and changes in estimates	1,173,032	1,819,768
Claim payments	(1,172,994)	(1,383,181)
Claims payable at end of year	$ 5,332,395	$ 5,332,357

(c) Other

The School Board insures for property losses with self-insured retention per occurrence of $25,000 for basic and earthquakes and $5,000 for floods and in-land marine. The School Board is self-insured for liability losses resulting from vehicular accidents of up to $1,000,000 in conjunction with a fund established by the City of Newport News. Claims in excess of the self-insured retention limitation are covered by third-party insurance.

Included in the fund balance of the General Fund and the Workers' Compensation Fund of the School Board are assigned and restricted fund balances related to self-insurance activities.

(10) Contingent Liabilities

(a) Litigation

The School Board is involved in several lawsuits arising in the ordinary course of operations. It is the opinion of School Board management, based on the advice of the School Board attorney, that any losses incurred as a result of claims existing as of June 30, 2018 will not be material to the financial statements.

(b) Grants

The School Board received grant funds, principally from the Commonwealth and Federal government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Board, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

(11) Related Organizations

Not included in the School Board’s financial statements are certain Parent-Teacher Associations (PTAs), Parent-Teacher-Student Associations (PTSAs) and athletic and band booster clubs. These organizations provide services to students and employees of the School Board, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School Board. The School Board does not account for these entities as component units or joint ventures as these entities are not material to the School Board, it does not maintain an ongoing financial interest or have responsibility for these entities.

(12) Related-Party Transaction

The School Board operates by authority of the charter of the City, which provides annual appropriations to the School Board for operating the school system and is obligated for all bonded indebtedness issued to benefit the School Board. The City is also the custodian of the majority of the School Board’s cash and temporary investments and also provides a defined benefit pension plan to employees hired before July 1, 2009. The City provides services to the School Board, primarily 800-megahertz radio repairs and services related to the vehicle self-insurance program, through the City’s General Fund. The School Board is charged based on established fee schedules or a shared cost formula. The total value of the services provided by the City and reimbursed by the School Board during the year ended June 30, 2018 was $286,950. The School Board provides fiber WAN services, fiber WAN installation and shared costs of a School Board building that houses City programs to the City during the year ended June 30, 2018 at charges of $134,149. Amounts due to and due from the City for services are negligible and are generally settled on a monthly basis. The City provides school police resource officers at no charge to the School Board. The City Parks & Recreation Department provides services to children and citizens after regular school hours in School Board buildings at no rental charge to the City.

At June 30, 2018, the City owed the School Board $7,226,810 for capital projects funding.

The School Board has agreed to provide the City with annual payments of $455,000 for the next eight years as cost sharing for the operation of An Achievable Dream Middle and High School.

(13) Subsequent Events

The School Board has evaluated subsequent events (events occurring after June 30, 2018 through the date of the Report of Independent Auditor) in the preparation of these financial statements. There were no events subsequent to year-end requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplemental Information (Unaudited)

General Fund Year Ended June 30, 2018

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

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Intergovernmental:				
Commonwealth of Virginia:				
Standards of Quality funds	$ 153,117,961	$ 153,117,961	$ 151,756,817	$ (1,361,144)
Incentive funds	858,113	858,113	866,252	8,139
Categorical funds	182,421	182,421	139,075	(43,346)
Lottery funded programs	27,227,326	27,227,326	27,878,546	651,220
Other state agencies	5,000	5,000	-	(5,000)
City of Newport News	119,000,000	119,000,000	119,000,000	-
Federal government	3,340,000	3,340,000	2,899,206	(440,794)
Charges for services	1,967,500	1,967,500	1,551,775	(415,725)
Total revenues	305,698,321	305,698,321	304,091,671	(1,606,650)
Expenditures:				
Instructional services:				
Classroom instruction	119,344,112	115,635,427	114,378,966	1,256,461
Office of the principal	20,112,840	19,691,420	19,458,327	233,093
Special education	38,326,673	36,648,649	35,841,187	807,462
Career and technical	6,263,554	6,315,194	7,152,283	(837,089)
Talented and gifted	5,094,870	5,078,370	4,936,701	141,669
Athletics/Drivers' Education	2,633,306	2,480,483	2,461,442	19,041
Summer school	1,366,711	1,203,658	1,176,214	27,444
Pre school	6,645,742	5,897,187	6,019,394	(122,207)
Guidance and counseling	7,683,877	7,674,273	7,580,255	94,018
Improvement of instruction - staff	5,722,813	5,673,645	5,541,211	132,434
Media services	5,091,123	5,064,156	5,031,780	32,376
School social workers	115,181	857,228	905,547	(48,319)
Homebound	456,930	456,930	281,571	175,359
Instructional support-student leadership	1,210,589	1,047,589	1,049,746	(2,157)
Total academic services	220,068,321	213,724,209	211,814,624	1,909,585
Attendance and health services:				
Psychological services	1,699,405	1,580,195	1,605,605	(25,410)
Attendance	867,129	833,030	808,059	24,971
Health services	3,573,484	3,573,484	3,544,762	28,722
Total attendance and health services	6,140,018	5,986,709	5,958,426	28,283
Transportation services:				
Transportation administration	1,928,328	1,935,240	1,897,111	38,129
Vehicle operation services	13,182,177	12,831,746	13,092,306	(260,560)
Monitoring services	2,282,881	2,192,375	2,170,863	21,512
Vehicle maintenance services	2,349,855	2,331,612	2,312,393	19,219
Total transportation services	19,743,241	19,290,973	19,472,673	(181,700)

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplemental Information (Unaudited)

General Fund Year Ended June 30, 2018

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

	Original Budget	Amended Budget	Actual	Variance
Operations and Facilities:				
Security	$ 2,976,592	$ 2,912,972	$ 2,837,868	$ 75,104
Warehouse	257,806	262,384	262,580	(196)
Operations	1,379,007	1,356,147	1,294,318	61,829
Grounds services	961,167	998,412	999,765	(1,353)
Building services	24,555,868	27,693,513	28,835,035	(1,141,522)
Vehicle operation services	738,608	338,290	286,193	52,097
Facilities	477,500	1,132,005	1,105,180	26,825
Total operations and facilities	31,346,548	34,693,723	35,620,939	(927,216)
Technology services:				
Technology - classroom instruction	114,057	968,370	957,734	10,636
Technology - instructional support	6,872,596	6,327,602	6,324,193	3,409
Information technology	4,003,547	4,929,290	4,522,956	406,334
Technology - operations & maintenance	745,193	2,838,602	2,799,145	39,457
Total technology services	11,735,393	15,063,864	14,604,028	459,836
Administration:				
Information services	1,525,273	1,531,855	1,530,472	1,383
School Board	277,224	303,224	280,560	22,664
Superintendent's office	1,324,181	1,264,227	1,238,569	25,658
Human resources	2,645,536	2,647,485	2,518,913	128,572
Accountability	134,388	114,159	93,297	20,862
Business	1,558,958	1,524,533	1,471,538	52,995
Purchasing	517,553	508,157	491,253	16,904
Print shop	12,733	(14,267)	19,758	(34,025)
Total administration	7,995,846	7,879,373	7,644,360	235,013
Total expenditures	297,029,367	296,638,851	295,115,050	1,523,801
Other financing uses:				
Transfer to City of Newport News – debt service	8,668,954	9,059,470	9,059,470	-
Total other financing uses	8,668,954	9,059,470	9,059,470	-
Total expenditures and other financing uses	305,698,321	305,698,321	304,174,520	1,523,801
Net change in fund balances	-	-	(82,849)	(82,849)
Fund balance at beginning of year	23,457,385	23,457,385	23,457,385	-
Less encumbrances outstanding at June 30, 2017 expended or canceled at June 30, 2018	(9,397,197)	(9,397,197)	(9,314,348)	82,849
Add encumbrances outstanding at June 30, 2018	11,185,342	11,185,342	11,185,342	-
Decrease in assigned for health self-insurance	(2,630,407)	(2,630,407)	(2,630,407)	-
Increase in nonspendable inventories	54,768	54,768	54,768	-
Fund balance at end of year	$ 22,669,891	$ 22,669,891	$ 22,669,891	$ -

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Changes in Net Pension Asset and Related Ratios – School Board Nonprofessional Retirement Plan
For the Virginia Retirement System

Year Ended June 30

	2014	2015	2016	2017
Total Pension Liability				
Service cost	$ 422,992	$ 487,107	$ 571,242	$ 589,528
Interest	45,008	76,377	109,773	156,742
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)
Change in assumptions	-	-	-	(181,126)
Difference between expected and actual experience		(63,569)	22,631	(122,907)
Net change in total pension liability	454,822	473,331	684,566	396,021
Total pension liability -- beginning	649,566	1,104,388	1,577,719	2,262,285
Total pension liability -- ending	$ 1,104,388	$ 1,577,719	$ 2,262,285	$ 2,658,306
Plan fiduciary net position				
Contributions -- employer	$ 375,675	$ 261,980	$ 261,217	$ 231,378
Contributions -- employee	226,048	284,255	296,130	345,945
Net investment income	221,774	104,055	64,857	423,954
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)
Administrative expense	(698)	(876)	(1,265)	(1,869)
Other	12	(24)	(23)	(405)
Net change in plan fiduciary net position	809,633	622,806	601,836	952,787
Plan fiduciary net position -- beginning	1,160,169	1,969,802	2,592,608	3,194,444
Plan fiduciary net position -- ending	$ 1,969,802	$ 2,592,608	$ 3,194,444	$ 4,147,231
Total net pension asset -- beginning	$ (510,603)	$ (865,414)	$ (1,014,889)	$ (932,159)
Total net pension asset -- ending	$ (865,414)	$ (1,014,889)	$ (932,159)	$ (1,488,925)
Plan net position as a percentage of total pension asset	227.6%	255.5%	342.7%	278.5%
Covered Payroll	3,917,266	4,012,012	6,499,789	7,793,308
Net pension asset as a percentage of covered payroll	22.1%	25.3%	14.3%	19.1%

Note: The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Since 2014 is the first year of this presentation, only four years are shown. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Employer's Proportionate Share of Net Pension Liability – School Board Teacher Retirement Plan for the Virginia Retirement System (VRS) and the Newport News Employees Retirement Fund (NNERF)

