



# Comprehensive Annual Financial Report

City of Portsmouth, Virginia School Board  
A Component Unit of the City of Portsmouth, Virginia  
For the Fiscal Year Ended June 30, 2019



**PORTSMOUTH**  
PUBLIC SCHOOLS  
SHINING BRIGHTER TOGETHER

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**City of Portsmouth, Virginia School Board**  
**Component Unit of the City of Portsmouth, Virginia**

For the Fiscal Year Ended June 30, 2019

Prepared by the Department of Finance

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD  
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA  
June 30, 2019**

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## ***INTRODUCTORY SECTION***



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April 14, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Portsmouth, Virginia School Board (School Board or PPS) as of and for the fiscal year ended June 30, 2019. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School Board. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

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

Accounting principles generally accepted in the United States of America ("GAAP") requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This Transmittal Letter is designed to complement the MD&A and should be read in conjunction with it.

The School Board is required to undergo an annual compliance or "single" audit in conformity with the provisions of the uniform guidance. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, if any, and auditors' report on internal control over financial reporting and on compliance and other matters, are included in the City's CAFR.

## **The Reporting Entity and Organization**

Founded in 1752 and incorporated by the Virginia General Assembly in 1858, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33<sup>rd</sup> largest Metropolitan Statistical Area with over 1.5 million residents. The City encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations. Over 250 years old, the City is the home to one of the world's greatest natural harbors, situated on the James and Elizabeth Rivers, which empty into the Chesapeake Bay. It is bordered by the cities of Chesapeake, Suffolk, and Norfolk to the South, West, and East, respectively.

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

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

## **Economic Condition and Outlook**

Old Dominion University, in partnership with Dragas Center for Economic Analysis and Policy recently published the State of the Region - Hampton Roads 2019 report. According to the report, the economy in Hampton Roads (which includes the City of Portsmouth) is not only growing, it is accelerating and assured for continued growth in 2020. It is estimated that economic activity in the area of Hampton Roads grew 2.2% from 2017 to 2018. Our current forecast indicates growth will accelerate to 2.4% in 2019 with a real GDP in Hampton Roads forecasted to be \$85.6 billion at the end of 2019. Economic growth is also displayed by gains in output and establishments, or location where business or services are conducted. In 2016, the numbers of business establishments within this region was 38,086 or 0.6% increase, the highest since 2011. As the amount of jobs continue to rise, unemployment rates have declined near 3.3% in the area, which was the record low in 2000. Within the City of Portsmouth, the latest unemployment rate is 3.9%.

Approximately 40% of economic activity in Hampton Roads is in relation to the Department of Defense (DoD). Defense spending continues to be the primary driver to the Hampton Roads economy. This spending is forecasted to increase to \$22.1 billion in 2019, via Department of Defense operational, personnel and maintenance expenditures utilized to invigorate economic growth in this area. Hampton Roads estimated defense spending slightly increased from \$19.4 to \$22.1 billion from 2016 to 2019. However, it is not certain how much defense spending will increase in the Hampton Roads area over the next decade. Additionally, Hampton Roads has experienced a decrease in number of military personnel in this area and the decrease is expected to continue. Between 2001 and 2017, the number of active duty personnel stationed in Hampton Roads decreased from 110,000 to 81,000. With an expected decrease in active duty personnel, the private sector would need to create more than two jobs to replace every lost military job.

The Port of Virginia (the Port) activity continues to exceed the economic annual growth rate of the United States, Virginia, and Hampton Roads. Cargo tonnage handled by the Port continues to increase year after year. Because of the geographical location of the Port, it being the largest deep water port (and third largest port) on the East Coast, and with the Port's relationships with major rail companies, the Port appears to be in a good position to experience continued positive growth in future years. At the end of fiscal year 2018, the net position of the Port exceeded \$620M the best level in over decade. General cargo tonnage container unit increased by 3.9% and loaded import were up by 5.2%, but loaded export were down 4%. However, as with any business, there are challenges facing the Port (i.e. trade conflicts, tariffs, competitors, etc.). The Port of Virginia must continue to accommodate larger ships by investing in increasing capacity, improving efficiency and dredging. The Hampton Roads region is mobilizing around the opportunity to develop 20-60 million square feet of supporting manufacturing and distribution center space.

As reported, 2018 was a good year for Hotels/tourism, which is considered the third major sector in the Hampton Road's economy. The hotel industry revenue increased by 4.7% in 2018 after increasing by 4.7% in 2017. The Norfolk/Portsmouth market continues to exhibit the largest growth in Revenue or Revenue per Available Room (RevPAR) for the period of 2017 and 2018. RevPAR in Norfolk/Portsmouth during 2018 increased by 7.5% and by 9.1% in 2017.

With the rosy outlook for growth in Hampton Roads, it will be important to address the challenges in creating the environment to spur establishments. Collaboration and opportunities to build capacities with the cooperation of regional entities will financially benefit the Hampton Roads area.

According to July 1, 2018 statistics from the U.S. Census Bureau, Portsmouth had a population estimate of 94,632, of which 54.4% were African-American, 40.3% were Caucasian, and 5.3% were other nationalities. Major City employers include Norfolk Naval Shipyard, Naval Medical Center - Portsmouth, U.S. Fifth Coast Guard District Command, City of Portsmouth, and PPS. Within PPS, there are approximately 2,279 employees. PPS served 13,927 students (562 are pre-K students) in 13 elementary schools (12 are Title I schools), 3 middle schools, 3 high schools, 3 Pre-K centers, 1 alternative school, 1 adult learning center. In addition to traditional instructional settings for students in grades K-12, the division offers a number of magnet and enrichment programs, a Career and Technical Education program, and has a partnership with Tidewater Community College (Portsmouth Campus) to offer the First College and Early College programs. Projected March 31<sup>st</sup> average daily membership of K-12 students for FY2019-20 is estimated to be 12,992. Along with general education, PPS serves special education needs. School-wide, approximately 14% of all students received special education services.

The average age of school buildings, within the district, is 49 years. Numerous school building additions and improvements have been completed subsequent to the initial construction of school buildings. The average school building addition and improvement is 11 years.

PPS is funded from local (City of Portsmouth), state, and federal resources. State and City funds are the two largest sources of revenue and represent approximately 98% of the total budget. PPS does not have the authority to levy taxes to directly support education; as such the school division is fiscally dependent on the City. State monies are determined based on the school division's Average Daily Membership (ADM) and the local composite index, which measures a school division's ability to pay education costs to meet the Commonwealth's Standard of Quality (SOQ). Federal monies primarily consist of Impact Aid from the United States Government. Significant funding is also received from federal grants.

The most recent recession and slow recovery of the region's and state's economy continues to have an effect on the funding of the school division. State funding for FY2018-19 was below the funding levels experienced pre-recession. The outlook for FY2019-20 shows the school division expects an overall increase in revenue of \$5.4 million. This is due to one-time state compensation supplement funds and a one-time \$2.6 million increase in city funding for salary increases. There is no expected increase in city funding (to the level funding experienced in FY2018-19). Since the state budget is completed every two years, information is not available to reasonably project future state revenues. The next biennium budget will be for fiscal years 2020-2022 and will have an impact on all funds. As such, the overall division budget currently projects slight decreases beyond FY2020-21.

As aiding in long-term financial planning, the annual budget is utilized to reflect PPS' diverse plans by assigning resources to meet the goals of its Five Year strategic plan. One of the five goals attributed to finance is ensuring fiscal stability through sound fiscal practices and ensuring the facilities are of the highest quality. As part of the budget development process for fiscal year 2019-20, the Superintendent provided an online survey to foster the community and personnel in providing recommendations in the budget development process. In preparation of facing a potential budget deficit, various initiatives were scaled back and some school improvements halted. Aiming to improve academics and school safety as well as retain and attract dedicated personnel, the PPS approved budget for fiscal year 2019-20 maintained a consumer-driven high deductible plan decreasing projected health benefit costs.

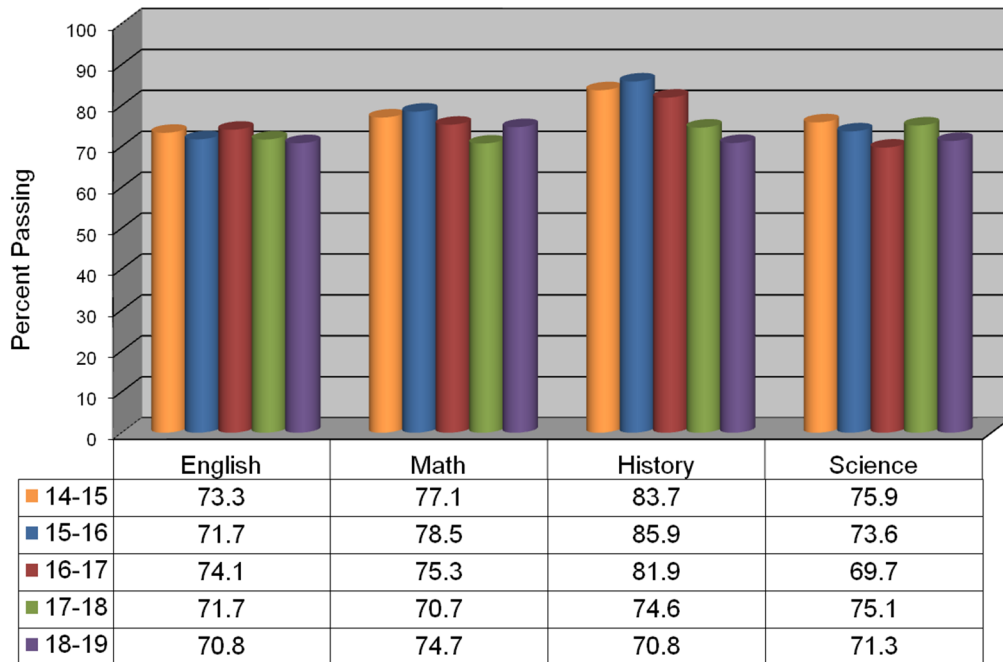
The School Board developed a new Capital Improvement Plan based on a third-party study completed in FY2017-18. The condition of many of the division's buildings are in need of repair, renovation and in some cases replacement. The CIP for the School Board is maintained and funded by the City. For the FY2018-19 budget, the city included funding to build a new middle school to increase the number of middle schools from three to four. However, in FY2019-20, the City delayed the first year of funding construction cost of new school to FY2023-24. In addition, the continued repair and maintenance of remaining school buildings are projected to increase the operating and CIP budget. Some repairs may need to be delayed based upon financial constraints.

Beyond FY2020-21, the school division expects an overall decrease in revenue. However, PPS is committed to utilizing the best financial practices and seeking innovating methods in providing quality education to the students within the City of Portsmouth. The City established a joint school formula committee after FY2019-20 budget adoption. This committee consists of representatives from both bodies to review current funding level and existing funding models used in Virginia to develop a proposed school funding formula for FY2020-21. The division will continue to pursue new grants and make operational changes throughout the school system.

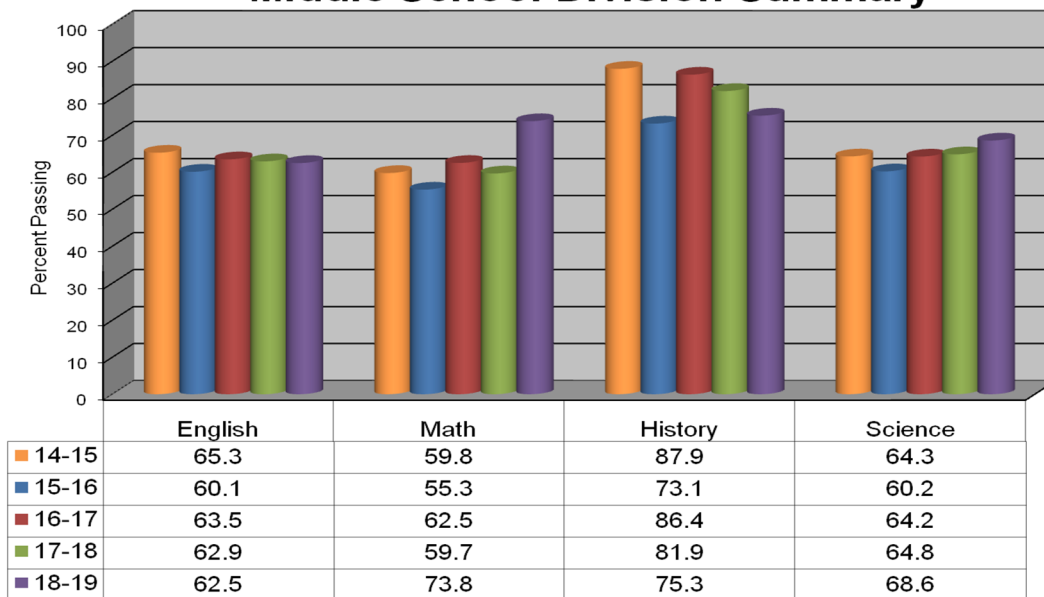
## SOL Passing Rates Comparison

### Division Summary Portsmouth Public Schools Standards of Learning Assessments

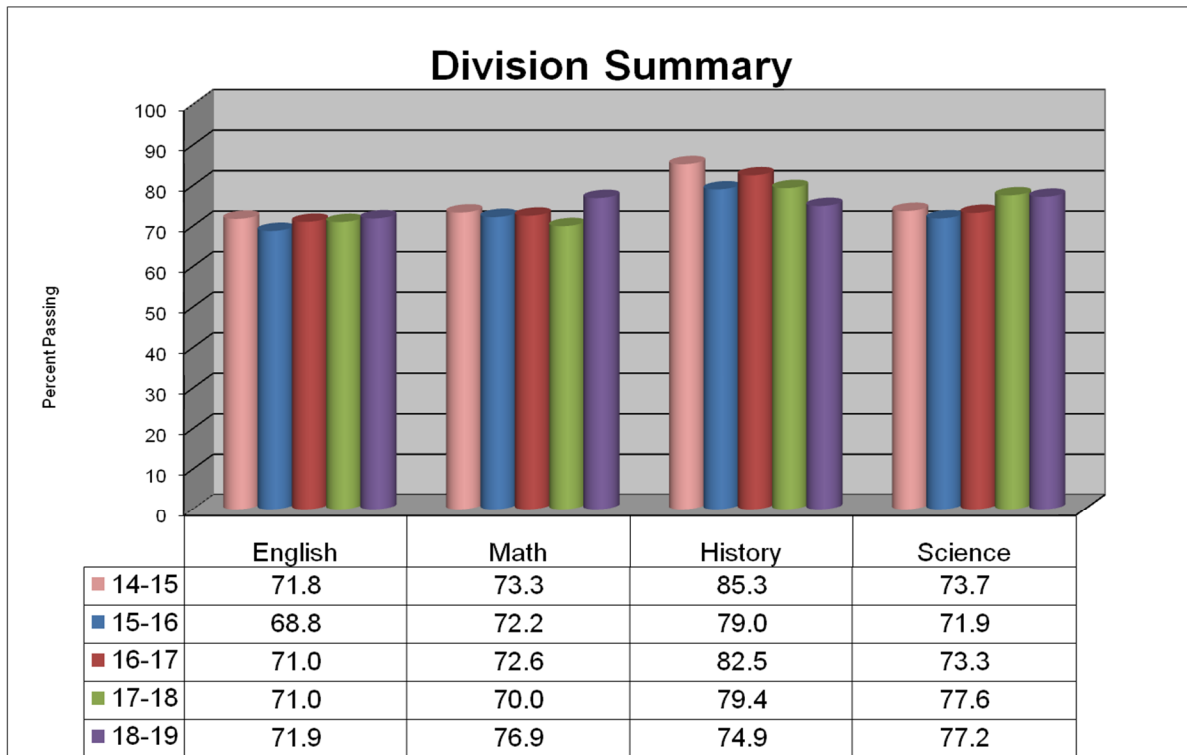
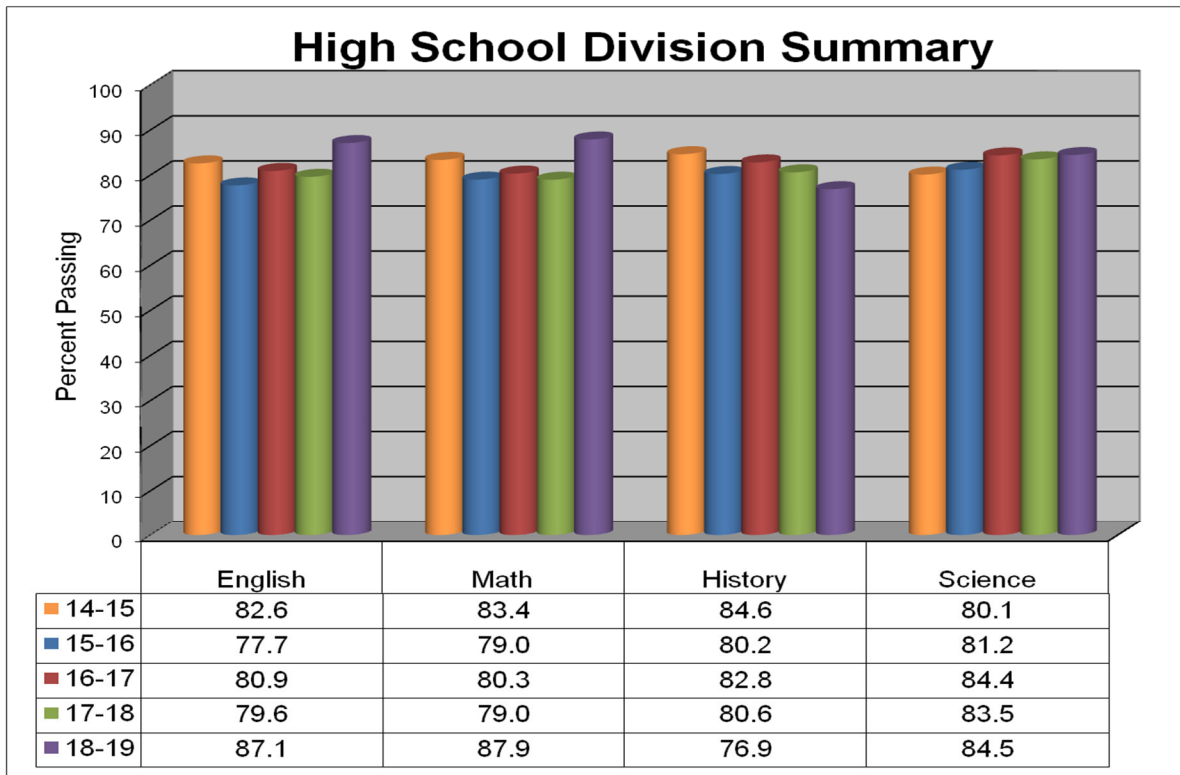
#### Elementary School Division Summary