Year Ended June 30

	VRS 2014	NNERF 2014	VRS 2015	NNERF 2015	VRS 2016	NNERF 2016	VRS 2017	NNERF 2017
Employer's proportion of the net pension liability	2.06946%	22.85650%	2.07000%	20.31030%	2.04154%	19.71100%	2.02429%	18.57830%
Employer's proportionate share of the net pension liability	$ 250,088,000	$ 81,092,361	$ 260,538,000	$ 80,247,927	$ 286,104,000	$ 91,756,052	$ 248,946,000	$ 75,985,892
Employer's covered payroll	$ 142,400,000	$ 126,100,000	$ 145,324,977	$ 123,619,906	$ 155,708,543	$ 118,639,692	$ 159,685,425	$ 113,302,877
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	175.62%	64.31%	179.28%	64.92%	183.74%	77.34%	155.90%	67.06%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.67%	70.68%	68.28%	68.28%	63.67%	72.92%	68.74%

The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Contributions for the Virginia Retirement System and NNERF

Year Ended June 30

Date		Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board (non-teacher) Pension Plan:						
	2015	$ 375,675	$ 375,675	$ -	$ 4,102,012	9.16%
	2016	328,332	328,332	-	6,499,789	5.05%
	2017	290,298	290,298	-	7,793,308	3.72%
	2018	297,786	297,786	-	9,712,181	3.07%
School Board Teacher Retirement Plan:						
	2015	$ 21,648,000	$ 21,648,000	$ -	$ 145,324,977	14.90%
	2016	20,744,442	20,744,442	-	155,708,543	13.32%
	2017	20,947,209	20,947,209	-	159,685,425	13.12%
	2018	27,964,364	27,964,364	-	161,022,234	17.37%
Newport News Employee Retirement Fund:						
	2015	$ 6,711,771	$ 6,711,771	$ -	$ 123,619,906	5.43%
	2016	7,779,308	7,688,476	90,832	118,639,692	6.48%
	2017	7,270,772	7,270,772	-	113,302,877	6.42%
	2018	7,611,499	7,611,499	-	108,187,035	7.04%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, only four years are shown. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Changes in Net OPEB Liability (Unaudited)

Year Ended June 30

	2017	2018
Total OPEB Liability		
Service cost	$ 346,158	$ 356,543
Interest	6,228,890	6,134,980
Change in assumptions	-	13,762,045
Benefit payments	(6,171,067)	(5,120,869)
Net change in total OPEB liability	403,981	15,132,699
Total OPEB liability -- beginning	99,113,541	99,517,522
Total OPEB liability -- ending	$ 99,517,522	$ 114,650,221
Plan fiduciary net position		
Contributions -- employer	$ 6,745,919	$ 5,120,869
Contributions -- members	1,525,148	1,506,699
Net investment income	2,489,541	2,238,661
Benefit payments	(6,171,067)	(6,627,568)
Administrative expense	(23,168)	(26,340)
Net change in plan fiduciary net position	4,566,373	2,212,321
Plan fiduciary net position -- beginning	18,536,899	23,103,272
Plan fiduciary net position -- ending	$ 23,103,272	$ 25,315,593
Net OPEB Liability -- Beginning of Year	$ 80,576,642	$ 76,414,250
Net OPEB Liability -- End of Year	$ 76,414,250	$ 89,334,628
Plan Fiduciary Net Position as a percentage of Total OPEB Liabilty	23.2%	22.1%
Covered Payroll	111,269,858	102,181,521
Net OPEB Liability as a percentage of Covered Payroll	72.3%	87.4%

Schedules are intended to show information for 10 years. Since 2017 is the first year of this presentation, only two years are shown. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Schedule of Investment Returns (Unaudited)

Year Ended June 30

Year	Annual Money-Weighted Rate of Return, net of Investment Expenses
2017	12.8%
2018	9.7%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Schedule of Employer's OPEB Contributions (Unaudited)

Year Ended June 30

Year Ended		Contractually Determined Employer Contribution		Actual Employer Contribution	Percentage Contributed		Contribution Deficiency (Excess)		Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	$	3,212,348	$	3,212,348	100.00%	$	-	$	180,966,338	1.78%
June 30, 2010		5,272,059		5,272,059	100.00%		-		158,211,791	3.33%
June 30, 2011		3,242,131		3,242,131	100.00%		-		147,032,000	2.21%
June 30, 2012		5,926,175		5,926,175	100.00%		-		136,661,837	4.34%
June 30, 2013		8,625,943		8,625,943	100.00%		-		128,553,728	6.71%
June 30, 2014		8,548,391		8,548,391	100.00%		-		119,767,787	7.14%
June 30, 2015		7,407,843		7,407,843	100.00%		-		111,511,673	6.64%
June 30, 2016		6,897,333		6,897,333	100.00%		-		105,746,207	6.52%
June 30, 2017		6,745,919		6,745,919	100.00%		-		111,269,858	6.06%
June 30, 2018		5,120,869		5,120,869	100.00%		-		102,181,521	5.01%

Actuarial Assumptions:

Valuation date	7/1/2016
Measurement date	6/30/2018
Actuarial cost method	Entry Age Normal
Amortization period	24 years
Asset valuation method	Market Value
Inflation	7.80% initially, grading down to 4.50% ultimate
Salary Increases	NA
Investment rate of return	7.00% net of investment expenses and including inflation

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Schedule of Employer's Proportionate Share of Net OPEB Liability - School Board Teacher Health Insurance Credit Program for the Virginia Retirement System (VRS)

Year Ended June 30

	VRS 2017
Employer's proportion of the net Teacher HIC OPEB plan liability	2.02361%
Employer's proportionate share of the net Teacher HIC OPEB plan liability	$ 25,671,000
Employer's covered payroll	$ 159,703,318
Employer's proportionate share of the net Teacher HIC OPEB plan liability as a percentage of its covered payroll	16.07%
Plan fiduciary net position as a percentage of the total Teacher HIC OPEB liability	7.04%

Note: The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Schedule of Employer's Contractually Required Contributions - School Board OPEB Teacher Health Insurance Credit Program for the Virginia Retirement System (VRS)

Year Ended June 30

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	$ 1,759,113	$ 1,759,113	-	$ 162,880,791	1.08%
June 30, 2010	1,199,173	1,199,173	-	115,305,083	1.04%
June 30, 2011	935,323	935,323	-	155,887,212	0.60%
June 30, 2012	909,423	909,423	-	151,570,450	0.60%
June 30, 2013	1,674,664	1,674,664	-	150,870,658	1.11%
June 30, 2014	1,679,874	1,679,874	-	151,339,978	1.11%
June 30, 2015	1,631,376	1,631,376	-	153,903,373	1.06%
June 30, 2016	1,649,993	1,649,993	-	155,659,733	1.06%
June 30, 2017	1,772,707	1,772,707	-	159,703,318	1.11%
June 30, 2018	2,151,528	2,151,528	-	161,058,323	1.34%

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Schedule of Employer's Proportionate Share of Net OPEB Liability - School Board Group Life Insurance Program for the Virginia Retirement System (VRS)

Year Ended June 30

	VRS PROFESSIONAL 2017	VRS NON-PROFESSIONAL 2017
Employer's proportion of the net GLI OPEB liability	0.87085%	0.04305%
Employer's proportionate share of the net GLI OPEB liability	$ 13,105,000	$ 648,000
Employer's covered payroll	$ 160,630,602	$ 7,941,396
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.16%	8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	48.86%

Note: The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information

Schedule of Contractually Required Employer Contributions - School Board OPEB Group Life Insurance Program for the Virginia Retirement System (VRS)

Year Ended June 30

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
VRS Professional Plan					
June 30, 2009	$ 442,511	$ 442,511	-	$ 163,892,810	0.27%
June 30, 2010	313,461	313,461	-	116,096,798	0.27%
June 30, 2011	439,096	439,096	-	156,819,997	0.28%
June 30, 2012	425,629	425,629	-	152,010,363	0.28%
June 30, 2013	728,269	728,269	-	151,722,722	0.48%
June 30, 2014	730,865	730,865	-	152,263,605	0.48%
June 30, 2015	742,648	742,648	-	154,718,281	0.48%
June 30, 2016	752,231	752,231	-	156,714,789	0.48%
June 30, 2017	835,279	835,279	-	160,630,602	0.52%
June 30, 2018	2,323,641	2,323,641	-	161,954,625	1.43%
VRS Non-Professional Plan					
June 30, 2010	$ 936	$ 936	-	$ 346,739	0.27%
June 30, 2011	4,735	4,735	-	1,691,021	0.28%
June 30, 2012	7,319	7,319	-	2,613,851	0.28%
June 30, 2013	18,148	18,148	-	3,780,751	0.48%
June 30, 2014	21,999	21,999	-	4,583,022	0.48%
June 30, 2015	28,171	28,171	-	5,868,882	0.48%
June 30, 2016	32,016	32,016	-	6,669,969	0.48%
June 30, 2017	41,295	41,295	-	7,941,396	0.52%
June 30, 2018	138,877	138,877	-	9,859,090	1.41%

(1) Budgetary Data

The budgetary data reflected in the required supplementary information was established by the School Board using the following procedures:

(i) On or before April 1, the School Board submits to the City Council of the City proposed operating budgets for the General Fund, the Workers' Compensation Special Revenue Fund and the Textbook Special Revenue Fund for the forthcoming fiscal year. The operating budgets include proposed expenditures and other financing uses and the means of financing them.

(ii) A public hearing on the City budget, which includes the School Board, is held after a synopsis of the budget is published in a local newspaper of general circulation. An appropriation ordinance must be adopted by the City Council by May 15.

(iii) The School Board and Superintendent may amend the budget or make transfers between functions and budgetary line items without City Council approval. However, the School Board may not make transfers or expend any sum of money in excess of City Council appropriations, at the fund level, without the consent of the City Council. The legal level of budgetary control for the General Fund, the Workers' Compensation non-major Special Revenue Fund and the Textbook non-major Special Revenue Fund is the fund level; however, management control is exercised over the budget at the budgetary line item level. Appropriations, except for encumbrances and reserved fund balances, lapse at year-end.

(iv) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for the following:

1) Encumbrances are included as budgetary expenditures;

2) Capital lease other financing sources and the accompanying capital lease expenditures are not included as budgetary resources or expenditures;

3) The net change for the prepaid medical self-insurance program is excluded from the budget comparison;

4) Revenue from the City that is designated for debt service and returned to the City to pay debt service is included for budgetary purposes but excluded for GAAP purposes.

(v) Annual legally adopted operating budgets are not adopted for any other Special Revenue Funds. The School Board adopts an annual, but not a legal, operating budget for the Child Nutrition Services Fund. Program budgets for the Grants Special Revenue Fund, the Adult Education Special Revenue Fund and the State Construction Capital Projects Fund are approved by executive departments on a basis consistent with the related grant applications. Project budgets are appropriated by City Council (on a project basis, not an annual basis) for the General Obligation Bond Fund and the General Capital Projects Fund whereby the budgets remain open and carry over to succeeding years until the project is complete.

(2) Intergovernmental Revenue – City of Newport News

A reconciliation of intergovernmental revenue follows:

City budget appropriations	$ 119,000,000
Less amounts recorded by City	(9,165,347)
City revenue - GAAP basis	$ 109,834,653

SUPPLEMENTARY INFORMATION

AGENCY FUND

Student Activity Funds – to account for the student activity monies maintained on behalf of the students by the school principals at each school.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Changes of Assets and Liabilities – Agency Fund

Year Ended June 30, 2018

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Asset:				
Cash and cash equivalents	$1,530,906	$3,772,431	$3,695,319	$1,608,018
Liabilities:				
Accounts payable	$ 35,164	$ -	$ 35,164	$ -
Due to students	1,495,742	3,772,431	3,660,155	1,608,018
Total liabilities	$1,530,906	$3,772,431	$3,695,319	$1,608,018

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

Special Revenue Funds:

Workers' Compensation – to account for the School Board's payment of worker compensation claims. Funding is provided primarily by transfers in from funds for which employees are paid.

Textbook – to account for textbook purchases. Funding is provided primarily by the Commonwealth of Virginia along with a required match by the School Board.

Child Nutrition – to account for the operation of the School Board's food service operation, primarily for students.

Adult Education – to account for general adult education classes with an educational purpose devoted primarily to instruction.

Capital Projects Funds:

State Construction – The Commonwealth of Virginia provided grant funding to be used for construction and renovation of school buildings. The funding has stopped but the fund still exists until the remaining resources are expended.

General Cash – to account for capital project funding provided by the City of Newport News from operating cash used to purchase school buses.

Facility Notes – to account for capital project funding provided by financing arranged from facility notes payable to provide energy savings performance contract. This fund completed its activities as of June 30, 2018.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Combining Balance Sheet

Other Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds				Capital Projects Funds			Total Other
Assets	**Workers' Compensation**	**Textbooks**	**Child Nutrition**	**Adult Education**	**State Construction**	**General Cash**	**Facility Notes**	**Nonmajor Governmental Funds**
Cash and cash equivalents	$ 3,820,594	$ 5,420,292	$ 5,753,326	$ 457,426	$ 84,433	$ 2,022,826	$ -	$ 17,558,897
Accounts receivable	-	-	-	67,945	-	-	-	67,945
Due from other governments:								
Federal - Department of Agriculture	-	-	841,239	-	-	-	-	841,239
Inventories, at cost	-	-	488,837	-	-	-	-	488,837
Total assets	$ 3,820,594	$ 5,420,292	$ 7,083,402	$ 525,371	$ 84,433	$ 2,022,826	$ -	$ 18,956,918
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 82,300	$ -	$ 256,901	$ -	$ 7,318	$ -	$ -	$ 346,519
Accrued liabilities	-	-	20,238	-	-	-	-	20,238
Total liabilities	82,300	-	277,139	-	7,318	-	-	366,757
Fund balances:								
Restricted:								
Adult education services	-	-	-	134,022	-	-	-	134,022
Capital projects	-	-	-	-	50,681	300	-	50,981
Child nutrition services	-	-	6,060,427	-	-	-	-	6,060,427
Textbooks	-	4,469,544	-	-	-	-	-	4,469,544
Workers' compensation	3,738,294	-	-	-	-	-	-	3,738,294
Assigned to:								
Adult education services	-	-	-	391,349	-	-	-	391,349
Child nutrition services	-	-	733,253	-	-	-	-	733,253
Contractual obligations	-	950,748	12,583	-	26,434	2,022,526	-	3,012,291
Total fund balances	3,738,294	5,420,292	6,806,263	525,371	77,115	2,022,826	-	18,590,161
Total liabilities and fund balances	$ 3,820,594	$ 5,420,292	$ 7,083,402	$ 525,371	$ 84,433	$ 2,022,826	$ -	$ 18,956,918

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Other Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds				Capital Project Funds			Total Other Nonmajor Governmental Funds
	Workers' Compensation	Textbook	Child Nutrition	Adult Education	State Construction	General Cash	Facility Notes	
Revenues:								
Intergovernmental:								
City of Newport News	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ -	$ 2,000,000
Commonwealth of Virginia	-	2,117,855	612,809	55,901	-	-	-	2,786,565
Federal government	-	-	16,092,091	-	-	-	-	16,092,091
Charges for services	1,366,788	-	2,137,859	163,233	-	-	-	3,667,880
Investment income	49,198	-	61,555	-	-	-	-	110,753
Total revenues	1,415,986	2,117,855	18,904,314	219,134	-	2,000,000	-	24,657,289
Current expenditures:								
Academic services	-	781,828	-	218,432	-	-	-	1,000,260
Operations and facilities	-	-	101,924	-	-	-	-	101,924
Child nutrition services	-	-	18,585,550	-	-	-	-	18,585,550
Administration	1,223,925	-	-	-	-	-	-	1,223,925
Debt Service:								
Principal	-	-	-	-	-	-	407,437	407,437
Capital outlay	-	-	-	-	284,381	-	10,787	295,168
Total expenditures	1,223,925	781,828	18,687,474	218,432	284,381	-	418,224	21,614,264
Net change in fund balances	192,061	1,336,027	216,840	702	(284,381)	2,000,000	(418,224)	3,043,025
Fund balances at beginning of year	3,546,233	4,084,265	6,552,707	524,669	361,496	22,826	418,224	15,510,420
Increase in nonspendable inventory	-	-	36,716	-	-	-	-	36,716
Fund balances at end of year	$ 3,738,294	$ 5,420,292	$ 6,806,263	$ 525,371	$ 77,115	$ 2,022,826	$ -	$ 18,590,161

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Workers' Compensation Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Charges for services	$ 1,825,000	$ 1,825,000	$ 1,366,788	$ (458,212)
Investment income	10,500	10,500	49,198	38,698
Total revenues	1,835,500	1,835,500	1,415,986	(419,514)
Expenditures:				
Administration				
Claims	1,885,000	1,885,000	970,107	914,893
Administrative	225,000	225,000	253,818	(28,818)
Total Administration	2,110,000	2,110,000	1,223,925	886,075
Total expenditures	2,110,000	2,110,000	1,223,925	886,075
Excess (deficiency) revenues over (under) expenditures	(274,500)	(274,500)	192,061	466,561
Net change in fund balances	(274,500)	(274,500)	192,061	466,561
Fund balance at beginning of year	3,546,233	3,546,233	3,546,233	-
Fund balance at end of year	$ 3,271,733	$ 3,271,733	$ 3,738,294	$ 466,561

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Textbook Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Total revenues	$1,500,000	$1,500,000	$2,117,855	$ 617,855
Expenditures:				
Academic services	1,719,219	1,719,219	1,298,880	420,339
Total expenditures	1,719,219	1,719,219	1,298,880	420,339
Net change in fund balances	(219,219)	(219,219)	818,975	197,516
Fund balance at beginning of year	4,084,265	4,084,265	4,084,265	-
Less encumbrances outstanding at June 30, 2017 expended or canceled at June 30, 2018	(435,013)	(435,013)	(433,696)	1,317
Add encumbrances outstanding at June 30, 2018	-	-	950,748	950,748
Fund balance at end of year	$3,430,033	$3,430,033	$5,420,292	$ 1,149,581

STATISTICAL SECTION

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

STATISTICAL SECTION
(Unaudited)

This part of the School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

The School Board does not have the authority to levy taxes or to issue bonded debt in its name. Therefore, the following statistical tables dealing with these functions are omitted from this Comprehensive Annual Financial Report.

Schedule of Property Tax Levies and Collections

Schedule of Property Valuations – Assessed Valuations

Schedule of Property Tax Rates

Legal Debt Limit

Construction and Property Values and Bank Deposits

<u>Contents</u> **<u>Page</u>**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table I

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Net Position by Component

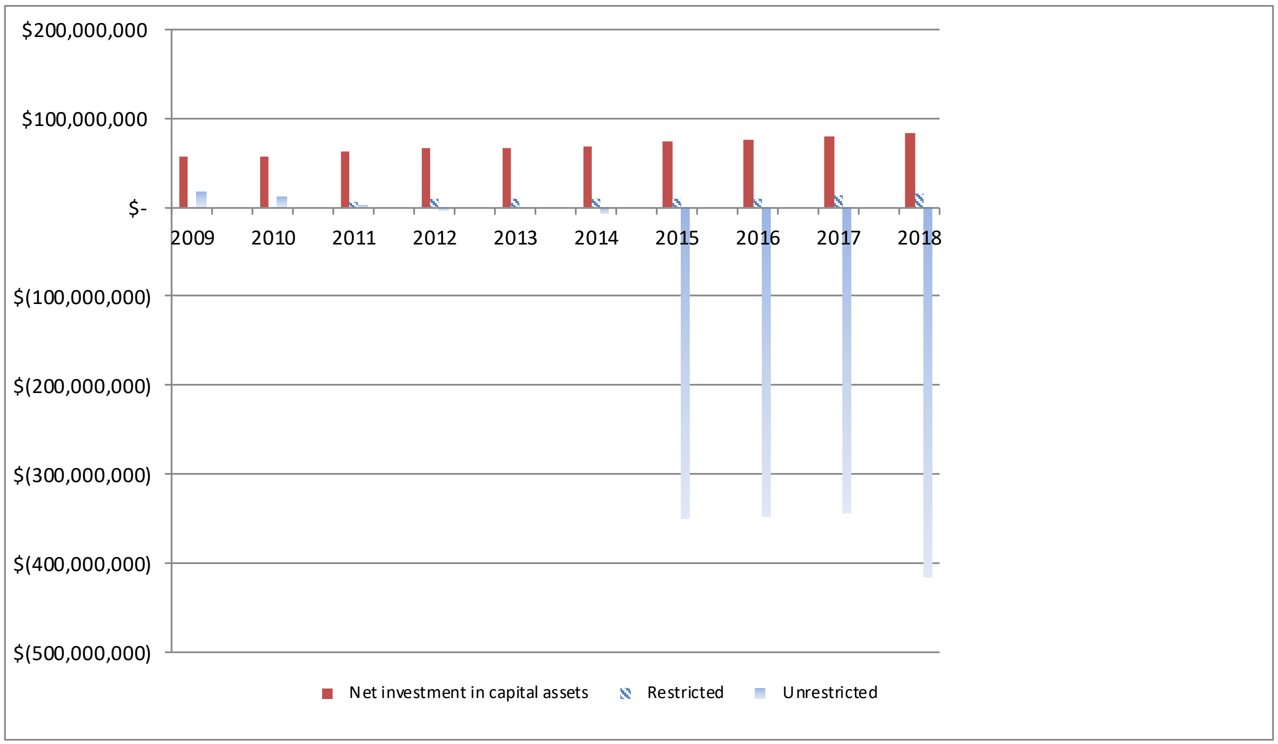
Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	$ 56,433,717	$ 57,205,176	$ 61,780,411	$ 67,370,342	$ 66,806,834	$ 68,663,255	$ 73,864,578	$ 76,396,233	$ 79,134,691	$ 83,735,916
Restricted	-	-	5,483,662	10,268,578	9,143,955	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268
Unrestricted	17,513,844	12,260,185	3,062,106	(4,156,231)	(1,530,491)	(6,480,188)	(349,008,517)	(348,482,706)	(344,837,917)	(415,912,591)
Total net position	$ 73,947,561	$ 69,465,361	$ 70,326,179	$ 73,482,689	$ 74,420,298	$ 72,539,045	$(264,982,116)	$ (262,199,108)	$ (252,723,904)	$ (317,723,407)

NOTE - Implementation of GASB 68 and GASB 71 regarding pensions is the reason that unrestricted declined so significantly in FY2015 and implementation of GASB 75 regarding other postemployment benefits is the reason that unrestricted declined so significantly in FY2018.



THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Expenses, Program Revenues and Net Expense/ (Revenue)

Last Ten Fiscal Years

(Accrual Basis of Accounting)
Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Academic services	$ 252,927,122	$ 240,751,459	$ 230,788,505	$ 227,368,609	$ 224,047,407	$ 220,242,178	$ 226,919,153	$ 223,914,542	$ 239,059,534	$ 233,563,436
Attendance and health services	-	-	-	-	5,410,181	5,370,389	5,477,238	5,516,924	5,819,807	5,772,856
Transportation services	19,258,223	18,284,090	17,460,802	18,703,166	18,732,095	17,760,521	18,060,597	17,178,198	19,401,940	19,477,828
Operations and facilities	36,894,552	29,659,712	33,490,915	34,635,744	31,507,246	32,334,959	32,217,732	29,940,440	33,551,144	32,622,223
Child nutrition services	15,180,605	13,987,487	13,766,336	14,079,191	15,155,813	15,045,887	16,318,436	16,719,938	17,410,411	17,763,684
Technology services	13,822,462	21,723,542	14,786,921	12,799,635	12,189,933	13,352,948	13,305,419	14,816,817	15,885,584	14,763,143
Administration	10,169,326	8,441,950	7,742,987	7,627,183	7,718,428	8,320,335	9,677,653	9,478,014	8,808,208	8,540,498
Interest on capital debt	846,193	1,363,623	639,293	503,181	387,257	282,261	258,111	40,858	861,885	502,197
Total expenses	349,098,483	334,211,863	318,675,759	315,716,709	315,148,360	312,709,478	322,234,339	317,605,731	340,798,513	333,005,865
Program Revenues										
Charges for services:										
Academic services	1,967,773	2,048,618	1,872,761	1,395,070	1,200,596	1,431,667	1,694,406	1,043,101	994,482	964,365
Operations and facilities	701,607	1,143,087	1,066,629	597,360	480,397	258,467	417,127	443,071	425,862	456,180
Child nutrition services	4,435,779	4,019,072	4,059,105	3,923,464	3,510,490	3,310,549	3,054,562	2,959,508	2,435,283	2,137,859
Technology services	241,547	247,226	265,388	192,388	180,020	169,063	106,760	526,503	878,545	118,209
Administration	-	-	-	-	1,007,426	857,254	2,446,135	2,095,897	2,094,329	1,543,042
Operating grants and contributions	59,273,209	67,739,489	68,789,246	70,250,802	68,549,968	62,988,257	62,730,008	62,893,347	69,051,155	73,811,020
Capital grants and contributions	3,083,590	1,918,742	5,687,811	2,537,511	867,746	858,967	1,308,589	885,030	1,931,173	1,371,676
Total program revenues	69,703,505	77,116,234	81,740,940	78,896,595	75,796,643	69,874,224	71,757,587	70,846,457	77,810,829	80,402,351
Net Expense/(Revenue)	$ 279,394,978	$ 257,095,629	$ 236,934,819	$ 236,820,114	$ 239,351,717	$ 242,835,254	$ 250,476,752	$ 246,759,274	$ 262,987,684	$ 252,603,514

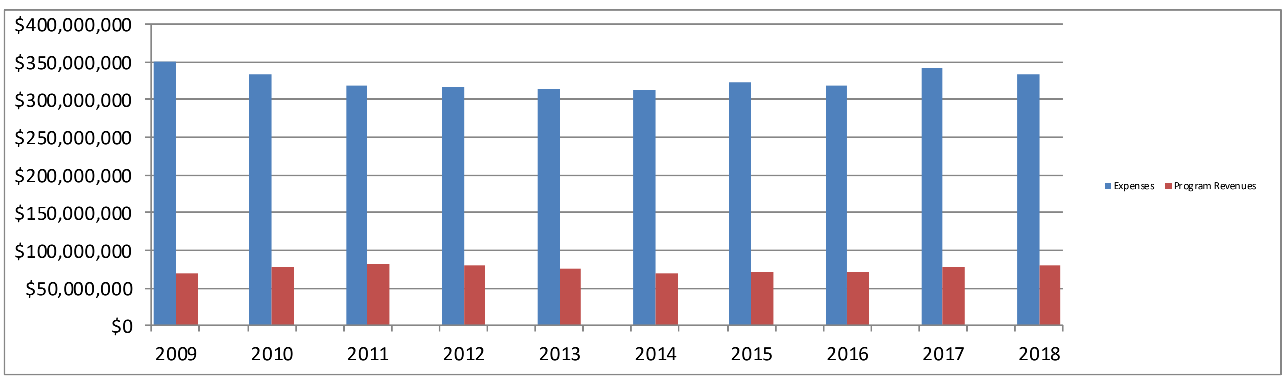


Table III

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

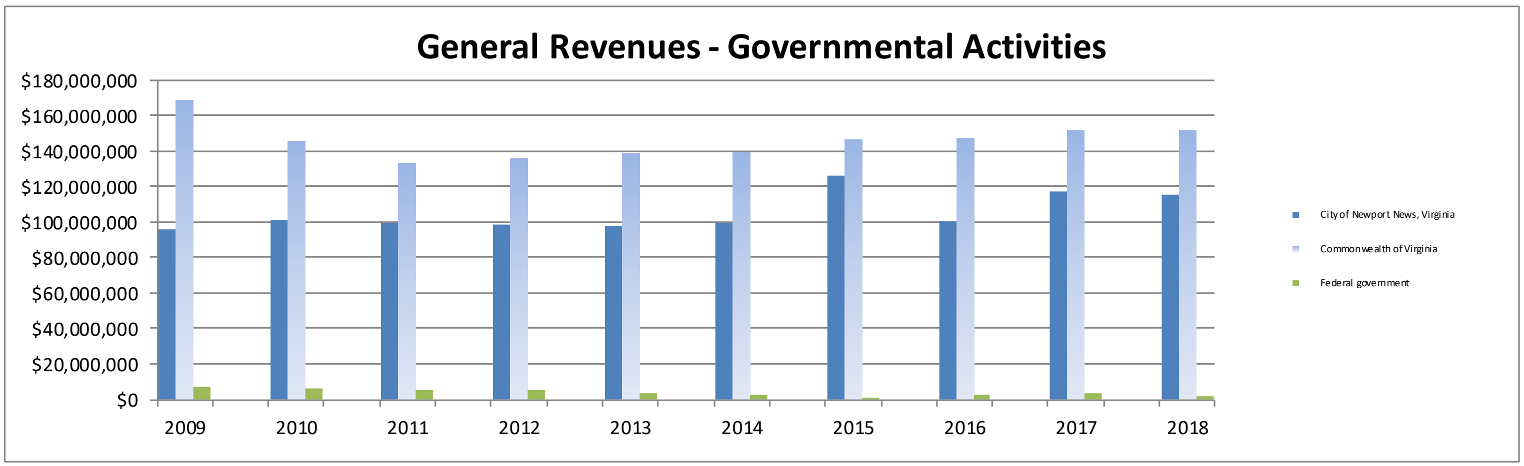
General Revenues and Total Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Expense										
Total net expense	$279,394,978	$257,095,629	$ 236,934,819	$ 236,820,114	$239,351,717	$ 242,835,254	$ 250,476,752	$ 246,759,274	$ 262,987,684	$ 252,603,514
General Revenues and Other Changes in Net Position										
Governmental activities:										
Grants not restricted to specific programs										
City of Newport News, Virginia	95,773,213	101,052,200	99,557,045	98,754,050	98,085,490	99,150,620	126,133,857	99,916,844	117,586,726	115,076,604
Commonwealth of Virginia	169,035,453	145,390,261	133,006,200	135,823,650	138,444,470	139,113,046	146,829,384	147,216,415	151,605,074	151,756,817
Federal government	7,443,349	6,148,525	5,216,293	5,380,140	3,740,091	2,672,988	1,173,182	2,380,330	3,211,922	1,877,070
Interest	56,401	22,443	16,099	18,784	19,275	17,347	15,432	28,693	59,166	110,753
Miscellaneous	-	-	-	-	-	-	-	-	-	39,418
Total general revenues	272,308,416	252,613,429	237,795,637	239,976,624	240,289,326	240,954,001	274,151,855	249,542,282	272,462,888	268,860,662
Change in Net Position	(7,086,562)	(4,482,200)	860,818	3,156,510	937,609	(1,881,253)	23,675,103	2,783,008	9,475,204	16,257,148
Net position at beginning of year	78,363,795	73,947,561	69,465,361	70,326,179	73,482,689	74,420,298	72,539,045	(264,982,116)	(262,199,108)	(252,723,904)
Prior period adjustment	-	2,670,328	-	-	-	-	(361,196,264)	-	-	(81,256,651)
Net position at end of year	$ 71,277,233	$ 72,135,689	$ 70,326,179	$ 73,482,689	$ 74,420,298	$ 72,539,045	$ (264,982,116)	$ (262,199,108)	$ (252,723,904)	$ (317,723,407)



THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Fund Balances – Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)
Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	$ 33,179,119	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	8,982,912	-	-	-	-	-	-	-	-	-
Nonspendable	-	690,372	656,720	708,477	1,416,350	1,812,575	1,748,790	1,295,585	1,114,494	1,169,262
Assigned to	-	38,704,948	31,046,573	23,589,331	27,509,853	27,925,260	23,648,913	24,068,826	22,342,891	21,500,629
Unassigned	2,820,409	-	-	-	619,750	-	-	-	-	-
Total General Fund	$ 44,982,440	$ 39,395,320	$ 31,703,293	$ 24,297,808	$ 29,545,953	$ 29,737,835	$ 25,397,703	$ 25,364,411	$ 23,457,385	$ 22,669,891
All Other Governmental Funds										
Reserved	$ 3,673,127	$ 2,572,199	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	2,314,115	2,632,636	-	-	-	-	-	-	-	-
Capital project funds	2,907,202	2,358,745	-	-	-	-	-	-	-	-
Nonspendable	-	-	295,190	336,143	402,407	390,017	521,172	547,528	452,121	-
Restricted	-	-	1,871,770	10,268,578	9,143,955	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268
Assigned to	-	-	7,282,680	2,440,928	5,881,305	2,038,882	19,738,006	5,071,163	6,631,329	11,183,556
Total all other governmental funds	$ 8,894,444	$ 7,563,580	$ 9,449,640	$ 13,045,649	$ 15,427,667	$ 12,784,877	$ 30,421,001	$ 15,506,056	$ 20,062,772	$ 25,636,824

NOTE - GASB 54 was implemented in 2010. Except for the unassigned category, conversion of prior year data to new categories is not possible at this time.