#### Middle School Division Summary



**Division Summary**  
**Portsmouth Public Schools**  
**Standards of Learning Assessments**



## **Major Initiatives and Recognition**

### **Special Education**

Portsmouth Public Schools was selected by Virginia Department of Education to participate in the Early Childhood Education Leaders Community of Learning for Inclusive Programs. Collaboratively with Virginia Preschool Initiative(VPI) staff, The Communities of Learning (CoL) delivers targeted technical assistance and professional development to leaders in early childhood education programs to build and sustain high-quality early childhood inclusive programs. Our team consists of a Pre-K Principal, an ECSE Lead, a Head Start Liaison, a special education teacher and two VPI teachers. These individuals will provide training to all of PPS' preschool teachers in effective inclusive practices during the FY2019-20 school year.

Portsmouth Public Schools was also selected by Virginia Commonwealth University (VCU)-Autism Center for Excellence to participate in Project PASS (Promoting Academic & Social Success). The model supports preschool teams in the implementation of evidence-based practices for students with Autism Spectrum Disorders and developmental disabilities in inclusion settings. Project PASS includes completion of online content on evidence-based practices, live professional development, and embedded coaching.

In collaboration with VPI, we were also awarded a \$25,000 Early Childhood Quality grant from the Virginia Department of Education to train observers and teachers on the Classroom Assessment and Scoring System.

In collaboration with Professional Contract Services Incorporation (PCSI), the Office of Special Education hosted a career fair for students with disabilities from all three high schools, including students receiving services through the Southeastern Cooperative Educational Programs (SECEP). The target population was students not planning to pursue postsecondary academic ventures, but rather vocational endeavors. Prior to the event, students received tips on proper attire for employment interviews, job readiness, and how to complete an application. During the fair, students completed applications and participated in on-sight interviews with the company.

Seniors with disabilities from Wilson High School participated in a tour of the Dollar Tree Distribution Center in Chesapeake, VA with support from the job placement specialist from the Department of Rehabilitative Services. Also students from I.C. Norcom, Woodrow Wilson, and Churchland High Schools, with the support of 40 parents and staff, participated in a tour of Woodrow Workforce Rehabilitative Center in Fishersville, VA.

### **Science – Technology – Engineering – Mathematics (STEM) Pathways**

#### **Elementary**

STARBASE Victory, the elementary STEM Center, supported approximately 3,200 fourth, fifth, and sixth grade students. The SPACEBASE program was refreshed with a focus on the Port of Virginia. The STEM teachers received 12 hours of professional development in geospatial technologies. Components of the new SPACEBASE program were field-tested during school visits. The Grade 4 Outreach continued at thirteen elementary schools with Moon Phases and Electricity.

NASA eClips began a new project 3 years ago. NASA Spotlights are student-produced 90 to 120 second videos to confront science misconceptions. Middle and high school students are given a science misconception. Using the engineering design process, students research the science, plan how to best debunk the misconception while teaching the correct science, then they film and edit the video. Here is a link to the approved videos. [https://nasaclips.arc.nasa.gov/spotlite/clouds/clouds\\_nasa-spotlite--clouds-nnps](https://nasaclips.arc.nasa.gov/spotlite/clouds/clouds_nasa-spotlite--clouds-nnps).

Elementary CHROME (Cooperating Hampton Roads organization for Minorities in Engineering) Clubs participated in the Mission Moon FIRST Lego League Junior competition held in March 2019 during the STEM EXPO. The Best Overall winner and trophy champion was Churchland Academy.



## **Middle**

During the month of June, (40) middle school students participated in the Digital Shipbuilding STEMPowerment Lab competition at Old Dominion University's Virginia Modeling, Analysis, and Simulation Center or VMASC. Student teams engaged in an engineering project titled, "Up Against the Wall!" Each team designed and built a ship's bulkhead using the engineering design process and technologies that included 3D modeling, printing, and scanning, AR-Augmented Reality, VR – Virtual Reality, and more. Career Pathways was woven into these four hours of design thinking.

A NOAA Environmental Literacy Grant to the Elizabeth River Project afforded teams of students from Churchland, Norcom, and Wilson High Schools, and Waters Middle School, to be YOUTH RESILIENT LEADERS and assist adults in a call to action regarding preparation for rising seas and the related challenges in Tidewater Virginia. These students presented the results of their action projects to create a more resilient community at a Youth Resilience Summit held at Nauticus, The Maritime Center, on April 6, 2019. Waters Middle School took top honors, with Wilson High School finishing in the top three. Students from Waters Middle School tested and determined the most effective solar oven, not only to reduce energy use, but to help people be prepared to cook and boil water in disasters. Wilson High School students sold solar phone chargers to students, parents, friends and the community. Students were required to document projects that either reduced the carbon footprint, alleviated flooding, or spread relevant messages for their schools and communities.

## **High**

The PPS FIRST (FOR INSPIRATION AND RECOGNITION IN SCIENCE AND TECHNOLOGY) Robotics Team hosted the FIRST Chesapeake Regional Competition for the fourth consecutive year. This event is sponsored by Newport News Shipbuilding. Forty-seven teams, including the PPS Royal Robotics #3359, competed.

STEM TEAM Competition grants, offered by the Virginia Department of Education regarding DRONES (UMANNED AERIAL SYSTEM - UAS), in the amount of \$10,000, supported 20 rising 9th and 10th grade students who had previously participated in district STEM competitions and/or activities. A second grant for \$5,000.00 supported after-school research for STEM Experimental Design students to continue their research into second term. These students prepared for competitions, e.g., the Virginia Junior Academy of Science, eCybermission, the Youth Resiliency Summit, and The Junior Science and Humanities Symposia (JSHS) Program.

## **Career and Technical Education/First College/Early College/Dual Enrollment**

The Career and Technical Education (CTE) advisory board continues to help schools and teachers improve the quality of instruction in all CTE programs that prepare students with workplace skills. The advisory board consists of a group of community members selected to ensure students receive relevant instructional programs that will remain in touch with the needs of local businesses and job industry. The advisory board was extremely active this year with the planning and implementation of the first CTE Signing Day and bringing on new CTE stakeholders.

CTE programs are based on current, real occupational skills that facilitate the transition of students from school to work. The advisory board assists in making the best use of resources by being responsive to social, economic and cultural changes. The board continues to ensure that its students are enrolled in one of the CTE programs, and receives a rigorous and relevant education.

Career and Technical Education (CTE) programs and co-curricular activities provide the skills that address the needs of high growth industries. Over the years, CTE has evolved to match the needs of the changing economy CTE programs which consist of, but are not limited to, AutoCAD, Childcare, Nail Technician, Cosmetology (new Fall 2018), Culinary, Certified Nursing Assistant, Horticulture, Pharmacy Technician (new Fall 2018), CyberSecurity, Sports medicine, TV Production, and Marine Welding, These programs motivate students by connecting to the real world, and as a result, students are less likely to drop out.

During FY2018-19, CTE offered the following Industry Certifications: Greenhouse Operations, Food Handling, CPR, Registered Pesticide Technician, WISE, Microsoft Specialists, Customer Service/Sales, Workplace Readiness, TV Production, Nail Tech, Certified Nursing Assistant, Welding and Adobe, with a total of 1,699 certifications given.

The First College program has grown from 19 students in 2006 to 215 scholars this school year. Students achieved a 2.0 or higher in 75% of the courses they attempted and were able to transfer the courses as college credits to a 4-year university. The average GPA of 3.0 is the highest that the program has achieved in 14 years with 2,615 credits completed.

Early College starting in the 9th grade, allows students to earn a degree in A.S. Social Science, A.S. General Studies or A.S. degree in Science with students earning up to 61 credits. Six students were Governor's Medallion Recipients. There were 68 Early College Academy students.

## **Social Studies**

The Office of Social Studies created a New Teacher Academy for new teachers to the subject and teachers new to the profession. Teachers participated in four sessions which included: VDOE/PPS curriculum resources, engaging teaching strategies, data driven instruction, and walkthrough questions.

Churchland, I.C. Norcom, and Woodrow Wilson High Schools represented Portsmouth Public Schools in the Old Dominion University Model United Nations Conference 2019.

Flocabulary, a web based program designed to increase student engagement and achievement, was used across the district/disciplines to view 35,000 educational videos.

The students of Portsmouth Public Schools created cards of encouragement for Military Missions. Their cards were shared with deployed US soldiers all over the world.

Students from Churchland High School represented Portsmouth Public Schools at the African American Heritage 365: 13th Annual High School Scholastic Bowl. Our students made a strong first showing in the jeopardy style quiz event.

## **Mathematics**

A total of 7,551 mathematics students in elementary, middle and high school participated in the Hour of Code in December. During math classes, students coded programs to create angles, moved characters in certain directions, and created games. High school students created programs on the graphing calculators for math formulas. Fourteen of our schools participated in Digital Learning Day 2019 this past February. Teachers integrated technology into the day's instruction across all mathematics classes. An additional focus this year was integrating Desmos into the curriculum and instruction. Multiple training opportunities were provided for teachers.

Members of the Mathematics Team served on the Virginia Department of Education SOL Content Review Committees, Rich Task Committee, and the Catalyzing Change in High School Mathematics Committee.

In December and March, Middle School Math Madness was held. Through a Portsmouth Schools Foundation (PSF) Grant, awarded to one of the mathematics program specialists several years ago, three Wii Games were purchased and used to gather data as every seventh grade student in each middle school participated in math madness. We have since purchased three more Wii game units to accommodate smaller groups during the event. Students rotated through two stations during their math class. Students gathered data through Wii Basketball and worked with fractions, decimals, and percentages.

The Grade Six Math Challenge celebrated its tenth year this past March. This annual event allows competition between the elementary schools.

## **Reading and English**

Pre-K teachers received training on the Big Day for Pre-K curriculum. This structured program was centered on research principles designed to increase language and social-emotional development to enhance learning. By using such a robust curriculum in Pre-K, students would be more academically prepared to enter kindergarten.

The Office of Reading and English collected books to be given to 1,000 students over winter break. The books went to students at Westhaven Elementary School and Brighton Elementary School. Research suggests that students experience "academic slide" when they are away from school for an extended period of time.

High school students participated in writing retreats and writing labs in preparation for the Standards of Learning Writing Test. They diligently wrote essays and reviewed common grammar and mechanical errors.

## **Graduation Results**

Of the 897 members of the Class of 2019, 360 received Advanced Studies Diplomas and 307 graduated with Honors. The Class of 2019 earned 3,883 college credits. Merit-based scholarships were awarded in the amount of \$25,143,485.

## **Financial Information**

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

The School Board management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board and City Council. The level of budgetary control is established at the individual fund level. The school division maintains an encumbrance accounting system as a method of accomplishing budgetary control. City Council maintains an ordinance that states all unspent appropriations under any ordinance appropriating funds for the School Board budget lapses at the end of the fiscal year and reverts to the governing body appropriating funds for use the following fiscal year. Encumbered amounts lapse at year-end; however, after review, they generally are re-appropriated by City Council as a part of the following year's budget. The School Board has adopted budgets for the following funds - General, Textbooks, Grants, Food Services, and Risk Management. The School Board and the City Council adopt the School Operating Budget each May, for the upcoming fiscal year.

The City provided an appropriation of \$52.8 million for education in addition to the Commonwealth of Virginia Standards of Quality ("SOQ") payments in FY2018-19.

The School Board is "fully insured" for auto liability and for general liability through the Virginia Association of Counties Group Self Insurance Risk Pool (VACoRP). For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$500,000. Workers Compensation claims are handled by VACoRP, a third-party claims administrator. For health insurance, the School Board is self-insured and utilizes Optima Health as the third party claims administrator. The School Board carries excess loss insurance with a specific stop loss limit of \$350,000 and aggregate stop loss coverage at 125% of expected medical claims during a single policy year.

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

## **Awards**

### **Certificate of Excellence**

The Association of School Business Officials ("ASBO") awarded the School Board its *Certificate of Excellence in Financial Reporting* for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The Certificate of Excellence is valid for a period of one year only. This is the thirteenth consecutive year that PPS has achieved this prestigious award.

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

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

## **Certificate of Achievement**

The Government Finance Officers Association (“GFOA”) of the United States and Canada awarded a *Certificate of Achievement for Excellence in Financial Reporting* to PPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This is the twelfth consecutive year that PPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the School Board must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## **Meritorious Budget Award for Excellence**

ASBO awarded the *Meritorious Budget Award for Excellence* in the preparation and issuance of the School Board’s budget for FY2019-20. The budget is judged on its conformity to the principles and standards of ASBO’s budget award program. The program promotes and recognizes excellence in school budget presentation and enhances the school business officials’ skills in developing, analyzing and presenting a school system budget.