NOTE - CAFR's issued in prior years had some fund balance reported as Committed for All Other Governmental Funds for years 2012 through 2016. It has been determined that those amounts should have been reported as Restricted. The table above has been reclassified to retroactively account for this change.

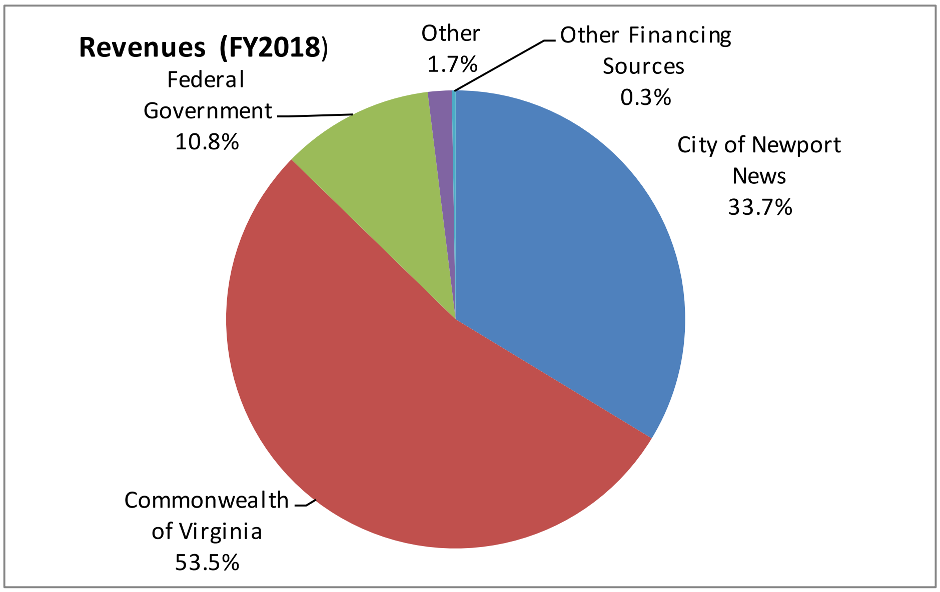
THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Governmental Funds' Revenues and Other Financing Sources

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)
(Amounts in Thousands)

Fiscal Year	City of Newport News	Commonwealth of Virginia	Federal Government	Other	Other Financing Sources	Total Revenues and Other Financing Sources
2009	$ 102,196,055	$ 197,538,187	$ 41,006,149	$ 7,694,372	$ 972,182	$ 349,406,945
2010	104,664,127	173,239,439	47,778,713	7,659,311	-	333,341,590
2011	104,112,311	160,146,070	52,480,818	7,352,644	-	324,091,843
2012	108,842,095	161,348,404	52,580,026	6,928,714	-	329,699,239
2013	105,888,340	165,372,234	46,216,240	6,412,005	1,072,755	324,961,574
2014	104,055,471	167,995,494	37,479,790	6,202,320	18,165	315,751,240
2015	127,074,351	174,050,882	37,375,412	8,349,290	663,485	347,513,420
2016	108,353,173	173,853,546	38,426,543	7,991,806	11,164,235	339,789,303
2017	118,449,648	184,807,119	40,643,471	7,236,401	8,726,166	359,862,805
2018	119,466,869	190,106,100	38,128,069	5,952,241	956,819	354,610,098



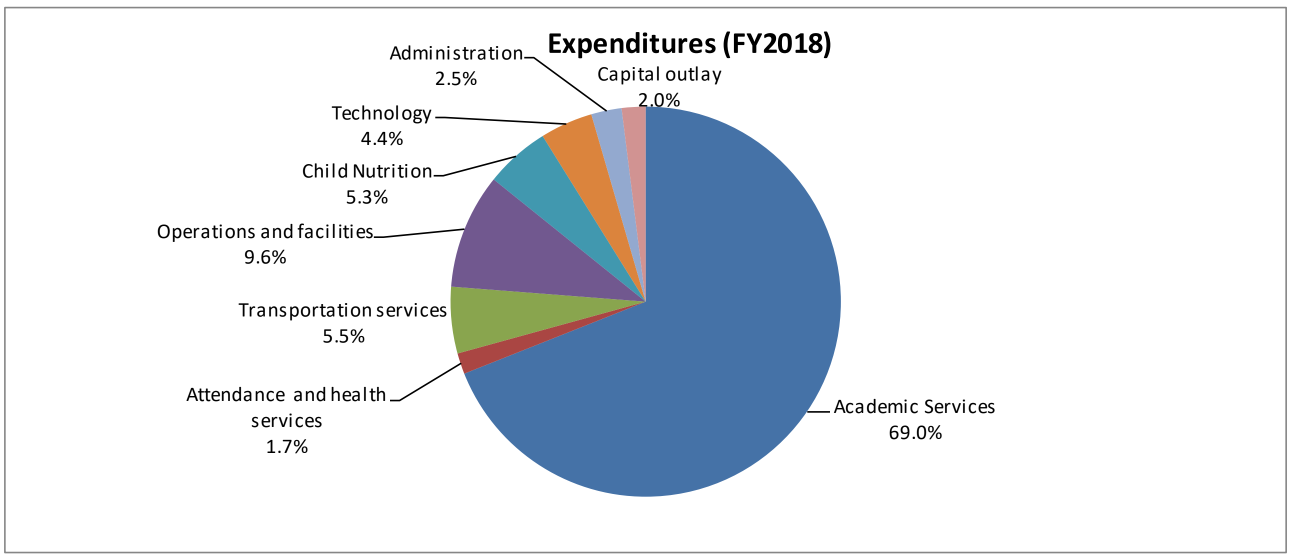
THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Governmental Funds' Expenditures, Other Financing Sources, Change in Fund Balance and Debt Service Ratio

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues and other financing sources (Table V)	$ 349,406,945	$ 333,341,590	$ 324,091,843	$ 329,699,239	$ 324,961,574	$ 315,751,240	$ 347,513,420	$ 339,789,303	$ 359,862,805	$ 354,610,098
Academic services	$ 238,023,334	$ 234,743,753	$ 227,559,797	$ 227,559,797	$ 221,425,243	$ 219,338,755	$ 226,859,864	$ 228,286,657	$ 236,673,539	$ 239,527,188
Attendance and health services	-	-	-	-	$ 5,429,791	5,426,772	5,582,154	5,772,945	5,855,981	6,007,327
Transportation services	16,806,995	16,706,999	17,575,505	17,575,505	17,520,252	16,900,789	17,141,068	16,747,043	18,260,506	19,143,378
Operations and facilities	33,654,510	27,690,322	33,658,928	33,658,928	30,366,533	31,502,312	31,474,496	30,267,232	32,690,252	33,161,240
Child nutrition services	13,486,037	13,231,220	14,217,246	14,217,246	15,237,387	15,127,188	16,617,410	17,460,389	17,364,347	18,585,550
Technology services	13,024,631	21,407,036	12,916,263	12,916,263	12,188,113	13,616,968	13,577,254	15,655,607	15,747,776	15,137,753
Administration	9,428,200	7,862,407	7,267,413	2,391,998	7,309,967	8,054,340	9,654,222	9,740,468	8,711,954	8,735,554
Capital outlay	13,339,928	10,091,413	13,967,918	13,967,918	11,142,657	5,450,745	9,316,121	30,684,616	19,367,766	6,890,110
Debt service										
Principal	2,616,893	2,750,273	3,352,473	3,352,473	2,631,723	2,803,222	3,888,129	346,321	524,590	1,819,716
Interest	846,193	1,363,623	503,181	503,181	387,257	282,261	258,111	40,858	456,872	907,208
Other financing uses	142,000	74,463	–	-	-	18,165	-	19,821	1,282,834	-
Total expenditures and other financing uses	$ 341,368,721	$ 335,921,509	$ 331,018,724	$ 326,143,309	$ 323,638,923	$ 318,521,517	$ 334,368,829	$ 355,021,957	$ 356,936,417	$ 349,915,024
Change in fund balance	$ 8,038,224	$ (2,579,919)	$ (6,926,881)	$ 3,555,930	$ 1,322,651	$ (2,770,277)	$ 13,144,591	$ (15,232,654)	$ 2,926,388	$ 4,695,074
Debt service as a percentage of noncapital expenditures	1.1%	1.3%	1.2%	1.2%	1.0%	1.0%	1.3%	0.1%	0.3%	0.8%



THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Capital Leases and Facility Notes Payable Debt to Assessed Value of Taxable Property and Debt Per Capita of the City of Newport News, Virginia

Last Ten Fiscal Years

(Amounts in thousands except for population and net debt per capita)

Fiscal year	(1) Population	(2) Assessed value of property	(3) Personal Income	Capital lease and facility notes payable debt	Ratio of debt to assessed value	Net debt per capita	Ratio of debt to personal income
2009	193,212	$ 17,488,713	$ 6,011,449	$ 17,573	0.10%	$ 91	0.29%
2010	193,172	18,048,533	5,946,073	14,822	0.08%	77	0.25%
2011	180,719	17,090,031	6,241,927	12,005	0.07%	66	0.19%
2012	180,719	16,878,501	6,672,878	8,653	0.05%	48	0.13%
2013	180,726	16,307,403	6,891,612	7,094	0.04%	39	0.10%
2014	182,020	16,207,738	7,045,829	4,290	0.03%	24	0.06%
2015	182,965	16,319,157	7,377,992	1,066	0.01%	6	0.01%
2016	182,385	16,716,737	7,448,898	11,863	0.07%	65	0.16%
2017	181,825	17,082,661	Not Available	18,783	0.11%	103	Not Available
2018	179,388	17,372,973	Not Available	17,920	0.10%	100	Not Available