## **Acknowledgements**

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

Respectfully submitted,



Elie Bracy, III, Ed.D.  
Division Superintendent



Theodore L. Faulk, CPA  
Chief Financial Officer

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD**  
**COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA**  
**June 30, 2019**

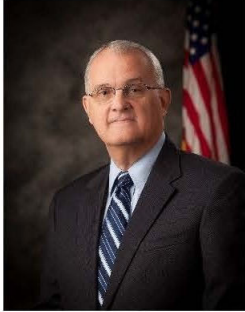
**Members of the School Board and School Board Officials**

**School Board**

Mr. Claude C. Parent.....Chairman  
Rev. Cardell C. Patillo.....Vice Chairman  
Ms. Angelia N. Allen  
Ms. Lakeesha S. “Klu” Atkinson  
Mr. De’Andre A. Barnes  
Mrs. Sarah D. Hinds  
Mr. Ted J. Lamb  
Mrs. Tamara L. Shewmake  
Mrs. Costella B. Williams

**Officials**

Elie Bracy, III, Ed.D..... Division Superintendent  
Anita S. Wynn, D.A .....Assistant Superintendent for Curriculum and Instruction  
Michael T. Cromartie, Ed.D ..... Chief of Schools  
Theodore L. Faulk, CPA .....Assistant Superintendent of Budget and Planning/Chief Financial Officer  
Scott A. Ziegler, Ed. S. .... Director of Human Resources/Director of Operations  
Lauren W. Nolasco .....Director of Communications  
Derrick A. Nottingham..... Director of Research and Evaluation  
Dean M. Schlaepfer .....Director of Information Technology  
Lawrence P. Whiting..... Director of Auxiliary Services  
Kathy L. Chambliss..... Clerk of the School Board  
Paige D. Cherry ..... City Treasurer



Mr. Claude C. Parent  
*School Board Chairman*  
 Member of the School Board since 2010  
 Current Term expires December 31, 2022  
 Minister of Church Administration, Retired Educator



Rev. Cardell C. Patillo  
*School Board Vice Chairman*  
 Member of the School Board since 2015  
 Current Term expires December 31, 2022  
 Executive Director

## PORTSMOUTH CITY SCHOOL BOARD



Ms. Angelia N. Allen  
 Member since 2016  
 Current Term expires  
 December 31, 2020  
 Healthcare Professional



Ms. Lakeesha S. "Klu" Atkinson  
 Member since 2016  
 Current Term expires  
 December 31, 2020  
 Insurance Consultant



Mr. De'Andre A. Barnes  
 Member since 2019  
 Current Term expires  
 December 31, 2022  
 Executive Director



Mrs. Sarah D. Hinds  
 Member since 2014  
 Current Term expires  
 December 31, 2020  
 Career Educator



Mr. Ted J. Lamb  
 Member since 2013  
 Current Term expires  
 December 31, 2020  
 Career Educator



Mrs. Tamara L. Shewmake  
 Member since 2019  
 Current Term expires  
 December 31, 2022  
 Chief Administrator



Mrs. Costella B. Williams  
 Member since 2008  
 Current Term expires  
 December 31, 2020  
 Retired Supervisor and  
 Community Volunteer



*The mission of the Portsmouth Public Schools is to engage all students in learning that will foster academic excellence and responsible citizenship.*

## Mission and Vision

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The Five Year Strategic Plan was adopted in 2017 and provides the framework to drive the decision making of the School Board to fulfill its mission each year. The main goals include the following:

1. **Curriculum, Instruction and Assessment:** *Provide educational opportunities to assure all students achieve high academic growth.* The major objectives are to ensure graduates will be College and Career Ready, that highly effective, research based curriculum, instruction and assessment practices are implemented, and curriculum and related programs meet the needs of all students.
2. **Social-Emotional Development:** *Strengthen practices and policies focused on social-emotional development.* The major objectives are to implement social- emotional learning support and strategies, and implement practices and policies that support each student's ability to be a responsible citizen.
3. **High-Quality Personnel:** *Recruit, retain, and develop highly qualified personnel.* The main objectives include providing a competitive compensation package with other school districts of similar size and revenues, provide professional learning opportunities aligned with the strategic plan and school improvement plans, implement leadership development opportunities, and continued on-going support for new teachers and administrators through the comprehensive induction plan.
4. **Family and Community Engagement:** *Strengthen school, family, and community involvement and perceptions.* The main objectives include partnering with families to strengthen understanding of academic standards, student progress, social-emotional development and implementing practices to increase positive perception of schools among families and community members.
5. **Finance and Operations:** *Ensure fiscal stability through sound financial practices and ensure high-quality school facilities.* The main objectives include continuing to develop and sustain sound financial management practices, process efficiencies to make best use of available resources, provide safe and inviting school facilities, and maintain equipment and infrastructure to support technology integration.

The full text of the Strategic Plan, including measurable objectives and action steps for each goal, is available in a separate publication on the Portsmouth Public Schools website, <http://ppsk12.us/>. Click the "About PPS" tab, double-click "School Board" from the drop-down list, and then choose Strategic Plan from the side menu on the School Board page.



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

**City of Portsmouth, Virginia School Board**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



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**Tom Wohlleber, CSRM**  
President

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**Siobhán McMahon, CAE**  
Chief Operating Officer



Government Finance Officers Association

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

Presented to

**City of Portsmouth  
Virginia School Board**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

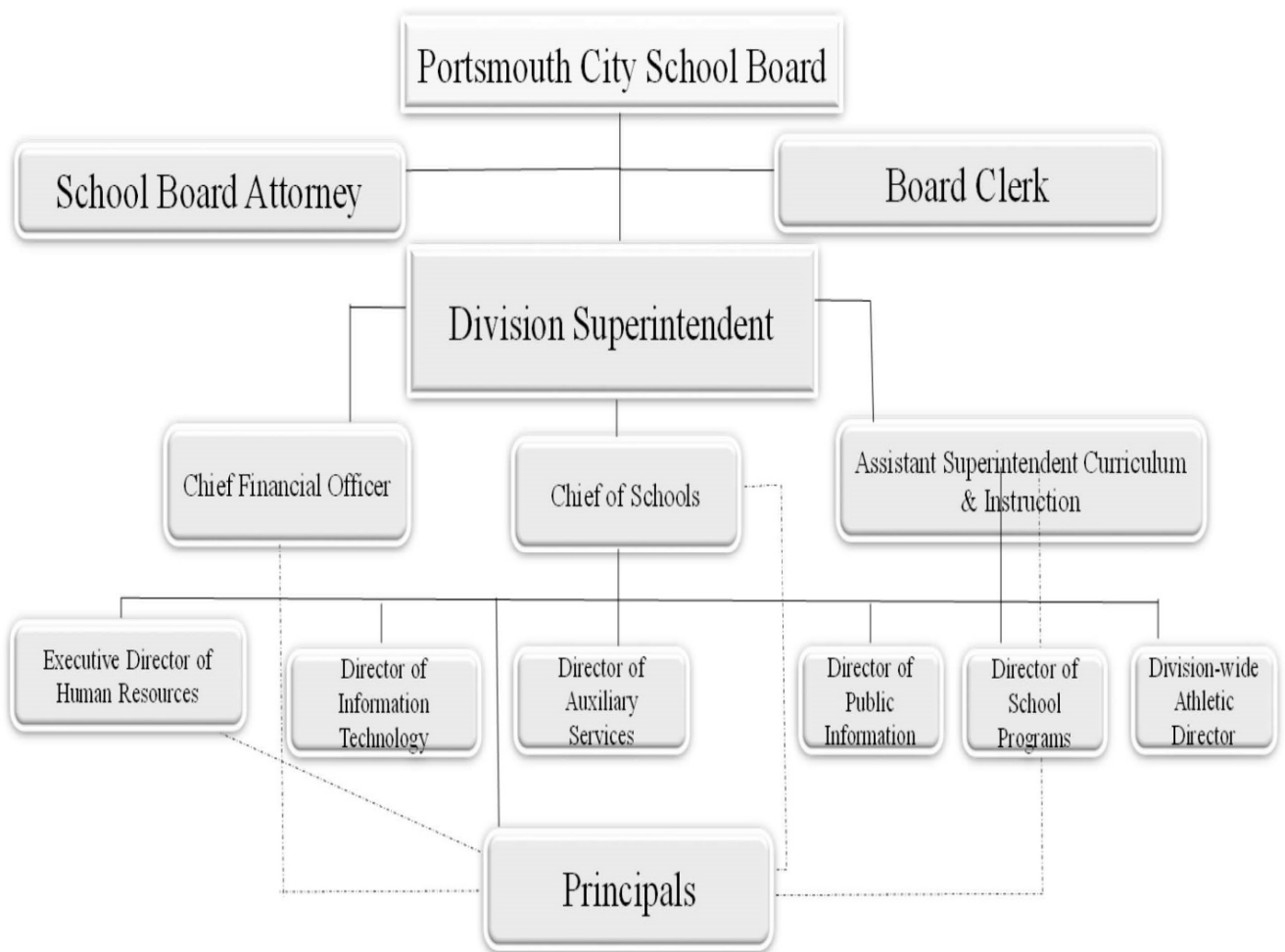
**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

# Division Organizational Chart

2018-2019



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***FINANCIAL SECTION***

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## **Report of Independent Auditor**

The Honorable Members of the School Board  
City of Portsmouth, 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 City of Portsmouth, Virginia School Board (the "School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2019, 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 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.

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 School Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof 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 10 to the financial statements, subsequent to year end, the Company has experienced a significant decline in revenue due to an outbreak of a novel strain of coronavirus. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

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

***Other Information***

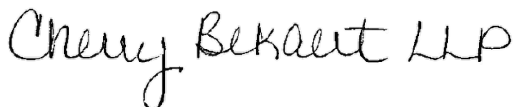
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The introductory section, other supplementary information, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 April 14, 2020, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



Virginia Beach, Virginia  
April 14, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

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This section of the City of Portsmouth, Virginia School Board's ("School Board" or "PPS") annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year (FY) ended June 30, 2019. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights for Fiscal Year Ended June 30, 2019 (FY2019)**

PPS' financial status, as reflected in total net position (deficit), decreased 1.2% to \$(97.3) million.

On the Statement of Net Position – Governmental Activities, total liabilities at June 30, 2019 totaled \$165.8 million. The bulk of the current liabilities of \$17.9 million are related to accrued payroll, while the majority of the noncurrent liabilities is related to the net pension liability and Other Postemployment Benefits ("OPEB") liability.

On the Statement of Activities, total net position increased from \$(98.5) million at June 30, 2018 to \$(97.3) million at June 30, 2019.

At the governmental fund level, all funds, except for the School Textbook Fund, experienced an increase in fund balance.

Total intergovernmental revenue was \$167.5 million. Of that, \$49.2 million was from the City of Portsmouth, Virginia ("City"), \$96.3 million was from state aid from the Commonwealth of Virginia, and \$21.0 million was from the federal government. Interest and other charges were \$3.1 million.

**Overview of the Financial Statements**

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

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

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

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

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

|  | <b>Government-Wide<br/>Statements</b>  | <b>Fund Statements</b>   |   |  |
|--|--|--|---|--|
|  |  | <b>Governmental<br/>Funds</b>  | <b>Proprietary<br/>Funds</b>  | <b>Fiduciary<br/>Funds</b>   |
| Scope                                  | Entire school system   | Activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds                                      | Activities the school system operates similar to private businesses, such as the Risk Management Fund   | Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB Trust and Student Activities Fund |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Changes in Net Position (OPEB Trust Fund only)</li> </ul>     |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus  |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, and short-term and long-term                             | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included  | All assets and liabilities, both financial and capital, and short-term and long-term  | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                              |
| Type of inflow/outflow information     | All revenues and expenses during the year, regardless of when cash is received or paid                           | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid  | All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred                                    |

## Government-Wide Statements

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

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

Over time, increases or decreases in the School Board's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School Board, you need to consider additional non-financial factors such as changes in the student population and the condition of school properties.

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

## Fund Financial Statements

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

The School Board has three types of funds:

- *Governmental Funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses two internal service funds. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies, or to other unrelated governmental units, usually on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board.
- *Fiduciary Funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to report resources that are required to be held in a trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or employee benefit plans.

## Financial Analysis of the School Board as a Whole

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

### Net Position

June 30,  
(in thousands of dollars)

|  | 2019               | 2018               |
|--|--------------------|--------------------|
| Current and other assets                                   | \$ 20,238          | \$ 25,681          |
| Capital assets   | 57,506             | 61,254             |
| Total assets   | <u>77,744</u>      | <u>86,935</u>      |
| Deferred outflows related to pensions                      | 15,250             | 15,991             |
| Deferred outflows related to other postemployment benefits | 5,089              | 5,094              |
| Total deferred outflows of resources                       | <u>20,339</u>      | <u>21,085</u>      |
| Other liabilities  | 17,949             | 17,065             |
| Long-term debt outstanding                                 | 147,850            | 161,928            |
| Total liabilities  | <u>165,799</u>     | <u>178,993</u>     |
| Deferred inflows related to pensions                       | 18,837             | 21,436             |
| Deferred inflows related to other postemployment benefits  | 10,770             | 6,059              |
| Total deferred inflows of resources                        | <u>29,607</u>      | <u>27,495</u>      |
| Net position:  |                    |                    |
| Net investment in capital assets                           | 57,361             | 61,254             |
| Restricted   | 4,757              | 5,961              |
| Unrestricted (deficit)                                     | (159,441)          | (165,683)          |
| Total net position (deficit)                               | <u>\$ (97,323)</u> | <u>\$ (98,468)</u> |

The School Board's liabilities and deferred inflows of resources exceeded assets and deferred outflow of resources by \$(97.3) million, representing an increase of \$1.1 million from the net position at June 30, 2018. Total assets decreased by 11% due to retiring of assets. The Code of Virginia prohibits school districts from issuing general obligation debt. As a result, capital assets of the School Board, for which the City has incurred general obligation debt, are reflected in the City's financial statements. All School Board capital assets, which are not secured by debt, are reported in the School Board's financial statements.

The largest drivers for the deficit is due to reporting the OPEB and net pension liability. The net pension liability for PPS as of June 30, 2019 is \$125.1 million. The net other postemployment liability/(asset) for PPS as of June 30, 2019 is \$19.7 million.

Readers desiring more information on the School Board's pension plans are referred to Note 5 in the basic financial statements. Readers desiring more information on the School Board's other postemployment benefit plans are referred to Note 8 in the basic financial statements.

## Changes in Net Position

The breakdown of program revenue is as follows: 94% comes from operating contributions, while the remaining program revenue is from charges for services and capital grants and contributions. In the prior year, operating contributions represented 91% of program revenue. Total general revenues for FY2019 were \$133.1 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 37% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

June 30,  
(in thousands of dollars)

|   | <u>2019</u>        | <u>2018</u>        |
|---|--------------------|--------------------|
| Revenues:                                       |                    |                    |
| Program revenues:                               |                    |                    |
| Charges for services                            | \$ 2,203           | \$ 2,375           |
| Operating grants and contributions              | 35,374             | 34,118             |
| Capital grants and contributions                | -                  | 1,030              |
| General revenues:                               |                    |                    |
| Interest and investment earnings                | 121                | 76                 |
| Grants and contributions not restricted         | 132,151            | 127,289            |
| Miscellaneous                                   | 789                | 1,151              |
| Total revenues                                  | <u>170,638</u>     | <u>166,039</u>     |
| <br>Program expenses:                           |                    |                    |
| Instruction                                     | 123,050            | 120,926            |
| Administration, attendance, and health services | 9,302              | 8,814              |
| Pupil transportation                            | 6,738              | 7,292              |
| Operations and maintenance                      | 15,081             | 15,646             |
| Information technology                          | 7,023              | 8,814              |
| Food services                                   | 8,299              | 8,066              |
| Total program expenses                          | <u>169,493</u>     | <u>169,558</u>     |
| <br>Change in net position                      | 1,145              | (3,519)            |
| <br>Beginning net position                      | <u>(98,468)</u>    | <u>(94,949)</u>    |
| Ending net position                             | <u>\$ (97,323)</u> | <u>\$ (98,468)</u> |

Charges for services decreased by \$.2 million from the previous year. This decrease is primarily due to the reduction of capital contributions from the city as occurred in previous years. Grants and contributions not restricted, in the general revenues section, increased by \$4.9 million over the previous fiscal year. This is primarily due to revenue increase in national school lunch program.

Total program expenses decreased by \$.07 million from the previous fiscal year.



## Financial Analysis of the School Board's Funds

### Governmental Funds

The School Board's combined fund balance for the governmental funds was \$5.1 million as of June 30, 2019. The current year compared to last year is as follows:

**Fund Balance Comparison**  
June 30,  
(in thousands of dollars)

|                             | <b>2019</b>     | <b>2018</b>     |
|-----------------------------|-----------------|-----------------|
| Fund:                       |                 |                 |
| General                     | \$ 1,027        | \$ 789          |
| Grants                      | 746             | 739             |
| Food services               | 1,403           | 1,070           |
| Textbook                    | 1,909           | 3,641           |
| Total combined fund balance | <u>\$ 5,085</u> | <u>\$ 6,239</u> |

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

#### General Fund

End of the year assigned fund balance decreased from \$.6 million to \$.1 million from the previous year while the unassigned fund balance increased from \$.0 million to \$.7 million. The decrease in the assigned fund balance is primarily due to implantation of a program offering full curriculum resources tailored to Pre-Kindergarten. The majority of change in the unassigned fund balance between FY2019 and FY2018 was due to lesser amount of projects compared to previous fiscal year.

#### Grants Fund

During FY2019, the School Board's Grants Fund (a multi-year fund) received \$17.1 million in revenues and \$1.1 million required local match from the General Fund for total funding of \$18.2 million. Total grant expenditures totaled \$18.2 million. The excess of revenues over expenditures (including local match requirements) caused fund balance to increase by approximately \$6 thousand from FY2018. Spending within the Grants Fund were fairly consistent with FY2018.

#### Food Services Fund

During FY2019, the School Board's Food Services Fund received \$8.9 million in revenues and transfers in and incurred \$8.5 million in expenditures. The excess of revenues, (excluding transfers) over expenditures caused fund balance to increase by \$.3 million from FY2018. Fund balance increase is due to greater federal funding received due to heightened participation in breakfast and lunch program.

#### Textbook Fund

During FY2019, the School Board's Textbook Fund received \$1.0 million in revenues and \$.3 million in required local match from the General Fund for total funding of \$1.3 million. Total expenditures incurred were \$3.1 million. The deficiency of revenues under expenditures caused fund balance to decrease by \$1.7 million from FY2018. This was primarily due to an increase in textbook adoptions in FY2019.

## Internal Service Funds

### Risk Management Fund

The Risk Management Fund reserves decreased from \$(.1) million in FY2018 to \$(2.9) million in FY2019. The decrease in reserves is directly related to increase of expenditures predominantly related to health self-insurance.

### General Fund Budgetary Highlights

Throughout FY2019, the School Board monitors its total budget; however, the School Board delegates authority, to the Division Superintendent, to move budget amounts, within each category, to meet the changing needs of the School Board. Budget amounts, which need to be moved between categories, must receive School Board and City Council approval prior to movement. The School Board's administration manages actual spending of revenue received.

#### General Fund Fiscal Year 2019 (in thousands of dollars)

|   | Original<br>Budget | Amended<br>Budget | Actual<br>(Budgetary<br>Basis) | Original Budget<br>Versus<br>Amended Budget<br>Variance | Amended Budget<br>Versus<br>Actual<br>Variance |
|---|--------------------|-------------------|--------------------------------|---|--|
| Revenues:                                 |                    |                   |                                |   |  |
| Intergovernmental                         | \$ 143,243         | \$ 143,798        | \$ 141,089                     | 0.4%  | -1.9%  |
| Other                                     | 2,084              | 2,084             | 2,048                          | 0.0%  | -1.7%  |
| Total                                     | 145,327            | 145,882           | 143,137                        | 0.4%  | -1.9%  |
| Expenditures and transfers:               |                    |                   |                                |   |  |
| Instruction                               | 105,817            | 106,323           | 103,898                        | 0.5%  | -2.3%  |
| Administration, attendance,<br>and health | 9,216              | 9,216             | 8,304                          | 0.0%  | -9.9%  |
| Pupil transportation                      | 6,700              | 6,726             | 6,067                          | 0.4%  | -9.8%  |
| Operations and maintenance                | 15,352             | 15,352            | 14,873                         | 0.0%  | -3.1%  |
| Information technology                    | 6,834              | 6,834             | 6,386                          | 0.0%  | -6.6%  |
| Transfers in (out)                        | (1,408)            | (1,431)           | (2,921)                        | 1.6%  | 104.1%   |
| Total                                     | 145,327            | 145,882           | 142,449                        | 0.4%  | -2.4%  |
| Change in fund balance                    | \$ -               | \$ -              | \$ 688                         | 100.0%  | 100.0%   |

Actual intergovernmental revenues, as compared to the amended budget, decreased by 1.9% or \$2.7 million. This decrease is primarily due to a decrease in state funding as a result of lower Average Daily Membership than what was anticipated. Actual other revenues, as compared to the amended budget revenues, decreased by 1.7% or \$.03 million. This is due to dual enrollment refunds not yet received during the fiscal year.

Actual expenditures and transfers, as compared to the amended budget, decreased 2.4% or \$3.4 million. The decrease in expenditures is related to fluctuation between projected and actual costs, vacant positions, changes and turnover.

## Capital Assets

As of June 30, 2019, the School Board had \$57.4 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of these assets are the school bus fleet and maintenance vehicles.

**Capital Assets**  
June 30,  
(net of depreciation, in thousands of dollars)

|                            | <b>2019</b>      | <b>2018</b>      |
|----------------------------|------------------|------------------|
| Land                       | \$ 6,086         | \$ 6,086         |
| Buildings and improvements | 43,052           | 45,784           |
| Equipment                  | 8,223            | 9,384            |
| Total                      | <u>\$ 57,361</u> | <u>\$ 61,254</u> |

Buildings and Improvements decreased due to the FY2018 depreciation on existing building assets. Equipment increased due to the net of \$3.9 million of new assets, equipment disposals, and FY2019 depreciation on new and existing equipment.

Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

## Economic Factors

The unemployment rate for the City is well above the Metropolitan Statistical Area (MSA), and the U.S. rates. In June 2019, the unemployment rate was 3.9% for Portsmouth, 2.9% for Virginia, and 3.8% for the U.S. The City was ranked as the 10<sup>th</sup> highest unemployment rate in Virginia.

The City had a per capita income of \$40,026, in 2017 (most recent information available), which was 27% less than the per capita income for the state at \$55,105, and 14% less than the per capita income for the nation at \$46,335 (U.S. Bureau of Economic Analysis). The City's median household income, in 2017, increased 3% to \$48,727. This is 29% less than the state's median household income at \$68,766, and is 15% less than the national median household income at \$57,652.

## Factors Influencing Future Budgets

- Employee healthcare costs
- Employee postemployment benefits
- Inadequate state and federal aid
- Unfunded state and federal mandates
- Competitive salaries and pay raises
- Global and national economic conditions
- Fluctuations in student enrollment

## Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, parents, guardians, and creditors with a general overview of the School Board's finances, and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portsmouth, Virginia, School Board, Superintendent's Office, 801 Crawford Street, 3rd Floor, Portsmouth, Virginia 23704.

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**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

**June 30, 2019**

| <b>ASSETS</b>                               |                               |
|---|-------------------------------|
| Current assets                              |                               |
| Cash and cash equivalents                   | \$ 15,251,213                 |
| Due from the Federal government             | 2,499,802                     |
| Due from the Commonwealth of Virginia       | 1,327,795                     |
| Due from City of Portsmouth                 | 75,221                        |
| Receivables                                 | 823,786                       |
| Inventory                                   | 260,175                       |
| Total current assets                        | <u>20,237,992</u>             |
| Noncurrent assets                           |                               |
| Net OPEB asset                              | 145,439                       |
| Capital assets not depreciated              | 6,085,707                     |
| Other capital assets - net                  | 51,274,883                    |
| Total noncurrent assets                     | <u>57,506,029</u>             |
| <b>Total assets</b>                         | <b><u>\$ 77,744,021</u></b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                               |
| Deferred outflows of resources - pension    | \$ 15,249,673                 |
| Deferred outflows of resources - OPEB       | 5,089,591                     |
| <b>Total deferred outflows of resources</b> | <b><u>\$ 20,339,264</u></b>   |
| <b>LIABILITIES</b>                          |                               |
| Current Liabilities                         |                               |
| Accounts payable                            | \$ 2,626,778                  |
| Accrued payroll                             | 7,926,106                     |
| Accrued payroll taxes                       | 596,553                       |
| Due to City of Portsmouth                   | 3,632,494                     |
| Due within one year                         | 3,167,476                     |
| Total current liabilities                   | <u>17,949,407</u>             |
| Noncurrent liabilities                      |                               |
| Due in more than one year                   | 2,881,756                     |
| Net pension liability                       | 125,076,810                   |
| Net OPEB liability                          | 19,891,000                    |
| Total noncurrent liabilities                | <u>147,849,566</u>            |
| <b>Total liabilities</b>                    | <b><u>\$ 165,798,973</u></b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                               |
| Deferred inflows of resources - pension     | \$ 18,837,068                 |
| Deferred inflows of resources - OPEB        | 10,770,264                    |
| <b>Total deferred inflows of resources</b>  | <b><u>\$ 29,607,332</u></b>   |
| <b>NET POSITION</b>                         |                               |
| Net investment in capital assets            | \$ 57,360,590                 |
| Restricted                                  |                               |
| Grants                                      | 1,359,664                     |
| School food services                        | 1,469,604                     |
| Textbook                                    | 1,908,694                     |
| Unrestricted (deficit)                      | (159,421,572)                 |
| <b>Total net position</b>                   | <b><u>\$ (97,323,020)</u></b> |

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

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

**Year Ended June 30, 2019**

| <b>Functions/Programs</b>                       | <b>Expenses</b>       | <b>Program Revenues</b>     |   |   | <b>Net Revenues (Expenses) and Changes in Net Position</b> |
|---|-----------------------|-----------------------------|---|---|--|
|   |                       | <b>Charges for Services</b> | <b>Operating Grants and Contributions</b> | <b>Capital Grants and Contributions</b> |  |
| Governmental activities                         |                       |                             |   |   |  |
| Administration, attendance, and health services | \$ 9,302,235          | \$ 725,935                  | \$ -                                      | \$ -                                    | \$ (8,576,300)   |
| Instruction                                     | 123,050,088           | 142,865                     | 28,040,217                                | -                                       | (94,867,006)   |
| Pupil transportation                            | 6,737,503             | 222,955                     | -   | -                                       | (6,514,548)  |
| Operations and maintenance                      | 15,080,625            | 74,910                      | -   | -                                       | (15,005,715)   |
| Information technology                          | 7,022,583             | -                           | -   | -                                       | (7,022,583)  |
| Food service                                    | 8,299,478             | 1,035,887                   | 7,333,808                                 | -                                       | 70,217   |
| <b>Total Primary Government</b>                 | <b>\$ 169,492,512</b> | <b>\$ 2,202,552</b>         | <b>\$ 35,374,025</b>                      | <b>\$ -</b>                             | <b>(131,915,935)</b>                                       |
| <b>General revenues</b>                         |                       |                             |   |   |  |
| From Primary Government                         |                       |                             |   |   | 49,163,551   |
| Unrestricted grants and contributions           |                       |                             |   |   | 82,987,478   |
| Investment earnings                             |                       |                             |   |   | 120,511  |
| Miscellaneous                                   |                       |                             |   |   | 789,185  |
| <b>Total general revenues</b>                   |                       |                             |   |   | <b>133,060,725</b>   |
| <b>Change in net position</b>                   |                       |                             |   |   | <b>1,144,790</b>   |
| <b>Net position - beginning of year</b>         |                       |                             |   |   | <b>(98,467,810)</b>  |
| <b>Net position - end of year</b>               |                       |                             |   |   | <b>\$ (97,323,020)</b>                                     |

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

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

**Exhibit III**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2019**

|   | General              | School<br>Grants    | School<br>Food<br>Services | School<br>Textbook  | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|----------------------------|---------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                     |                            |                     |                                |
| Cash and temporary investments                                    | \$ 10,319,641        | \$ 510,580          | \$ 1,939,019               | \$ 2,481,973        | \$ 15,251,213                  |
| Receivables   | 446,811              | 35,393              | 98,854                     | -                   | 581,058                        |
| Due from City of Portsmouth                                       | 75,221               | -                   | -                          | -                   | 75,221                         |
| Due from Federal government                                       | 34,852               | 2,117,141           | 347,809                    | -                   | 2,499,802                      |
| Due from Commonwealth of Virginia                                 | 1,300,194            | 27,601              | -                          | -                   | 1,327,795                      |
| Due from other funds  | 2,320,026            | -                   | -                          | -                   | 2,320,026                      |
| Inventory   | 229,685              | -                   | 30,490                     | -                   | 260,175                        |
| <b>Total assets</b>   | <b>\$ 14,726,430</b> | <b>\$ 2,690,715</b> | <b>\$ 2,416,172</b>        | <b>\$ 2,481,973</b> | <b>\$ 22,315,290</b>           |
| <b>LIABILITIES</b>  |                      |                     |                            |                     |                                |
| Accounts payable  | \$ 1,282,421         | \$ 42,179           | \$ 79,947                  | \$ 573,279          | \$ 1,977,826                   |
| Accrued payroll   | 7,798,080            | 86,787              | 41,239                     | -                   | 7,926,106                      |
| Accrued payroll taxes   | 596,553              | -                   | -                          | -                   | 596,553                        |
| Due to City of Portsmouth   | 3,632,494            | -                   | -                          | -                   | 3,632,494                      |
| Due to other funds  | -                    | 1,202,085           | 794,892                    | -                   | 1,996,977                      |
| <b>Total liabilities</b>  | <b>13,309,548</b>    | <b>1,331,051</b>    | <b>916,078</b>             | <b>573,279</b>      | <b>16,129,956</b>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                      |                     |                            |                     |                                |
| Unavailable revenues  | 390,379              | 613,612             | 96,455                     | -                   | 1,100,446                      |
| <b>FUND BALANCES</b>  |                      |                     |                            |                     |                                |
| Nonspendable  | 229,685              | -                   | 30,490                     | -                   | 260,175                        |
| Restricted  | -                    | 823,153             | 1,373,149                  | 1,908,694           | 4,104,996                      |
| Assigned  | 135,659              | -                   | -                          | -                   | 135,659                        |
| Unassigned  | 661,159              | (77,101)            | -                          | -                   | 584,058                        |
| <b>Total fund balances</b>  | <b>1,026,503</b>     | <b>746,052</b>      | <b>1,403,639</b>           | <b>1,908,694</b>    | <b>5,084,888</b>               |
| <b>Total liabilities, deferred inflows,<br/>and fund balances</b> | <b>\$ 14,726,430</b> | <b>\$ 2,690,715</b> | <b>\$ 2,416,172</b>        | <b>\$ 2,481,973</b> | <b>\$ 22,315,290</b>           |

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

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2019**

|  |                     |                        |
|--|---------------------|------------------------|
| <b>Total fund balances - governmental funds</b>  |                     | <b>\$ 5,084,888</b>    |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |                     |                        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  |                     |                        |
| Net capital assets of governmental activities  |                     | 57,360,590             |
| Some of the School Board's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.                    |                     |                        |
|  |                     | 1,100,446              |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.   |                     |                        |
| Long-term liabilities  |                     |                        |
| Governmental funds   | \$ (6,049,232)      |                        |
| Internal service fund - current portion  | 1,881,304           |                        |
| Internal service fund - long-term portion  | <u>286,572</u>      |                        |
|  |                     | (3,881,356)            |
| Pension Related  |                     |                        |
| Net pension liability  | (125,076,810)       |                        |
| Deferred outflows of resources   | 15,249,673          |                        |
| Deferred inflows of resources  | <u>(18,837,068)</u> |                        |
|  |                     | (128,664,205)          |
| OPEB Related   |                     |                        |
| Net OPEB asset   | 145,439             |                        |
| Net OPEB liability   | (19,891,000)        |                        |
| Deferred outflows of resources   | 5,089,591           |                        |
| Deferred inflows of resources  | <u>(10,770,264)</u> |                        |
|  |                     | (25,426,234)           |
| Internal service fund is used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service fund's Statement of Net Position. |                     |                        |
|  |                     | <u>(2,897,149)</u>     |
| <b>Total net position - governmental activities</b>  |                     | <b>\$ (97,323,020)</b> |