Notes: (1) Source: 2009-2015 – Bureau of Economic Analysis; 2016-2018, U. S. Bureau of Census
(2) Source - City of Newport News Office of the Treasurer and Commissioner of the Revenue
(3) Source: 2009-2016 Bureau of Economic Analysis, 2017-2018 data not yet available
NOTE - The School Board is not permitted to issue general obligation bonded debt

Table VIII

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Standards of Learning – Percentage of Students with a Passing Score – School Board and State

Last Four Fiscal Years

Grade 3

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English: Reading	64	66	65	63	(2)	75	76	75	72	(3)
Mathematics	66	66	63	59	(4)	74	77	75	73	(2)

Grade 4

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English:Reading	71	69	69	64	(5)	77	77	79	76	(3)
Mathematics	75	74	72	67	(5)	84	83	81	79	(2)
Virginia Studies	82	78	78	73	(5)	87	87	87	85	(2)

Grade 5

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English: Reading,	66	73	74	71	(3)	79	81	81	80	(1)
Mathematics	72	70	74	67	(7)	79	79	79	77	(2)
Science	69	74	69	71	2	79	81	79	79	-

Grade 6

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English:Reading	62	64	66	68	2	76	77	78	80	2
Mathematics	77	76	77	71	(6)	83	82	82	79	(3)

Grade 7

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English:Reading	71	69	71	68	(3)	81	82	82	81	(1)
Mathematics	53	47	51	58	7	73	72	71	69	(2)

Grade 8

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English: Writing	61	60	56	58	2	72	71	73	73	-
English: Reading,	61	61	61	64	3	75	75	76	77	1
Mathematics	48	49	46	40	(6)	74	73	74	71	(3)
Science	64	65	64	66	2	78	79	79	78	(1)
Civics/Economics	77	78	77	70	(7)	86	87	87	86	(1)

End of Course

	School Board					State				
Test	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
English: Writing	76	80	78	78	-	83	83	84	84	-
English: Reading	83	85	82	82	-	89	89	87	87	-
Algebra I	81	81	74	70	(4)	82	83	82	81	(1)
Algebra II	77	91	93	88	(5)	87	89	90	89	(1)
Geometry	74	75	72	70	(2)	80	80	78	77	(1)
Earth science	78	78	82	72	(10)	83	84	82	81	(1)
Biology	79	83	80	74	(6)	84	84	82	82	-
Chemistry	87	78	84	83	(1)	88	88	89	89	-
World History I	85	86	89	82	(7)	85	84	85	82	(3)
World History II	87	89	50	33	(17)	87	86	87	84	(3)
VA & U. S. History	80	82	80	78	(2)	87	86	86	84	(2)
World Geography	82	80	75	72	(3)	86	86	83	82	(1)

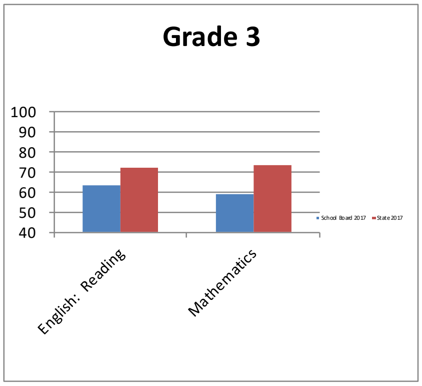
Source - Virginia Department of Education Dvision Report Card

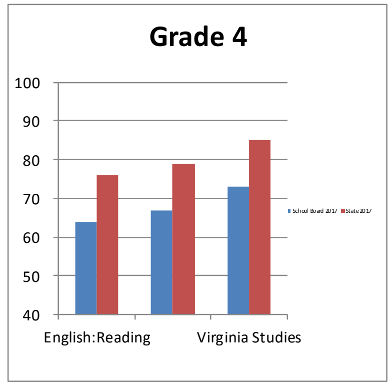
Table VIII

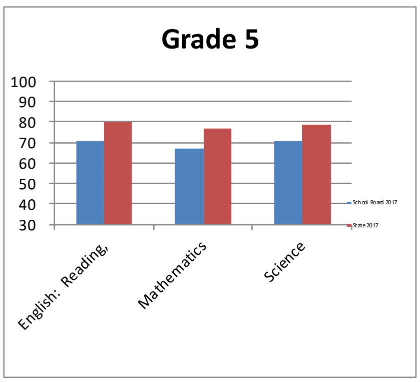
THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

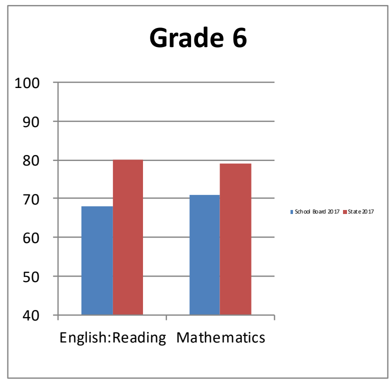
Standards of Learning – Percentage of Students with a Passing Score – School Board and State

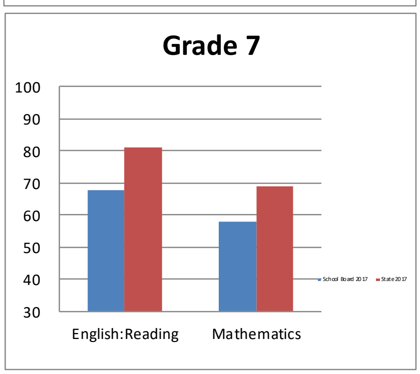
Last Four Fiscal Years

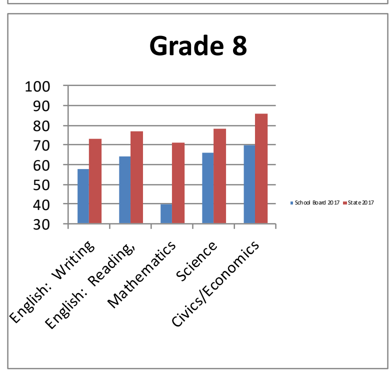


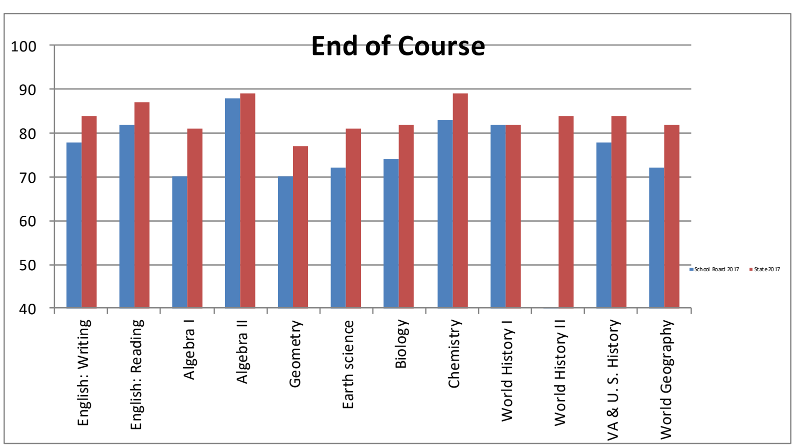












THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Miscellaneous Statistics

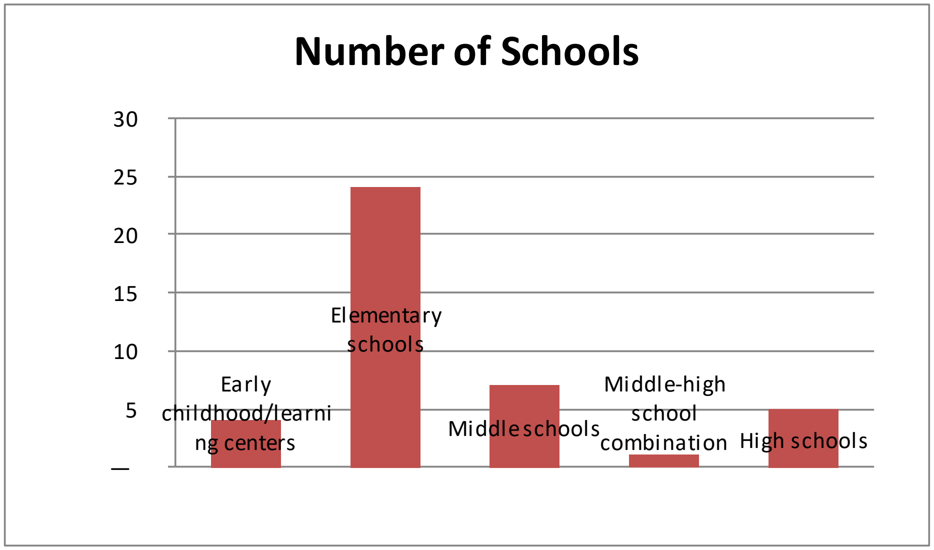
June 30, 2018

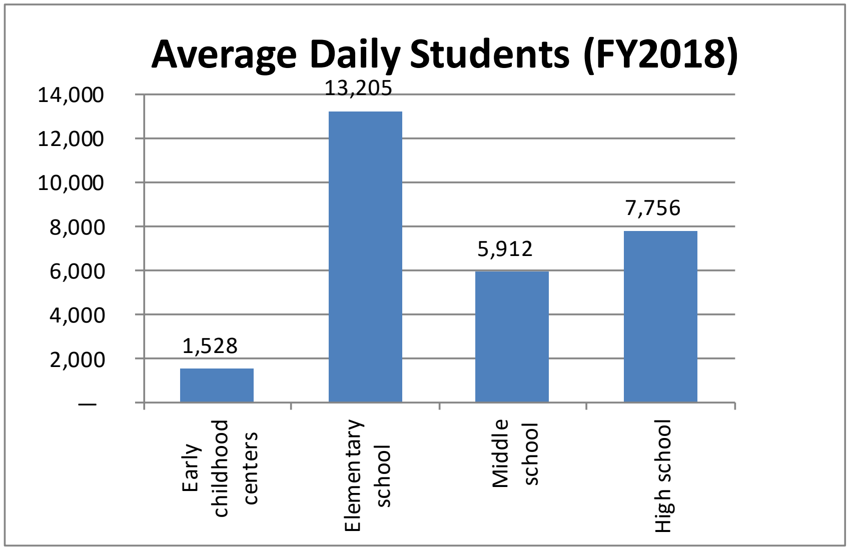
City of Newport News General Information