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



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

**Exhibit IV**

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

**Year Ended June 30, 2019**

|  | <b>General</b>      | <b>School<br/>Grants</b> | <b>School<br/>Food<br/>Services</b> | <b>School<br/>Textbook</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|--------------------------|-------------------------------------|----------------------------|---|
| <b>Revenues</b>  |                     |                          |                                     |                            |   |
| Intergovernmental  |                     |                          |                                     |                            |   |
| From City of Portsmouth  | \$ 49,163,551       | \$ -                     | \$ -                                | \$ -                       | \$ 49,163,551                           |
| From Commonwealth of Virginia  | 90,968,819          | 4,221,885                | 102,432                             | 1,005,977                  | 96,299,113                              |
| From Federal government  | 956,325             | 12,702,965               | 7,333,808                           | -                          | 20,993,098                              |
| Donated commodities  | -                   | -                        | 512,084                             | -                          | 512,084                                 |
| Total intergovernmental  | 141,088,695         | 16,924,850               | 7,948,324                           | 1,005,977                  | 166,967,846                             |
| Charges for services   | -                   | -                        | 548,521                             | -                          | 548,521                                 |
| Interest   | 97,117              | -                        | 23,394                              | -                          | 120,511                                 |
| Miscellaneous  | 1,950,524           | 170,454                  | 316,912                             | 5,326                      | 2,443,216                               |
| <b>Total revenues</b>  | <b>143,136,336</b>  | <b>17,095,304</b>        | <b>8,837,151</b>                    | <b>1,011,303</b>           | <b>170,080,094</b>                      |
| <b>Expenditures</b>  |                     |                          |                                     |                            |   |
| Current  |                     |                          |                                     |                            |   |
| Education  |                     |                          |                                     |                            |   |
| Instruction  | 104,403,906         | 16,664,389               | -                                   | 3,072,395                  | 124,140,690                             |
| Administration, attendance,<br>and health services                   | 9,187,918           | 425,399                  | -                                   | -                          | 9,613,317                               |
| Pupil transportation   | 6,172,635           | 263,611                  | -                                   | -                          | 6,436,246                               |
| Operation and maintenance  | 15,261,346          | 101,563                  | -                                   | -                          | 15,362,909                              |
| Information technology   | 6,414,561           | 725,426                  | -                                   | -                          | 7,139,987                               |
| Food services  | -                   | -                        | 8,541,348                           | -                          | 8,541,348                               |
| <b>Total expenditures</b>  | <b>141,440,366</b>  | <b>18,180,388</b>        | <b>8,541,348</b>                    | <b>3,072,395</b>           | <b>171,234,497</b>                      |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>1,695,970</b>    | <b>(1,085,084)</b>       | <b>295,803</b>                      | <b>(2,061,092)</b>         | <b>(1,154,403)</b>                      |
| <b>Other financing sources (uses)</b>                                |                     |                          |                                     |                            |   |
| Transfers in   | -                   | 1,091,912                | 38,291                              | 328,564                    | 1,458,767                               |
| Transfers out  | (1,458,767)         | -                        | -                                   | -                          | (1,458,767)                             |
| <b>Total other financing<br/>        sources (uses), net</b>         | <b>(1,458,767)</b>  | <b>1,091,912</b>         | <b>38,291</b>                       | <b>328,564</b>             | <b>-</b>                                |
| <b>Net change in fund balances</b>                                   | <b>237,203</b>      | <b>6,828</b>             | <b>334,094</b>                      | <b>(1,732,528)</b>         | <b>(1,154,403)</b>                      |
| <b>Fund balances -<br/>beginning of year</b>                         | <b>789,300</b>      | <b>739,224</b>           | <b>1,069,545</b>                    | <b>3,641,222</b>           | <b>6,239,291</b>                        |
| <b>Fund balances -<br/>end of year</b>                               | <b>\$ 1,026,503</b> | <b>\$ 746,052</b>        | <b>\$ 1,403,639</b>                 | <b>\$ 1,908,694</b>        | <b>\$ 5,084,888</b>                     |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

**Net change in fund balances - total governmental funds** **\$ (1,154,403)**

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

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

|   |                    |             |
|---|--------------------|-------------|
| Capital acquisitions  | \$ 292,750         |             |
| Capital disposals   | (846)              |             |
| Depreciation of general government assets,<br>net of amount reported in the internal service fund | <u>(4,185,079)</u> | (3,893,175) |

|  |         |
|--|---------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 557,208 |
|--|---------|

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

|  |                  |           |
|--|------------------|-----------|
| Change in compensated absences                 | (58,781)         |           |
| Change in deferred outflows related to pension | (740,835)        |           |
| Change in deferred inflows related to pensions | 2,599,172        |           |
| Change in net pension liability                | 6,699,763        |           |
| Change in deferred outflows related to OPEB    | (5,067)          |           |
| Change in deferred inflows related to OPEB     | (4,710,919)      |           |
| Change in net OPEB liability                   | <u>4,567,749</u> | 8,351,082 |

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

|  |                            |
|--|----------------------------|
| <b>Change in net position of governmental activities</b> | <b><u>\$ 1,144,790</u></b> |
|--|----------------------------|

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

**STATEMENT OF NET POSITION -  
 PROPRIETARY FUND**

**June 30, 2019**

|  | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Funds</b> |
|--|---|
| <b>ASSETS</b>                            |   |
| <b>Current assets</b>                    |   |
| Accounts receivable                      | \$ 242,728  |
| <b>Total current assets</b>              | <u>242,728</u>  |
| <b>Total assets</b>                      | <u>\$ 242,728</u>   |
| <b>LIABILITIES AND NET POSITION</b>      |   |
| <b>Current liabilities</b>               |   |
| Claims payable - current portion         | \$ 1,881,304  |
| Accounts payable and accrued expenses    | 648,952   |
| Due to other funds                       | <u>323,049</u>  |
| <b>Total current liabilities</b>         | <u>2,853,305</u>  |
| <b>Noncurrent liabilities</b>            |   |
| Claims payable - net of current portion  | <u>286,572</u>  |
| <b>Total noncurrent liabilities</b>      | <u>286,572</u>  |
| <b>Total liabilities</b>                 | <u>3,139,877</u>  |
| <b>Net deficit</b>                       |   |
| Unrestricted                             | <u>(2,897,149)</u>  |
| <b>Total net deficit</b>                 | <u>(2,897,149)</u>  |
| <b>Total liabilities and net deficit</b> | <u>\$ 242,728</u>   |

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

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

**Year Ended June 30, 2019**

|   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|--|
| <b>Operating revenues</b>               |  |
| Insurance recoveries                    | \$ 1,109,963   |
| Charges for services                    | 17,658,630   |
| <b>Total operating revenues</b>         | <u>18,768,593</u>  |
| <b>Operating expenses</b>               |  |
| Insurance claims and expenses           | 21,484,515   |
| <b>Total operating expenses</b>         | <u>21,484,515</u>  |
| <b>Net operating loss</b>               | (2,715,922)  |
| <b>Change in net position</b>           | (2,715,922)  |
| <b>Net position - beginning of year</b> | <u>(181,227)</u>   |
| <b>Net deficit - end of year</b>        | <u>\$ (2,897,149)</u>  |

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

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND**

**Year Ended June 30, 2019**

|  | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|--|--|
| <b>Cash flows from operating activities</b>                                      |  |
| Received from customers and users  | \$ 17,478,760  |
| Insurance recovery   | 1,109,963  |
| Payments to suppliers for goods and services                                     | (20,945,395)   |
| <b>Net cash used in operating activities</b>                                     | <b>(2,356,672)</b>   |
| <b>Cash flows from noncapital financing activities</b>                           |  |
| Payments to City of Portsmouth   | (5,189,613)  |
| <b>Net cash used in noncapital financing activities</b>                          | <b>(5,189,613)</b>   |
| <b>Net decrease in cash and temporary investments</b>                            | <b>(7,546,285)</b>   |
| <b>Cash and temporary investments - beginning of year</b>                        | <b>7,546,285</b>   |
| <b>Cash and temporary investments - end of year</b>                              | <b>\$ -</b>  |
| <b>Reconciliation of operating loss to net cash used in operating activities</b> |  |
| Operating loss   | \$ (2,715,922)   |
| Adjustments to reconcile operating loss to net cash used in operating activities |  |
| Change in assets and liabilities   |  |
| Accounts receivable  | (179,870)  |
| Accounts payable and accrued expenses  | 64,073   |
| Due to other funds   | 323,049  |
| Claims payable   | 151,998  |
| Total adjustments  | 359,250  |
| <b>Net cash used in operating activities</b>                                     | <b>\$ (2,356,672)</b>  |

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

**STATEMENT OF NET POSITION -  
FIDUCIARY FUNDS**

**June 30, 2019**

|  | <b>School OPEB<br/>Trust Fund</b> | <b>Agency<br/>Fund</b>   |
|--|-----------------------------------|--------------------------|
| <b>ASSETS</b>  |                                   |                          |
| Cash and temporary investments                             | \$ 25                             | \$ 779,694               |
| Investments:   |                                   |                          |
| Investments at fair value - investments in pooled funds    | <u>13,274,327</u>                 | <u>-</u>                 |
| <b>Total assets</b>  | <b><u>\$ 13,274,352</u></b>       | <b><u>\$ 779,694</u></b> |
| <b>LIABILITIES AND NET POSITION</b>                        |                                   |                          |
| Liabilities  |                                   |                          |
| Due to students  | \$ -                              | \$ 779,694               |
| Net position   |                                   |                          |
| Restricted for postemployment benefits other than pensions | <u>13,274,352</u>                 | <u>-</u>                 |
| <b>Total liabilities and net position</b>                  | <b><u>\$ 13,274,352</u></b>       | <b><u>\$ 779,694</u></b> |

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

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

**Year Ended June 30, 2019**

|   | <b>School OPEB<br/>Trust Fund</b> |
|---|-----------------------------------|
| Additions                                       |                                   |
| Investment income:                              |                                   |
| Investment earnings                             | \$ 124,297                        |
| Net realized and unrealized gain on investments | 803,796                           |
| Net investment income                           | 928,093                           |
| Total additions                                 | 928,093                           |
| Deductions                                      |                                   |
| Benefit and withdrawal payments:                |                                   |
| Benefits - health insurance                     | 194,979                           |
| Administrative expenses                         | 125                               |
| Total benefits                                  | 195,104                           |
| Total deductions                                | 195,104                           |
| Change in net position                          | 732,989                           |
| Net position - beginning of year                | 12,541,363                        |
| Net position - end of year                      | \$ 13,274,352                     |

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***The Financial Reporting Entity***

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

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

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

***Basis of Financial Statement Presentation and Fund Accounting***

The accounting policies of the School Board are in conformity with GAAP as applicable to governmental units. GASB is the organization that establishes financial and accounting standards for local and state governments nationwide. The School Board's basic financial statements consist of government-wide statements, including a Statement of Net Position and the Statement of Activities; fund financial statements, which provide more detailed level of financial information; and notes to the financial statements, which provide a comprehensive narrative 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 reflected on a full accrual basis of accounting and economic resources measurement focus, (which incorporates long-term assets as well as long-term liabilities.)

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



## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

Additionally, the School Board reports the following fund types:

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

**Fiduciary Funds** - Fiduciary Funds are used to account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the School Board are the Student Activities Fund and the School other postemployment benefits ("OPEB") Trust Fund. The Agency Fund accounts for the student activity monies maintained on behalf of the students in connection with athletics, club accounts, fundraising, and private donations by the school principals at each school. The School Board OPEB fund has a trust fund that holds the assets contributed for the costs of the School Board's OPEB provided to retirees for health care. Fiduciary Funds are not included in the government-wide financial statements.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets plus deferred outflows of resources and all liabilities plus deferred inflows of resources associated with the operation of these activities are included on the Statement of Net Position. Non-current assets (i.e., land, buildings, improvements, and other capital assets) and long-term liabilities (i.e., actuarial claims payable, compensated absences, pension and OPEB liabilities) are included in this statement. Revenues are documented when earned and expenses are recorded when a liability is incurred irrespective of the timing of the associated cash flows.

The government-wide Statement of Activities is presented on the accrual basis of accounting. Program revenues consists of charges for services, operating grants and contributions, and capital grants and contributions. General revenues are comprised of unrestricted purpose grants and contributions from the City, the State, and the Federal government. Expenses directly attributable to program (i.e., Instruction, Food Service, Pupil Transportation) are defined on this statement. The effect of interfund revenue has been eliminated from these statements.

The Governmental Funds' statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, including grants, charges for services, and interest income, are recorded as soon as they are both measurable and available. Revenues are recorded when they are collectible within the current period or within forty-five days of year-end to be used to pay current liabilities. Expenditures, other than compensated absences, pension, OPEB, and interest and principal on long-term debt, which is recorded when due, are recorded when the fund liability is incurred, if measurable. Depreciation is an allocated cost expense and is not recorded in the governmental funds. Due to the difference in measurement focus in comparison to government-wide statements, reconciliations are presented to detail the dissimilarities.

Proprietary funds are reported utilizing economic resources measurement focus. All assets and liabilities related with the operation of these funds are included on the Statement of Net Position. Proprietary fund, net position is separated into unrestricted and invested in capital assets. Proprietary funds' operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The operating revenues are charges for services provided to other departments on a cost reimbursement basis and the costs to provide these services are reported as operating expenses. For services which range over more than one fiscal period, such as insurance, the change in actuarially determined insurance liability from one year to the next is reported as an operating expense. Non-operating expenses in the proprietary funds are generated from the transfer due to Primary Government. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The statement of cash flows presents the cash inflows and outflows of the proprietary activities.

Fiduciary funds use the economic resources measurement focus and are reported using the accrual basis of accounting. However, agency funds included in fiduciary funds do not involve the measurement of results of operations as they are custodial in nature, reported as assets and related liabilities.

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Inventory***

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

The School Food Service Fund’s inventory includes United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program. This program provides free agricultural products for utilization of school lunch preparation. The contributions are recorded in the financial statements as revenue upon receipt at delivery and expenditures at the time product consumption based on estimated market value provided by USDA.

***Capital Assets***

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) at the completion of each project and updated for additions and retirements during the year. Donated assets are recorded at acquisition 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 has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of \$76,646,118, is carried on the City’s financial statements until the outstanding debt is repaid.

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

***Deferred Outflows/Inflows of Resources***

The School Board recognizes deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Deferred outflows of resources for amounts related to pensions and OPEB are reported in the government-wide Statement of Net Position related to changes in actuarial assumptions, pension/OPEB trust investment returns that exceed projected earnings, change in the proportionate share of total VRS Teachers’ Pool liability, VML-VACo and VRS OPEB programs, actual economic experience that is different than estimated, and pension/OPEB contributions made subsequent to the measurement date. Changes in deferred outflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which is deferred and amortized over a closed five-year period.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide Statement of Net Position. The Statement of Net Position reports deferred outflows and inflows of resources related to pensions and OPEB (See Exhibit I and Note 5, 8).

### ***Pensions***

The Virginia Retirement System (the "VRS") Teacher Retirement Plan is an independent agency of the Commonwealth of Virginia. The VRS Teacher Retirement Plan is a multiple employer cost-sharing plan, and the Nonprofessional Retirement Plan is a multi-employer agent plan. The Board of Trustees (the "Board") is responsible for the general administration and operation of the defined benefit pension plans and other employee benefit plans. The Boards has full power to invest and reinvest the trust funds of the VRS through the adoption of investment policies and guidelines that fulfill the Board's investment objective to maximize long-term investment returns while targeting an acceptable level of risk. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the VRS Teacher (Professional) Retirement Plan and the School Board Nonprofessional Retirement Plan, and the additions to/deductions from the VRS Teacher (Professional) Retirement Plan's and School Board Nonprofessional Retirement Plan's net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Other Postemployment Benefits (OPEB)***

The VRS is an independent agency of the Commonwealth of Virginia. The VRS Group Life Insurance plan, Health Insurance Credit Plan, and Virginia Local Disability Plan are multiple employer cost-sharing plans. The Board of Trustees (the "Board") is responsible for the general administration and operation of the defined benefit pension plans and other employee benefit plans. The Board has full power to invest and reinvest the trust funds of the VRS through the adoption of investment policies and guidelines that fulfill the Board's investment objective to maximize long-term investment returns while targeting an acceptable level of risk. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the plans, and the additions to/deductions from the plans' net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The School Board administers a single-employer defined benefit healthcare plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the Employer's fiduciary net position is determined under GAAP. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### ***Compensated Absences***

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

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### ***Fund Balances/Net Position***

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

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

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

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

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

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

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

For purposes of the Statement of Cash Flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments and are considered cash equivalents.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

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

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

## **NOTE 2. DEPOSITS AND INVESTMENTS**

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

### ***Deposits***

At year-end, the carrying value of the School Board's deposits with banks and savings institutions was \$16,030,932 and the bank balance was \$18,585,563. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured.

### **Summary of Deposits and Investments**

|   |                      |
|---|----------------------|
| Cash and cash equivalents                     | \$ 15,251,213        |
| Fiduciary fund cash and temporary investments | <u>779,719</u>       |
| Total   | <u>\$ 16,030,932</u> |

The School Board has exposure to a number of risks as described below:

### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the School Board will not be able to recover its deposits or collateral securities that are in the possession of an outside party. All deposits of the School Board are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-400 et seq. of the Code of Virginia. The School Board does not have any policies related to this risk.

### ***Custodial Credit Risk – Investments***

Investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School Board does not have any policies related to this risk.

## **NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

### ***Concentrations of Credit Risk***

Concentration of credit risk represents the risk of investments in any one issue that represents 5% or more of investments. The School Board does not have any policies related to this risk. All City and School Board Funds participate in a centralized cash and investment pool. Interest earnings on investments are allocated to the appropriate funds based upon the average monthly cash balance of each fund. As of June 30, 2019, no interest income from investments associated with one fund was assigned to another fund.

### ***Interest Rate Risk***

Interest rate risk is the risk of losses resulting from decreases in fair value due to increasing interest rates. See the School Board's policy for investing below.

### ***Foreign Currency Risk***

The School Board's OPEB Trust invests in U.S. dollars denominated through mutual funds that may invest in international stocks, bonds, and other assets. Although the assets of the funds are all held in U.S. dollars, the market value of the assets may fluctuate in part due to changes in foreign currency exchange rates. See the summary of the OPEB investments at the end of the investment policy section below.

### ***Investments***

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

### ***Investment Policy***

The primary goal of the investment policy is to maximize return on an investment while minimizing risk to the investment. The City's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk. The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and GASB. The policy specifically states that the City shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the Code of Virginia. The City Treasury is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the City to concentrate its investment efforts to banks located in the Commonwealth of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The City's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, or by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed 5% of the total portfolio.

## NOTE 2. DEPOSITS AND INVESTMENTS (Concluded)

### *Fair Value of Investments*

The School Board's OPEB trust fund participates in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The Board of Trustees of the Virginia Pooled OPEB Trust establishes investment objectives - risk tolerance and asset allocation policies in light of market and economic conditions. As of June 30, 2019, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Virginia Pooled OPEB Trust (Trust) will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the OPEB Fund is uninsured and uncollateralized.

The VML/VACo Pooled OPEB Trust categorizes their investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the Net Asset Value ("NAV") per share (or its equivalent) of the investment. Investments in the VML/VACo Pooled OPEB Trust are valued using the 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 Trust. Generally, VML/VACo Pooled OPEB Trust participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

At June 30, 2019, the School Board's share in this pool was \$13,274,352, as reported on Exhibit VIII.

## NOTE 3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2019 follows:

|   | <b>Balance<br/>June 30, 2018</b> | <b>Increases</b>      | <b>Decreases</b> | <b>Balance<br/>June 30, 2019</b> |
|---|----------------------------------|-----------------------|------------------|----------------------------------|
| <b>Governmental activities:</b>                                     |                                  |                       |                  |                                  |
| Capital assets not being depreciated                                |                                  |                       |                  |                                  |
| Land  | \$ 6,085,707                     | \$ -                  | \$ -             | \$ 6,085,707                     |
| <b>Total capital assets -<br/>not being depreciated</b>             | <b>6,085,707</b>                 | <b>-</b>              | <b>-</b>         | <b>6,085,707</b>                 |
| Capital assets being depreciated/amortized                          |                                  |                       |                  |                                  |
| Buildings and improvements  | 93,535,748                       | -                     | -                | 93,535,748                       |
| Equipment   | 29,572,979                       | 292,750               | 657,850          | 29,207,879                       |
| Intangible assets   | 422,270                          | -                     | -                | 422,270                          |
| <b>Total capital assets -<br/>being depreciated/amortized</b>       | <b>123,530,997</b>               | <b>292,750</b>        | <b>657,850</b>   | <b>123,165,897</b>               |
| Less accumulated depreciation/amortization                          |                                  |                       |                  |                                  |
| Buildings   | 47,751,857                       | 2,732,196             | -                | 50,484,053                       |
| Equipment   | 20,188,812                       | 1,452,883             | 657,004          | 20,984,691                       |
| Intangible assets   | 422,270                          | -                     | -                | 422,270                          |
| <b>Total accumulated<br/>depreciation/amortization</b>              | <b>68,362,939</b>                | <b>4,185,079</b>      | <b>657,004</b>   | <b>71,891,014</b>                |
| <b>Other capital assets - being<br/>depreciated/amortized - net</b> | <b>55,168,058</b>                | <b>(3,892,329)</b>    | <b>846</b>       | <b>51,274,883</b>                |
| <b>Governmental activities capital<br/>assets - net</b>             | <b>\$ 61,253,765</b>             | <b>\$ (3,892,329)</b> | <b>\$ 846</b>    | <b>\$ 57,360,590</b>             |



### NOTE 3. CAPITAL ASSETS – NET (Concluded)

Depreciation and amortization expense was charged to functions as follows:

#### Governmental activities

|  |                     |
|--|---------------------|
| Instruction  | \$ 3,189,898        |
| Administration, attendance and health services     | 5,283               |
| Pupil transportation                               | 513,068             |
| Operations and maintenance                         | 243,114             |
| Information technology                             | 117,566             |
| Food services                                      | 116,150             |
| Total governmental activities depreciation expense | <u>\$ 4,185,079</u> |

### NOTE 4. LONG-TERM LIABILITIES

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

|  | Amounts<br>Payable at<br>Beginning<br>of Year | Increase in<br>Liabilities | Decrease in<br>Liabilities | Amounts<br>Payable at<br>End<br>of Year | Amounts<br>Due<br>Within<br>One Year |
|--|---|----------------------------|----------------------------|---|--------------------------------------|
| Accrued vacation pay                     | \$ 2,319,967                                  | \$ 1,610,571               | \$ (1,438,602)             | \$ 2,491,936                            | \$ 897,105                           |
| Accrued sick leave                       | 1,502,608                                     | 452,662                    | (565,850)                  | 1,389,420                               | 389,067                              |
| Workmens' compensation<br>claims payable | 646,300                                       | 3,622,478                  | (3,573,902)                | 694,876                                 | 408,304                              |
| Medical claims payable                   | 1,369,578                                     | 17,874,343                 | (17,770,921)               | 1,473,000                               | 1,473,000                            |
| Net pension liability                    | 131,776,573                                   | -                          | (6,699,763)                | 125,076,810                             | -                                    |
| Net OPEB liability*                      | 19,874,000                                    | 17,000                     | -                          | 19,891,000                              | -                                    |
| Total                                    | <u>\$157,489,026</u>                          | <u>\$ 23,577,054</u>       | <u>\$ (30,049,038)</u>     | <u>\$151,017,042</u>                    | <u>\$ 3,167,476</u>                  |

\* Beginning balance restated to remove School Board's OPEB plan, which is a net OPEB asset in the current year.

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the Statement of Net Position. Compensated absences, medical claims, and net pension liabilities and net OPEB liabilities are generally liquidated by the fund for which the employee works. In prior years, General, Grants, and Food Services funds were used to liquidate net pension liability and postemployment liabilities. Workmens' compensation claims are generally liquidated by the Risk Management Fund.

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

### NOTE 5. DEFINED BENEFIT PENSION PLANS

#### Plan Description

All full-time, salaried permanent (professional) employees of public School Boards are automatically covered by the VRS Teacher Retirement Plan upon employment and additional employees of participating employers are automatically covered by VRS (nonprofessional) Retirement Plan upon employment. Both plans are administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

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

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE   |   |  |
|--|---|--|
| PLAN 1   | PLAN 2  | HYBRID RETIREMENT PLAN   |
| <p><b>About Plan 1</b><br/>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p> | <p><b>About Plan 2</b><br/>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>              | <p><b>About the Hybrid Retirement Plan</b><br/>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul> |
| <p><b>Eligible Members</b><br/>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p>            | <p><b>Eligible Members</b><br/>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.</p> | <p><b>Eligible Members</b><br/>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• School Board employees</li> <li>• 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.</li> </ul>   |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| <b>RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</b>   |   |   |
|---|---|---|
| <b>PLAN 1</b>   | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>Hybrid Opt-In Election</b><br/>VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>                | <p><b>Hybrid Opt-In Election</b><br/>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> |   |
| <p><b>Retirement Contributions</b><br/>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p><b>Retirement Contributions</b><br/>Same as Plan 1.</p>  | <p><b>Retirement Contributions</b><br/>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| <b>RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</b>  |   |   |
|--|---|---|
| <b>PLAN 1</b>  | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>Creditable Service</b><br/> 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.</p> | <p><b>Creditable Service</b><br/> Same as Plan 1.</p> | <p><b>Creditable Service</b><br/> <b><u>Defined Benefit Component:</u></b><br/> 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.</p> <p><b><u>Defined Contributions Component:</u></b><br/> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE  |  |   |
|---|--|---|
| PLAN 1  | PLAN 2                                     | HYBRID RETIREMENT PLAN  |
| <p><b>Vesting</b><br/> 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 5 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.</p> <p>Members are always 100% vested in the contributions they make.</p> | <p><b>Vesting</b><br/> Same as Plan 1.</p> | <p><b>Vesting</b><br/> <u><b>Defined Benefit Component:</b></u><br/> 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 5 years (60 months) of creditable service. Plan 1 or Plan 2 members with at least 5 years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component:</b></u><br/> 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.</p> <p>Members are always 100% vested in the contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p> |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE  |   |   |
|---|---|---|
| PLAN 1  | PLAN 2  | HYBRID RETIREMENT PLAN  |
| <p><b>Calculating the Benefit</b><br/>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.</p> <p>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.</p> | <p><b>Calculating the Benefit</b><br/>See definition under Plan 1.</p>  | <p><b>Calculating the Benefit</b><br/><u><b>Defined Benefit Component:</b></u><br/>See definition under Plan 1.</p> <p><u><b>Defined Contributions Component:</b></u><br/>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.</p>  |
| <p><b>Average Final Compensation</b><br/>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>   | <p><b>Average Final Compensation</b><br/>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>   | <p><b>Average Final Compensation</b><br/>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>  |
| <p><b>Service Retirement Multiplier</b><br/>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>  | <p><b>Service Retirement Multiplier</b><br/>Same as Plan 1 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.</p> | <p><b>Service Retirement Multiplier</b><br/><u><b>Defined Benefit Component:</b></u><br/>The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u><b>Defined Contributions Component:</b></u><br/>Not applicable.</p> |
| <p><b>Normal Retirement Age</b><br/>Age 65.</p>   | <p><b>Normal Retirement Age</b><br/>Normal Social Security retirement age.</p>  | <p><b>Normal Retirement Age</b><br/><u><b>Defined Benefit Component:</b></u><br/>Same as Plan 2.</p> <p><u><b>Defined Contributions Component:</b></u><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>  |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| <b>RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</b>  |   |  |
|--|---|--|
| <b>PLAN 1</b>  | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>  |
| <p><b>Earliest Unreduced Retirement Eligibility</b><br/>Age 65 with at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>        | <p><b>Earliest Unreduced Retirement Eligibility</b><br/>Normal Social Security retirement age with at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> | <p><b>Earliest Unreduced Retirement Eligibility</b><br/><b><u>Defined Benefit Component:</u></b><br/>Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p><b><u>Defined Contributions Component:</u></b><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p><b>Earliest Reduced Retirement Eligibility</b><br/><b>VRS:</b> Age 55 with at least 5 years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> | <p><b>Earliest Reduced Retirement Eligibility</b><br/><b>VRS:</b> Age 60 with at least 5 years (60 months) of creditable service.</p>   | <p><b>Earliest Reduced Retirement Eligibility</b><br/><b><u>Defined Benefit Component:</u></b><br/><b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least 5 years (60 months) of creditable service.</p> <p><b><u>Defined Contributions Component:</u></b><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>           |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE   |   |   |
|--|---|---|
| PLAN 1   | PLAN 2  | HYBRID RETIREMENT PLAN  |
| <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/> 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%.</p> <p><b>Eligibility:</b><br/> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/> The 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%.</p> <p><b>Eligibility:</b><br/> Same as Plan 1.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/> <u><b>Defined Benefit Component:</b></u><br/> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u><br/> Not applicable.</p> <p><b>Eligibility:</b><br/> Same as Plan 1.</p> |



**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

|   |   |  |
|---|---|--|
| <p><b><u>Exceptions to COLA Effective Dates:</u></b><br/> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within 5 years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• 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.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul> | <p><b><u>Exceptions to COLA Effective Dates:</u></b><br/> Same as Plan 1.</p>   | <p><b><u>Exceptions to COLA Effective Dates:</u></b><br/> Same as Plan 1.</p>  |
| <p><b><u>Disability Coverage</u></b><br/> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.</p>  | <p><b><u>Disability Coverage</u></b><br/> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> | <p><b><u>Disability Coverage</u></b><br/> Employees of political subdivisions and School Boards (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.</p> <p>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.</p> |

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE   |   |   |
|--|---|---|
| PLAN 1   | PLAN 2  | HYBRID RETIREMENT PLAN  |
| <b>Purchase of Prior Service</b><br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay. | <b>Purchase of Prior Service</b><br>Same as Plan 1. | <b>Purchase of Prior Service</b><br><u><b>Defined Benefit Component:</b></u><br>Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul><br><u><b>Defined Contributions Component:</b></u><br>Not applicable. |

***VRS Teacher (Professional) Retirement Plan 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 provided to School Boards by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Board's contractually required contribution rate, for the year ended June 30, 2019, was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate, from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, 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 to the pension plan from the School Board were \$12,992,275 and \$13,219,573 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the School Board reported a liability of \$117,977,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 1.00321% as compared to 1.00400% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized pension expense of \$4,906,000. Since there was a change in proportionate share between the measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

**NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)**

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ -  | \$ 10,087,000                                |
| Net difference between projected and actual earnings<br>on pension plan investments                              | -   | 2,502,000                                    |
| Changes of assumptions   | 1,408,000                                     | -  |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | -   | 5,327,000                                    |
| Employer contributions subsequent to the measurement date  | 12,992,275                                    | -  |
|  | <u>\$ 14,400,275</u>                          | <u>\$ 17,916,000</u>                         |

\$12,992,275 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

|       |                        |
|-------|------------------------|
| 2020  | \$ (3,572,000)         |
| 2021  | (4,128,000)            |
| 2022  | (6,273,000)            |
| 2023  | (2,094,000)            |
| 2024  | (441,000)              |
| Total | <u>\$ (16,508,000)</u> |

***VRS Nonprofessional Retirement Plan Employees Covered by Benefit Terms***

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

|  | <b>Number</b> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>353</u>    |
| Inactive members:  |               |
| Vested inactive members  | 33            |
| Non-vested inactive members  | 104           |
| Inactive members active elsewhere in VRS                             | <u>78</u>     |
| Total inactive members   | <u>215</u>    |
| Active members   | <u>366</u>    |
| Total covered employees  | <u>934</u>    |

## NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The School Board's contractually required contribution rate for the year ended June 30, 2019 was 10.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarial rate for the School Board's plan was 11.98%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$819,943 and \$899,130 for the years ended June 30, 2019 and June 30, 2018, respectively.