Date of incorporation (first Charter adopted):	January 16, 1896
Consolidation with Warwick City:	July 1, 1958
Form of government:	Council-Manager (seven member council)
Area – square miles:	69 square miles

The School Board of the City of Newport News

Number of schools:		Average daily students (FY2018):	
Early childhood/learning centers	4	Early childhood centers	1,528
Elementary schools	24	Elementary school	13,205
Middle schools	7	Middle school	5,912
Middle-high school combination	1	High school	7,756
High schools	5		
Total	41	Total	28,401





THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (In thousands)	(3) Per Capita Income	(4) School Enrollment	(5) Unemployment Rate (%)
2009	193,212	$ 6,011,449	$ 31,120	29,022	6.5%
2010	193,172	5,946,073	32,921	28,613	8.0%
2011	180,719	6,241,927	34,752	28,183	7.6%
2012	180,719	6,672,878	36,923	27,701	7.4%
2013	180,726	6,891,612	37,862	27,590	6.9%
2014	182,020	7,045,829	38,509	27,804	6.4%
2015	182,965	7,377,992	40,453	27,488	6.0%
2016	182,385	7,448,898	40,967	27,253	5.0%
2017	181,825	Not Available	Not Available	26,993	4.9%
2018	179,388	Not Available	Not Available	26,873	4.2%

Notes:

(1) Source: 2009-2015 – Bureau of Economic Analysis; 2016-2018, U. S. Bureau of Census

(2) Source: 2009-2016 Bureau of Economic Analysis; 2017-2018 data not yet available

(3) Source: 2009-2016 Bureau of Economic Analysis; 2017-2018 data not yet available

(4) City of Newport News School System - average ADM as of March 31st of each year
Early childhood enrollment is not included.

(5) 2009 Virginia Employment Commission; 2010-2014 Virginia Workforce Connection,
2015-2018 Virgiinia Labor market Information

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Capital Asset Information

Last Ten Fiscal Years

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Schools										
Elementary										
Buildings (Note 1)	26	26	25	24	24	24	24	24	24	24
Average age of buildings (Note 2)	45 years	46 years	47 years	48 years	49 years	50 years	51 years	52 years	50 years	51 years
Modular learning cottages	72	71	71	71	71	71	71	71	71	71
Square feet	1,630,000	1,630,000	1,560,400	1,534,997	1,534,997	1,534,997	1,534,997	1,534,997	1,563,147	1,563,147
Capacity (based on current program)	17,459	16,391	15,800	15,600	15,600	15,600	15,600	15,600	15,750	15,750
Enrollment (as of September 30)	13,746	13,862	13,728	13,686	13,597	13,664	13,664	13,519	13,418	13,205
Percent of capacity used	79%	85%	87%	88%	87%	88%	88%	87%	85%	84%
Middle										
Buildings (Note 1)	9	8	8	8	8	8	8	8	8	8
Average age of buildings (Note 2)	39 years	38 years	39 years	40 years	41 years	42 years	43 years	44 years	45 years	46 years
Modular learning cottages	19	14	14	14	14	14	14	14	14	14
Square feet	1,123,400	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260
Capacity (based on current program)	8,084	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484
Enrollment (as of September 30)	6,434	6,199	6,074	6,191	6,138	6,152	6,152	6,162	5,911	5,912
Percent of capacity used	80%	83%	81%	83%	82%	82%	82%	82%	79%	79%
High										
Buildings	6	6	6	6	6	6	6	6	6	6
Average age of buildings (Note 2)	25 years	26 years	27 years	28 years	29 years	30 years	31 years	32 years	33 years	34 years
Alternative high school facilities (leased)	2	2	2	2	2	2	2	2	2	2
Modular learning cottages	20	20	20	20	20	20	20	20	20	20
Square feet	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000
Capacity (based on current program)	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570
Enrollment (as of September 30)	9,328	8,988	8,621	8,139	7,963	7,963	7,963	7,540	7,757	7,756
Percent of capacity used	109%	105%	101%	95%	93%	93%	93%	88%	91%	91%
Early Childhood Centers										
Buildings	4	4	4	4	4	4	4	4	4	4
Average age of buildings (Note 2)	25 years	27 years	28 years	37 years	38 years	39 years	40 years	41 years	42 years	43 years
Square feet	112,700	181,000	181,000	206,403	206,403	206,403	206,403	206,403	206,403	206,403
Capacity (based on current program)	1,700	1,850	1,850	2,050	2,050	2,050	2,050	1,919	1,919	1,919
Enrollment (as of September 30)	1,790	1,813	1,607	1,637	1,632	1,456	1,456	1,504	1,428	1,528
Percent of capacity used	105%	98%	87%	80%	80%	71%	71%	78%	74%	80%
Administrative and Operations										
Buildings	6	6	6	6	6	6	6	6	6	6
Average age of buildings (Note 2)	34 years	35 years	36 years	37 years	38 years	39 years	40 years	41 years	42 years	43 years
Square feet	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000
Transportation										
Buildings	1	1	1	1	1	1	1	1	1	1
Age of building	32 years	33 years	34 years	35 years	36 years	37 years	38 years	39 years	40 years	41 years
Square feet	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Buses	372	368	361	375	386	365	356	335	336	335

Source: Newport News Public Schools insurance and facility department records

Notes: Note 1 - In FY2008 we added a middle-high school combination, although one physical building, we have treated it as separate buildings for the purposes of this statistical table.

Note 2 - Average age is based upon the year the building was first constructed.
In many cases, the buildings have received additions and/or extensive renovations, such as roof, window and HVAC replacements.
However, the following schools have received such an extensive renovation, that the age of the building is based upon the year of renovation, rather than the year of original construction:
An Achievable Dream Middle and High School, (2007 instead of 1951), Crittenden Middle School (1994 instead of 1949, and Washington Middle School (2006 instead of 1929)

Table XII

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Operational Statistics

Last Ten Fiscal Years

	(1)	(2)	(2)	(3)
Fiscal Year	Cost per Student	Elementary Student/ Teacher Ratio	Secondary Student/ Teacher Ratio	Percentage of Students on Free/Reduced Lunch
2009	$11,032	12.7	12.0	51.4%
2010	10,946	12.1	11.6	53.2%
2011	10,582	13.5	12.6	54.0%
2012	10,842	14.0	12.5	59.1%
2013	10,658	14.1	12.7	60.8%
2014	10,563	14.4	13.7	61.3%
2015	11,043	13.7	12.0	62.9%
2016	11,191	14.2	12.9	64.2%
2017	11,600	14.0	13.1	64.1%
2018	12,569	13.9	13.3	67.9%

Sources:
(1) Cost per student based upon formula for operating costs per the Virginia Department of Education and published in table 15 of the Annual Superintendent's Report on their website. Starting with FY2012, pre-school students are included in the cost per student. (FY2018 data based on internal estimates and not yet verified and published by the State)
(2) Student/teacher ratio includes all teachers (including resource and special education) and is published by the Virginia Department of Education on their website. (data for 2018 is estimated by School Board pending State publishing the data on their website)
(3) Percentage of students on free/reduced lunch from Newport News Public Schools Child Nutrition Services Department.

Table XIII

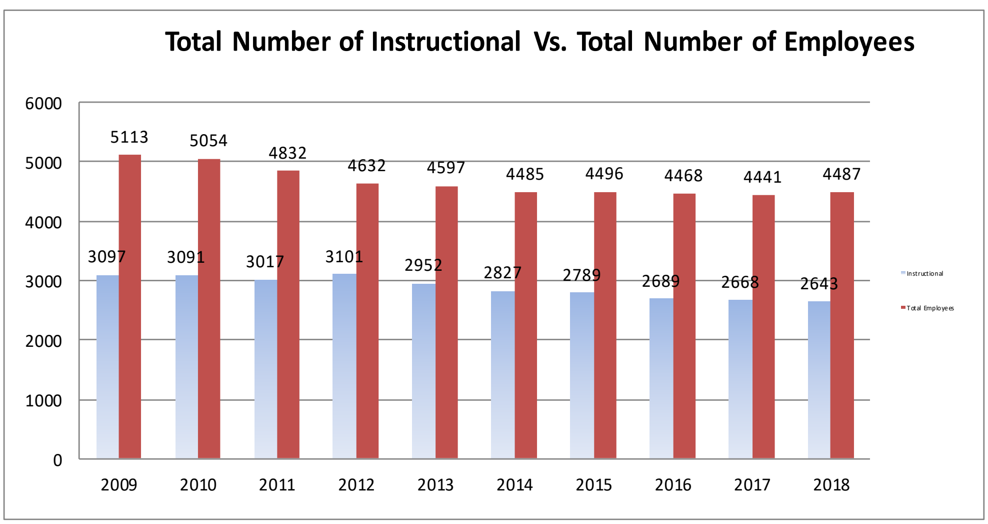
THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Full Time Equivalent District Employees by Type

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Supervisory:										
Principals	45	40	41	41	41	42	39	40	39	38
Assistant principals	74	74	68	72	72	76	77	77	72	75
Instructional administrative	74	64	59	59	58	56	59	60	60	54
Other administrative and professional	72	64	55	55	57	57	57	55	55	72
Instructional:										
Elementary classroom teachers	1,357	1,373	1,310	1,251	1,248	1,223	1,139	1,227	1,236	1,245
Secondary classroom teachers	802	840	795	771	738	693	801	734	702	707
Guidance counselors	92	99	91	91	95	95	95	95	93	90
Librarians	45	48	47	46	44	39	40	42	42	45
Technology	30	32	32	31	29	28	28	27	27	30
Other instructional	147	158	138	121	141	145	121	112	117	117
Social workers	18	18	18	16	16	14	13	13	14	13
Teacher assistants	526	533	521	500	478	452	431	415	413	396
Support Services:										
Psychologists	18	21	21	17	17	17	17	17	17	17
Instructional technical	30	55	40	36	40	38	41	40	41	47
Instructional clerical	238	223	219	192	186	180	180	179	171	169
Non-instructional technical	134	105	102	108	99	98	104	89	89	81
Non-instruction clerical	51	38	38	27	33	34	35	34	36	37
Nurses	53	55	52	51	53	52	52	56	55	55
Bus drivers	384	340	326	315	318	310	308	309	312	340
Bus assistants	100	92	91	90	97	96	113	99	106	102
Custodians	262	252	244	243	242	233	240	238	238	250
Child nutrition services	394	371	366	346	344	346	344	344	347	341
Security officers	66	65	65	63	64	62	61	64	65	70
Skilled trades	98	92	91	88	85	85	85	86	81	82
Other	3	2	2	2	2	14	16	16	13	14
Total	5,113	5,054	4,832	4,632	4,597	4,485	4,496	4,468	4,441	4,487

Source: Superintendent's annual financial report to the Commonwealth of Virginia.



THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Teacher Base Salaries

Last Ten Fiscal Years

Fiscal Year	Minimum Salary	Maximum Salary	Newport News Average Salary	Statewide Average Salary
2009	$ 38,400	$ 58,766	$ 48,815	$ 52,309
2010	38,400	58,766	45,657	51,887
2011	38,000	58,766	46,882	51,524
2012	38,205	56,761	48,228	52,096
2013	38,500	56,761	48,045	52,923
2014	39,500	57,879	49,540	53,756
2015	40,500	59,590	50,219	54,486
2016	41,500	59,884	51,153	54,891
2017	42,600	61,931	52,838	56,351
2018	43,250	63,406	52,854	Not Available

Sources: Minimum and Maximum salaries from Newport News Public Schools Budget Document, Appendix 2 for teachers with a Bachelors degree working standard 192-day contract. Newport News and Statewide average salary from Superintendent's annual financial report Table 19 as published by the Virginia Department of Education on their website, except FY2018 is from our submission to the State but not yet verified. FY2018 Statewide Average is not yet available.

Table XV

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Principal Taxpayers of the City of Newport News

June 30, 2018 and Nine Years Prior
(Amounts in Thousands)

Taxpayer	2009 Taxes (1)	Percentage of Total Assessments	2018 Taxes (1)	Percentage of Total Assessments
Huntington Ingalls Incorporated	$ 14,441	8.40%	$ 23,872	8.93%
Canon Virginia, Inc.	1,734	1.01%	5,185	1.94%
Dominion Energy Inc.	1,022	0.59%	3,335	1.25%
The Mariners' Museum	1,303	0.76%	2,819	1.05%
Continental Automotive Systems US, Inc.	1,890	1.10%	2,058	0.77%
PR Patrick Henry, LLC	1,544	0.90%	1,930	0.72%
Verizon Virginia, Inc.	645	0.38%	1,121	0.42%
Virginia Natural Gas Inc	414	0.24%	1,064	0.40%
Kinder Morgan Operation LP	995	0.58%	999	0.37%
Pointe Hope LLC	-	-	944	0.35%
IREIT Newport News Tech Center LLC	-	-	888	0.33%
Ferguson Enterprises Corp	743	0.43%	786	0.29%
Dominion Terminal Associates	994	0.58%	770	0.29%
RPAI US Management LLC	-	-	698	0.26%
Oyster Point Residential LLC	497	0.29%	639	0.24%
Patrick Henry Hospital (Warwick Forest)	486	0.28%	610	0.23%
Bottling Group LLC	-	-	578	0.22%
Wal-Mart Real Estate Business Trust	-	-	568	0.21%
Venture Newport News LLC	-	-	565	0.21%
BRG Meridian Parkside LLC	-	-	496	0.19%
Inland Western Newport News	1,128	0.66%	-	-
Shorewood Packaging Corp of Va	550	0.32%	-	-
United Dominion Realty Trust	542	0.32%	-	-
Meridian Parkside Appartments LLC	470	0.27%	-	-
Cox Communications Hampton Roads Inc	423	0.25%	-	-
Harbours LLC	390	0.23%	-	-
Newport-Oxford Associates Ltd	386	0.22%	-	-
	$ 30,597	17.81%	$ 49,925	18.67%

Note: (1) Includes real estate and personal property tax assessments for these taxpayers. Current taxpayer name used if different from 2009

Source: City of Newport News Real Estate Assessors Office and Office of the Commissioner of the Revenue

TABLE XVI

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Principal Employers of the City of Newport News

June 30, 2018 and Nine Years Prior

Employer	2009 Employees	Percentage of Total City Employment	2018 Employees	Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 20,000	16.45%	10,000 - 25.000	19.43%
U.S. Department of Defense	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
Riverside Regional Medical Center	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
Newport News Public Schools	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
City of Newport News	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
Ferguson Enterprises Inc.	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
Christopher Newport University	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
Canon	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
U.S. Department of the Army and Air Force	1,000 - 5,000	3.29%	1,000 - 5,000	3.33%
WalMart	-	-	500 - 1,000	0.83%
Mary Immaculate Hospital	500 - 1,000	0.82%	-	-
	18,500 - 61,000	43.59%	18,500 - 66,000	46.90%

Source: Virginia Employment Commission

COMPLIANCE SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

To the Honorable Members of the
School Board of the City of
Newport News, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated December 7, 2018. Our report recognizes that the School Board implemented one new accounting standard effective July 1, 2017. Our report includes a reference to other auditors who audited the financial statements of the Student Activity Funds, an agency fund of the School Board. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Student Activity Funds were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board'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* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities, and Towns,* which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

School Board's Response to Finding

The School Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
December 7, 2018

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Controls over Compliance Required by the Uniform Guidance

The Honorable Members of the
School Board of the City of
Newport News, Virginia

Report on Compliance for Each Major Federal Program

We have audited the School Board of the City of Newport News, Virginia's (the "School Board"), a component unit of the City of Newport News, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School Board's major federal programs for the year ended June 30, 2018. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the School Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
December 7, 2018

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal Expenditures
Department of Agriculture		
Pass-through payments -		
Virginia Department of Agriculture:		
School Lunch Program - Food Commodities	10.555	$ 1,095,268
Virginia Department of Education:		
School Breakfast Program (10.553/2016, 10.553/2017)	10.553	4,681,046
National School Lunch Program (10.555/2016, 10.555/2017)	10.555	9,287,503
Summer Foosd Service Program (10.559)	10.559	41,817
Total Child Nutrition Cluster		15,105,634
Fresh Fruits and Vegetables (10.582/2016, 10.582/2017)	10.582	359,689
Child Nutrition Discretionary Grants (10.579/2016)	10.579	26,780
Virginia Department of Health:		
Child and Adult Care Food Program (10.558/2017)	10.558	599,989
Department of Defense		
Invitational Grants for Military Connected Schools (HE1254-14-1-0043)	12.557	106,380
ROTC	12.357	303,951
Department of Education		
Impact Aid	84.041	1,877,071
Pass-through payments -		
Virginia Department of Education:		
Adult Education - Basic Grants (V002A160047, V002A170047)	84.002	496,284
Total Adult Education		496,284
Title I Part A Grants to Local Educational Agencies (S010A150046, S010A160046)	84.010	9,452,812
Title I Part A School Improvement (S010A150046, S010A160046)	84.010	1,173,808
Total Title I, Part A Cluster		10,626,620
IDEA Part B Section 611 Special Education (H027A160107,H027A170107)	84.027	4,776,869
IDEA Part B Section 611 - Interpreter Training (H027A160107, H027A170107)	84.027	18,452
IDEA Part B Section 611 - Inclusive Practice Partnership (H027A160107)	84.027	1,250
IDEA Part B Section 619 Special Education Preschool (H173A160112, H173A170112)	84.173	184,375
Total Special Education Cluster (IDEA)		4,980,946
Vocational Education - Perkins Secondary (V048A160046, V048A170046)	84.048	581,353
Title X McKinney-Vento Homeless	84.196	19,136
Title IV Part B 21 Century Community Learning (S287C160047, S287C170047)	84.287	637,274
Title IV Part A GEAR-UP	84.334	214,955
Title III Part A Language Acquisition Immigrant and Youth (S365A150046, S365A160046)	84.365	159,050
Title III Part A Language Acquisition State Grant (S365A150046)	84.365	12,099
Total English Language Acquisition Grant		171,149
Title I Part D (S013A150046, S013A160046)	84.013	909
Title II Part A Improving Teacher Quality (S367A160044, S367A170044)	84.367	1,238,589
ESEA Section 1003(G) School Improvement Grants (S377A130047)	84.377	54,791
Title IV Part A-Student Support and Academic Enrichment (S424A170048)	84.424	13,280
Pass-through Payments -		
Virginia Department of Social Services		
Medicaid Assistance Program	93.778	713,289
		$ 38,128,069

Note: The total for CFDA 10.555 is $10,382,771 and for 84.027 is $4,796,571.

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes federal grant activity of the School Board of the City of Newport News, Virginia (the School Board) and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Relationship to Basic Financial Statements

Federal expenditures are reported in the School Board's basic financial statements as follows:

	Federal Expenditures
General Fund	$ 2,899,206
Grants Fund	19,136,771
Other Non-Major Special Revenue Funds	16,092,092
Total expenditures as shown on Schedule of Federal Awards	$ 38,128,069

(3) Indirect Cost

The School Board did not use the 10% indirect cost rate, but rather used zero percent.

(4) Sub recipients

The School Board operates on a contractual basis with its grant partners and, therefore, does not have any sub-recipients.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I – Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major program: **None Reported**
6. Material weaknesses in internal control over major program: **No**
7. The type of report issued on compliance for major program: **Unmodified opinion**
8. Any audit findings which are required to be reported in accordance with the Uniform Guidance: **No**
9. The programs tested as major programs were:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants

10. Dollar Threshold used to distinguish between Type A Programs and Type B Programs: **$1,143,842**
11. Auditee qualified as a low-risk auditee under Section .530 of Uniform Guidance: **Yes**

Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

Section III – Findings and Questioned Costs Relating to Federal Awards

None

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section IV – Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2018-001 – Conflict of Interest

Criteria: Section 2.2-3115 of the *Code of Virginia* (the Code) requires non-salaried citizen members of local boards, commissions and councils, with the power to issue bonds or expend funds in excess of $10,000 per year, to annually file a Statement of Economic Interest in-between January 1st and February 1st.

Condition: Seven (7) officials filed a completed annual Statement of Economic Interest; however, one (1) of the seven (7) filed the form after the January 1st to February 1st deadline window required by the Code.

Cause: A completed Statement of Economic Interest form was filed after the January 1st to February 1st deadline window.

Effect: Non-compliance may result in action by the Commonwealth.

Questioned Cost: Non-financial

Recommendation: Local government officials should file the Statement of Economic Interest forms in accordance with Section 2.2-3115 of the Code.

Views of Responsible Officials: Officials receive multiple notifications of filing deadlines and will continue to be reminded of the deadlines and requirements stipulated in the *Code of Virginia.*

Section V – Resolution of Prior Year's Findings

None in previous year.