### **Net Pension Liability**

The School Board's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

### **Changes in Net Position Liability**

|   | <b>Total<br/>Pension<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>Pension<br/>Liability<br/>(a) - (b)</b> |
|---|--|--|--|
| Balance at June 30, 2017                                      | <u>\$ 39,447,925</u>                           | <u>\$ 31,143,352</u>                               | <u>\$ 8,304,573</u>                                |
| Changes for the fiscal year:                                  |  |  |  |
| Service cost  | 694,189  | -  | 694,189  |
| Interest  | 2,671,683                                      | -  | 2,671,683  |
| Difference between expected and actual experience             | (1,077,881)                                    | -  | (1,077,881)  |
| Contributions - employer                                      | -  | 879,860  | (879,860)  |
| Contributions - employee                                      | -  | 365,276  | (365,276)  |
| Net investment income   | -  | 2,269,942  | (2,269,942)  |
| Benefit payments, including refunds of employee contributions | (2,562,064)                                    | (2,562,064)  | -  |
| Administrative expenses                                       | -  | (20,333)   | 20,333   |
| Other changes   | -  | (1,991)  | 1,991  |
| Net changes   | <u>(274,073)</u>                               | <u>930,690</u>                                     | <u>(1,204,763)</u>                                 |
| Balance at June 30, 2018                                      | <u>\$ 39,173,852</u>                           | <u>\$ 32,074,042</u>                               | <u>\$ 7,099,810</u>                                |

## NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended June 30, 2019, the School Board recognized pension expense of \$82,275. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 29,455                                     | \$ 669,593                                   |
| Changes of assumptions                               | -   | 11,852                                       |
| Net difference between projected and actual earnings | -   | 239,623                                      |
| Employer costs subsequent to the measurement date    | 819,943                                       | -  |
| Total  | <u>\$ 849,398</u>                             | <u>\$ 921,068</u>                            |

\$819,943 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 fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ending June 30:**

|       |                     |
|-------|---------------------|
| 2020  | \$ (266,406)        |
| 2021  | (276,769)           |
| 2022  | (321,081)           |
| 2023  | (27,357)            |
| Total | <u>\$ (891,613)</u> |

### ***Actuarial Assumptions - VRS Teacher Retirement Plan***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

|                                       |  |
|---------------------------------------|--|
| Inflation                             | 2.5%   |
| Salary increases, including inflation | 3.5% – 5.95%   |
| Investment rate of return             | 7.0%, 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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

## NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

### Mortality rates:

#### 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, 2017 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:

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020                            |
| Retirement Rates  | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates  | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates  | Adjusted rates to better match experience   |
| Salary Scale  | No change   |

### **Actuarial Assumptions – VRS Nonprofessional Retirement Plan**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

|                                       |   |
|---------------------------------------|---|
| Inflation                             | 2.5%  |
| Salary increases, including inflation | 3.5% – 5.35%  |
| Investment rate of return             | 7.00%, 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.

## NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates:

(Non 10 Largest) – 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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 Disabled Mortality Rates 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, 2017 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:

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020                            |
| Retirement Rates  | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates  | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates  | Lowered rates   |
| Salary Scale  | No change   |
| Line of Duty Disability   | Increase rate from 14% to 15%   |

### 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 (Strategy) | Target Allocation                    | Arithmetic Long-Term Expected Rate of Return | Weighted Average 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 equity         | 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%.

## NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows, used to determine the discount rate, assumed that system member contributions will be made, 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. 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.

### ***Sensitivity of the School Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the School Board's proportionate share of the net pension liability 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 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|   | <b>1.00%<br/>Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount Rate<br/>(7.00%)</b> | <b>1.00%<br/>Increase<br/>(8.00%)</b> |
|---|---------------------------------------|--|---------------------------------------|
| School Board's proportionate share of the VRS:                                  |                                       |  |                                       |
| Teacher (Professional) Employee Retirement Plan Net Pension Liability           | \$ 180,213,000                        | \$ 117,977,000                               | \$ 66,463,000                         |
| School Board's (Nonprofessional) Employee Retirement Plan Net Pension Liability | \$ 11,437,510                         | \$ 7,099,810                                 | \$ 3,429,643                          |

### ***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Plan's Fiduciary Net Position is available in the separately issued VRS 20187 Comprehensive Annual Financial Report ("CAFR"). A copy of the 2018 VRS CAFR is publicly available through the *About VRS* link on the VRS website at [www.varetire.org](http://www.varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

### ***Payables to Pension Plan***

There were no payables to the pension plans as of June 30, 2019.



**NOTE 5. DEFINED BENEFIT PENSION PLANS (Concluded)*****Combining Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The VRS Professional plan and the VRS Nonprofessional plan are reported separately herein since each plan has distinctive characteristics, reporting requirements, and valuations. The impact of total pension requirements on the net position of PPS is combined and summarized in the schedule:

|  | <b>Virginia Retirement System</b> |                              |                        |
|--|-----------------------------------|------------------------------|------------------------|
|  | <b>Professional Plan</b>          | <b>Non-Professional Plan</b> | <b>Combined Totals</b> |
| Net pension liability  | \$ 117,977,000                    | \$ 7,099,810                 | \$ 125,076,810         |
| Pension expense  | 4,906,000                         | 82,275                       | 4,988,275              |
| <i>Deferred outflows of resources:</i>   |                                   |                              |                        |
| Difference between expected and actual experience  | -                                 | 29,455                       | 29,455                 |
| Changes of assumptions   | 1,408,000                         | -                            | 1,408,000              |
| Employer contributions subsequent to the measurement date  | 12,992,275                        | 819,943                      | 13,812,218             |
| Total deferred outflows of resources   | 14,400,275                        | 849,398                      | 15,249,673             |
| <i>Deferred inflows of resources:</i>  |                                   |                              |                        |
| Difference between expected and actual experience  | 10,087,000                        | 669,593                      | 10,756,593             |
| Changes of assumptions   | -                                 | 11,852                       | 11,852                 |
| Net difference between projected and actual earnings on pension plan investments                             | 2,502,000                         | 239,623                      | 2,741,623              |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 5,327,000                         | -                            | 5,327,000              |
| Total deferred inflows of resources  | \$ 17,916,000                     | \$ 921,068                   | \$ 18,837,068          |

**NOTE 6. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES*****Risk Management***

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School Board is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$500,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability, automobile, school security, and cyber risk are fully insured through the Virginia Association of Counties Group Self Insurance Risk Pool (VACoRP). This insurance coverage is substantially the same as in the prior fiscal year. There were no settlements within the past three years which exceeded coverage.

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

A loss analysis was conducted by Glicksman Consulting, LLC on this fund. The total actuarially computed liability as of June 30, 2019 was determined to be \$694,876 (undiscounted) and recorded in the internal service fund and the government-wide statements, accordingly.

**NOTE 6. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES (Continued)**

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

|  | <b>2019</b>        | <b>2018</b>        |
|--|--------------------|--------------------|
| Claims payable - beginning of year       | \$ 646,300         | \$ 1,231,426       |
| Claims and changes in estimates          | 3,622,478          | 2,813,480          |
| Claims payments and changes in estimates | <u>(3,573,902)</u> | <u>(3,398,606)</u> |
| Claims payable - end of year             | <u>\$ 694,876</u>  | <u>\$ 646,300</u>  |

**Self-Insured Health Care Benefits Plan**

Effective January 1, 2015, the School Board established a Self-Insured Health Care Benefits Plan ("Self-Insured Health Plan") for all School Board employees and retirees. The Self-Insured Health Plan policy year is based on a calendar year. Beginning July 1, 2015, the Self-Insured Health Plan is accounted for within the Risk Management fund with employer and employee premiums, medical claims, administrative costs, wellness program costs, and other health plan costs and reserves recorded in the Risk Management fund. Prior to July 1, 2015, the Self Insured Health Plan was accounted for within the General Fund.

Expenditures charged to various School Board departments are based on expected claims liability and administrative costs for a full calendar year as provided by the third-party healthcare benefit consultant. Medical claim expenses paid, on behalf of each individual employee covered during a single policy year, are covered by excess loss insurance with a specific stop loss limit of \$350,000. The Self-Insured Health Plan also has aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

Claims processing and payments for all healthcare claims are made through a third-party administrator. The School Board uses information provided by the third-party administrator and healthcare benefit consultant to aid in the determination of health self-insurance liabilities. The computed liability as of June 30, 2019 was \$1,473,000 (undiscounted), as follows:

|                       | <b>Balance<br/>as of<br/>July 1</b> | <b>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claim<br/>Payments</b> | <b>Balance<br/>as of<br/>June 30</b> |
|-----------------------|-------------------------------------|--|---------------------------|--------------------------------------|
| <b>Medical Claims</b> |                                     |  |                           |                                      |
| 2018-2019             | \$ 1,369,578                        | \$ 17,874,343                                  | \$ 17,770,921             | \$ 1,473,000                         |
| 2017-2018             | 1,288,039                           | 16,571,715                                     | 16,490,176                | 1,369,578                            |

**Litigation**

The School Board has no pending litigations arising out of the ordinary course of operations.

**Grants**

The School Board received grant funds, principally from the State 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. Based on prior experience, School Board management believes such refunds, if any, will not be significant.

**NOTE 6. OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES (Concluded)*****Encumbrance***

The School Board has outstanding purchase orders representing goods or services not received as of June 30, 2019. These amounts are encumbrances of FY2018-2019 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

|                    | <b>Amounts</b>    |
|--------------------|-------------------|
| General Fund       | \$ 135,659        |
| School Grants Fund | 52,476            |
|                    | <u>\$ 188,135</u> |

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

Interfund receivable and payable balances at June 30, 2019, which are considered short-term in nature, are as follows:

|                           | <b>Due from<br/>Other Funds</b> | <b>Due to<br/>Other Funds</b> |
|---------------------------|---------------------------------|-------------------------------|
| General Fund              | \$ 2,320,026                    | \$ -                          |
| School Grants Fund        | -                               | 1,202,085                     |
| School Food Services Fund | -                               | 794,892                       |
| Risk Management Fund      | -                               | 323,049                       |
|                           | <u>\$ 2,320,026</u>             | <u>\$ 2,320,026</u>           |

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

Interfund transfers for the year ended June 30, 2019 consisted of the following:

|                           | <b>Transfers from<br/>Other Funds</b> | <b>Transfers to<br/>Other Funds</b> |
|---------------------------|---------------------------------------|-------------------------------------|
| General Fund              | \$ -                                  | \$ 1,458,767                        |
| School Grants Fund        | 1,091,912                             | -                                   |
| School Food Services Fund | 38,291                                | -                                   |
| School Textbook Fund      | 328,564                               | -                                   |
|                           | <u>\$ 1,458,767</u>                   | <u>\$ 1,458,767</u>                 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) account for excess charges for services to self-health insurance account over actual self-health insurance expenditures.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**School Board OPEB Plan**

***Plan Description***

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the school's personnel policies and procedures. A trust was established for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocable and must be used solely to discharge the School Board's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

***Plan Membership***

As of the June 30, 2018, membership consisted of the following:

|   |              |
|---|--------------|
| Inactive employees currently receiving benefits | 39           |
| Active employees                                | <u>2,019</u> |
|   | <u>2,058</u> |

***Benefits Provided***

Retirees age 55 or older, with a minimum of 25 years of service with PPS, and employed as a regularly scheduled employee are eligible to participate in Retiree Health Insurance Premium Contribution Plan (RHIPCP). Effective July 1, 2018, eligible retiring employees receive \$3,000 to offset the cost of health insurance premiums in retirement.

***Contributions***

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For the year ended June 30, 2019, the School Board made no further contributions to the plan to pay current benefits and to prefund benefits.

***Plan Investments***

***Investment Policy***

The primary purpose of this statement of Investment Policy is to provide a clear understanding of policy of management and oversight of the School Board's OPEB Trust's (the "Trust") investment objectives, performance goals and risk tolerance.

***Responsibilities***

The OPEB Trust committee establishes investment policy and retains investment managers to implement asset class decisions and allocations.

The OPEB Trust committee has appointed Wells Fargo to assist in providing guidance of the administration of Trust's assets, investment selection, performance monitoring, and evaluation.

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### Objectives

Objectives of the Investment Policy are as follows:

1. To invest assets of the Trust in a judicious manner to provide retirement benefits to eligible participants.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of Trust.
3. Subject to performance expectations over the long-term to minimize principal fluctuation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2019 are summarized in the following table:

| <b>Asset Class</b>            | <b>Target Allocation</b> | <b>Long-Term Real Rate of Return</b> |
|-------------------------------|--------------------------|--------------------------------------|
| Domestic equity               | 36.0%                    | 7.5%                                 |
| International equity          | 18.0%                    | 8.5%                                 |
| Private and long/short equity | 11.0%                    | 7.8%                                 |
| Intermediate fixed income     | 21.0%                    | 2.8%                                 |
| Short-term fixed income       | 4.0%                     | 3.8%                                 |
| Real assets                   | 10.0%                    | 4.8%                                 |
| Cash                          | 0.0%                     | 0.0%                                 |
| Total                         | 100.0%                   |                                      |

The sum of each target allocation times its long-term expected real rate is 6.31%.

### Net OPEB Liability

The components of the net OPEB liability of the School Board at June 30, 2019 calculated in accordance with GAAP were as follows:

|   |                     |
|---|---------------------|
| Total OPEB liability  | \$ 13,128,913       |
| Plan fiduciary net position   | (13,274,352)        |
| Net OPEB asset  | <u>\$ (145,439)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 101.11%             |

The net OPEB liability shown above reflects presentation within the School Board's Statement of Net Position in accordance with GAAP.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)*****Changes in Net OPEB Liability***

Changes in net OPEB liability calculated in accordance with GAAP are as follows:

|  | <b>Total<br/>OPEB<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>OPEB<br/>Asset<br/>(a) - (b)</b> |
|--|---|--|---|
| Balance at June 30, 2018   | <u>\$ 16,980,673</u>                        | <u>\$ 12,541,363</u>                               | <u>\$ 4,439,310</u>                         |
| Changes for the fiscal year:                                     |   |  |   |
| Service cost   | 950,173                                     | -  | 950,173                                     |
| Interest   | 791,875                                     | -  | 791,875                                     |
| Experience (gains/losses)  | (433,312)                                   | -  | (433,312)                                   |
| Change in actuarial assumptions                                  | (4,968,846)                                 | -  | (4,968,846)                                 |
| Net investment income  | -   | 924,764  | (924,764)                                   |
| Benefit payments, including refunds<br>of employee contributions | (191,650)                                   | (191,650)  | -   |
| Administrative expenses  | -   | (125)  | 125   |
| Net changes  | <u>(3,851,760)</u>                          | <u>732,989</u>                                     | <u>(4,584,749)</u>                          |
| Balance at June 30, 2019   | <u>\$ 13,128,913</u>                        | <u>\$ 13,274,352</u>                               | <u>\$ (145,439)</u>                         |

***Actuarial Assumptions – Total OPEB Liability***

The Employer's OPEB liability was measured as of as of June 30, 2019. The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using the following actuarial assumptions:

|                                |   |
|--------------------------------|---|
| Inflation                      | 2.75%   |
| Salary increases               | 3.5% (for purposes of allocating liability)   |
| Investment rate of return      | 9.06% (including inflation)   |
| 20-year Aa Municipal bond rate | 3.00%   |
| Mortality                      | Public Teacher 2010 Headcount weighted mortality<br>tables with improvement scale MP 2018 |

***Long-Term Expected Rate of Return***

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan 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.

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### **Discount Rate**

The discount rate used to measure the total OPEB liability was 9.06%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

### **Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate**

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

|                            | <b>1.00%<br/>Decrease<br/>(8.06)</b> | <b>Current<br/>Discount Rate<br/>(9.06)</b> | <b>1.00%<br/>Increase<br/>(10.06)</b> |
|----------------------------|--------------------------------------|---|---------------------------------------|
| Net OPEB Liability (Asset) | \$ 818,242                           | \$ (145,439)                                | \$ (1,023,139)                        |

### **Sensitivity of the net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the School Board, as well as what the School Board's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                            | <b>1.00%<br/>Decrease (7.5%<br/>decreasing<br/>to 3.5%)</b> | <b>Current<br/>Discount<br/>Rate (8.5%<br/>decreasing<br/>to 4.5%)</b> | <b>1.00%<br/>Increase (9.5%<br/>decreasing<br/>to 5.5%)</b> |
|----------------------------|---|--|---|
| Net OPEB Liability (Asset) | \$ (1,197,571)  | \$ (145,439)   | \$ (1,078,219)  |

### **OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the School Board recognized OPEB expense of \$683,073. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience | \$ -  | \$ 4,488,479                                 |
| Changes in assumptions                             | 3,161,553                                     | 4,604,026                                    |
| Investment earnings (gains)/losses                 | -   | 183,759                                      |
| Total  | <u>\$ 3,161,553</u>                           | <u>\$ 9,276,264</u>                          |

## **NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

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

### **Year Ending June 30:**

|            |                       |
|------------|-----------------------|
| 2020       | \$ (506,521)          |
| 2021       | (506,521)             |
| 2022       | (506,523)             |
| 2023       | (544,518)             |
| 2024       | (470,081)             |
| Thereafter | <u>(3,580,547)</u>    |
| Total      | <u>\$ (6,114,711)</u> |

### ***Actuarial Methods***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The Actuarially Determined Contribution is calculated by the actuary and is the sum of the current year's normal cost plus and amount necessary to amortize the unfunded liability over a closed period and is presented in the Schedule of Employer OPEB Contribution in the required supplementary information following the notes to the financial statements.

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

### ***Significant Changes Since Prior Valuation***

In the June 30, 2019 actuarial valuation, the discount rate was increased from 4.44% to 9.06% based on mortality improvement updated from MP-2018. The Pre-65 Medical Inflation was updated from 6% graded to 5% based on updated costs and stipend.

Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. The annual stipend for eligible retirees increased from \$2,500 to \$3,000. Payments are made from the VACo/VML pooled OPEB trust Fund. A Consumer Directed Health Plan (CDHP) option with high deductible was added to retiree plan option.

### **School Board VRS OPEB Plans**

The School Board participates in a cost-sharing multiple employer Group Life Insurance Program, a Teacher Employee Health Insurance Credit Program, a Political Subdivision Employee Virginia Disability Program, and a Teacher Employee Virginia Local Disability Program offered by the VRS.

VRS issues a publicly available CAFR that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org>, or by writing to VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.



## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

The actuarial assumptions and long term expected rate of return are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long term expected rate of return are combined below. Specific information for the OPEB plans will be presented after this section.

### *Actuarial Assumptions*

The total OPEB liabilities for all VRS plans were based on an actuarial valuation as of June 30, 2017, 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, 2018.

|   |   |
|---|---|
| Inflation                               | 2.5%  |
| Salary increases, including inflation – |   |
| General state employees                 | 3.5% – 5.35%  |
| Teachers                                | 3.5% – 5.95%  |
| SPORS employees                         | 3.5% – 4.75%  |
| VaLORS employees                        | 3.5% – 4.75%  |
| JRS employees                           | 4.5%  |
| Locality – General employees            | 3.5% – 5.35%  |
| Locality – Hazardous Duty employees     | 3.5% – 4.75%  |
| Investment rate of return               | 7.0 Percent, net of 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 – 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 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, 2017 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:

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020                           |
| Retirement Rates  | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates  | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates  | Adjusted rates to better match experience   |
| Salary Scale  | No change   |

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### Mortality rates – Non-Largest Ten Locality Employers - General Employees

#### 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, 2017 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:

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020                   |
| Retirement Rates  | Lowered retirement rates at older ages and extended final retirement age from 70 to 75. |
| Withdrawal Rates  | Adjusted termination rates to better fit experience at each age and service year        |
| Disability Rates  | Lowered disability rates  |
| Salary Scale  | No change   |
| Line of Duty Disability   | Increased rate from 14 to 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 (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average 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 Equity         | 15.00%            | 9.53%  | 1.43%  |
| Total                  | 100.00%           |  | 4.80%  |
| Inflation              |                   |  | 2.50%  |
|                        |                   |  | <u>7.30%</u>                                       |

\* Expected arithmetic nominal return

\* 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%.

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### VRS Group Life Insurance Program

#### Plan Description

All full-time, salaried permanent teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program ("GLIP") upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance 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 GLIP OPEB liability.

The specific information for GLIP, including eligibility, coverage, and benefits, is set out in the table below:

| GLIP PLAN PROVISIONS  |
|---|
| <b>Eligible Employees</b><br>GLIP was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program.<br><br>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.   |
| <b>Benefit Amounts</b><br>The benefits payable under GLIP have several components. <ul style="list-style-type: none"><li>• <b>Natural Death Benefit</b> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li><li>• <b>Accidental Death Benefit</b> – The accidental death benefit is double the natural death benefit.</li><li>• <b>Other Benefit Provisions</b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul> |
| <b>Reduction in benefit Amounts</b><br>The benefit amounts provided to members covered under GLIP 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.   |
| <b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b><br>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLIP. 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 \$8,279 effective July 1, 2018.  |

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### *Contributions*

The contribution requirements for GLIP 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 School Boards by the Virginia General Assembly. The total rate for GLIP 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contribution to GLIP from the School Board for nonprofessional employees were \$40,048 and \$40,441 for the years ended June 30, 2019 and June 30, 2018, respectively. Contribution to GLIP from the School Board for professional employees were \$434,576 and \$423,628 the years ended June 30, 2019 and June 30, 2018, respectively.

### *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to GLIP*

At June 30, 2019, the School Board reported a liability of \$621,000 for its proportionate share of the Net GLI OPEB Liability for nonprofessional employees. At June 30, 2019, the School Board reported a liability of \$6,507,000 for its proportionate share of the Net GLI OPEB Liability for professional employees. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLIP for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.04090% as compared to 0.04241% at June 30, 2017 for nonprofessional employees. At June 30, 2018, the participating employer's proportion was 0.42844% as compared to 0.43094% at June 30, 2017 for professional employees.

For the year ended June 30, 2019, the School Board recognized GLI OPEB expense of \$(4,000) for nonprofessional employees. For the year ended June 30, 2019, the School Board recognized GLI OPEB expense of \$(2,000) for professional employees. 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, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for professional employees from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Difference between expected and actual experience                                       | \$ 318,000                                    | \$ 116,000                                   |
| Net difference between projected and actual earnings<br>on GLI OPEB program investments | -   | 212,000                                      |
| Change in assumptions   | -   | 271,000                                      |
| Changes in proportion   | -   | 214,000                                      |
| Employer contributions subsequent to the measurement date                               | 434,576                                       | -  |
|   | <b>\$ 752,576</b>                             | <b>\$ 813,000</b>                            |

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

\$434,576 reported as deferred outflows of resources related to GLIP 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, 2020 for professional employees. 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:

**Year Ending June 30:**

|            |                     |
|------------|---------------------|
| 2020       | \$ (143,000)        |
| 2021       | (143,000)           |
| 2022       | (143,000)           |
| 2023       | (82,000)            |
| 2024       | (6,000)             |
| Thereafter | 22,000              |
| Total      | <u>\$ (495,000)</u> |

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for nonprofessional employees from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Difference between expected and actual experience                                       | \$ 30,000                                     | \$ 11,000                                    |
| Net difference between projected and actual earnings<br>on GLI OPEB program investments | -   | 20,000                                       |
| Change in assumptions   | -   | 26,000                                       |
| Changes in proportion   | -   | 40,000                                       |
| Employer contributions subsequent to the measurement date                               | 40,048  | -  |
|   | <u>\$ 70,048</u>                              | <u>\$ 97,000</u>                             |

\$40,048 reported as deferred outflows of resources related to GLIP 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, 2020 for nonprofessional employees. 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:

**Year Ending June 30:**

|       |                    |
|-------|--------------------|
| 2020  | \$ (17,000)        |
| 2021  | (17,000)           |
| 2022  | (17,000)           |
| 2023  | (11,000)           |
| 2024  | (5,000)            |
| Total | <u>\$ (67,000)</u> |

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)***Net Group Life insurance OPEB Liability – VRS*

The net OPEB liability (“NOL”) for the GLIP represents the program’s total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

|                                   | <b>Group Life<br/>Insurance<br/>OPEB Program</b> |
|-----------------------------------|--|
| Total GLI OPEB Liability          | \$ 3,113,508                                     |
| Plan Fiduciary Net Pension        | 1,594,773  |
| Employers' Net GLI OPEB Liability | <u>\$ 1,518,735</u>                              |

|   |        |
|---|--------|
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 51.22% |
|---|--------|

The total GLI OPEB liability is calculated by the VRS’s actuary and each plan’s fiduciary net position is reported in the VRS’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP the VRS’s notes to the financial statements and required supplementary information.

*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, 2018, the rate contributed by the entity 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, 2018 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.

*Sensitivity of the School Board’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 for nonprofessional and professional employees 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 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|   | <b>1.00%<br/>Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount Rate<br/>(7.00%)</b> | <b>1.00%<br/>Increase<br/>(8.00%)</b> |
|---|---------------------------------------|--|---------------------------------------|
| School Board's proportionate share of GLIP Net OPEB Liability - Professional    | \$ 8,503,000                          | \$ 6,507,000                                 | \$ 4,885,000                          |
| School Board's proportionate share of GLIP Net OPEB Liability - Nonprofessional | \$ 812,000                            | \$ 621,000                                   | \$ 467,000                            |

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### ***VRS Health Insurance Credit Program***

#### *Plan Description*

All full-time, salaried permanent (professional) employees of public School Boards are automatically covered by the VRS Teacher Employee Health Insurance Credit Program ("HICP"). This plan is administered by VRS. 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 health insurance credit 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 specific information for the HICP, including eligibility, coverage, and benefits, is set out in the table below:

| <b>HICP PLAN PROVISIONS</b> |  |
|-----------------------------|--|
| <b>Eligible Employees</b>   | <p>HICP was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"><li>• Full-time permanent (professional) salaried employees of public School Boards covered under VRS.</li></ul>   |
| <b>Benefit Amounts</b>      | <p>HICP provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• <b><u>At Retirement</u></b> – 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.</li><li>• <b><u>Disability Retirement</u></b> – 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:<ul style="list-style-type: none"><li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li><li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li></ul></li></ul> |
| <b>HICP Notes:</b>          | <ul style="list-style-type: none"><li>• The monthly Health Insurance Credit (HIC) benefit cannot exceed the individual premium amount.</li><li>• 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.</li></ul>   |

#### *Contributions*

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 Boards by the Virginia General Assembly. Each School Board's contractually required employer contribution rate for the year ended June 30, 2019 was 1.23% of covered employee compensation for employees HICP. 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 HICP were \$994,856 and \$996,673 for the years ended June 30, 2019 and June 30, 2018, respectively.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HICP*

At June 30, 2019, the School Board reported a liability of \$12,721,000 for its proportionate share of the net HICP OPEB liability. The net HICP OPEB liability was measured as of June 30, 2018 and the total HICP OPEB liability used to calculate the net HICP OPEB liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net HICP OPEB liability was based on the School Board's actuarially determined employer contributions to HICP for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion of HICP was 1.00193% as compared to 1.00254% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized HICP OPEB expense of \$967,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the HICP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to HICP from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Difference between expected and actual experience                                       | \$ -  | \$ 62,000                                    |
| Net difference between projected and actual earnings<br>on HIC OPEB program investments | -   | 10,000                                       |
| Change in assumptions   | -   | 111,000                                      |
| Changes in proportion   | -   | 397,000                                      |
| Employer contributions subsequent to the measurement date                               | 994,856                                       | -  |
|   | <u>\$ 994,856</u>                             | <u>\$ 580,000</u>                            |

\$994,856 reported as deferred outflows of resources related to HICP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net HICP OPEB liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HICP will be recognized in the HICP OPEB expense in future reporting periods as follows:

**Year Ending June 30:**

|            |                     |
|------------|---------------------|
| 2020       | \$ (103,000)        |
| 2021       | (103,000)           |
| 2022       | (103,000)           |
| 2023       | (97,000)            |
| 2024       | (99,000)            |
| Thereafter | (75,000)            |
| Total      | <u>\$ (580,000)</u> |



## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### *HICP OPEB Liability*

The net HICP OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, the amounts for the HICP is as follows (amounts expressed in thousands):

|   | <b>Teacher<br/>Employee HIC<br/>OPEB Program</b> |
|---|--|
| Total Teacher Employee HIC OPEB Liability                                   | \$ 1,381,313                                     |
| Plan Fiduciary Net Pension  | 111,639  |
| Teacher employee Net HIC OPEB Liability                                     | <u>\$ 1,269,674</u>                              |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 8.08%  |

The total HICP 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 HICP OPEB liability is disclosed in accordance with the requirements of GAAP in the system's notes to the financial statements and required supplementary information.

### *Discount Rate*

The discount rate used to measure the total HICP OPEB liability 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, 2018, the rate contributed by each School Board for HICP 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, HICP'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 HICP OPEB liability.

### *Sensitivity of the School Board's Proportionate Share of the Net HICP OPEB Liability to Changes in the Discount Rate*

The following presents the School Board's proportionate share of the net HICP OPEB liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|   | <b>1.00%<br/>Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount Rate<br/>(7.00%)</b> | <b>1.00%<br/>Increase<br/>(8.00%)</b> |
|---|---------------------------------------|--|---------------------------------------|
| School Board's proportionate share of HICP Net OPEB Liability | \$ 14,208,000                         | \$ 12,721,000                                | \$ 11,456,000                         |

### ***VRS Virginia Local Disability Program (VLDP)***

#### *Plan Description*

All full-time, salaried permanent teachers and general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS VLDP. This plan is administered by VRS. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through VLDP.

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| VLDP PLAN PROVISIONS   |
|--|
| <p><b>Eligible Employees</b></p> <p>VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"><li>• Political subdivision (nonprofessional) – Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.</li><li>• Teachers (professional) – Teachers and other full-time permanent salaried employees of public School Board covered under VRS.</li></ul>  |
| <p><b>Benefit Amounts</b></p> <p>VLDP provides the following benefits for eligible employees:</p> <p><b><u>Short-Term Disability</u></b> –</p> <ul style="list-style-type: none"><li>• The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.</li><li>• During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability.</li><li>• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels</li></ul> <p><b><u>Long-Term Disability</u></b> –</p> <ul style="list-style-type: none"><li>• VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.</li><li>• Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.</li></ul> |
| <p><b>VLDP Notes:</b></p> <ul style="list-style-type: none"><li>• Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.</li><li>• VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.</li></ul>   |

### *Contributions*

Professional – The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to School Boards by the Virginia General Assembly. Each School Board's contractually required employer contribution rate for the year ended June 30, 2019 was 0.41% of covered employee compensation for employees in VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 were \$90,677 and \$53,333 for the years ended June 30, 2019 and June 30, 2018, respectively.

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Nonprofessional – The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each school board's contractually required employer contribution rate for the year ended June 30, 2018 was 0.72% of covered employee compensation for employees in VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 were \$17,881 and \$13,127 for the years ended June 30, 2019 and June 30, 2018, respectively.

### *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP*

Professional – At June 30, 2019, the School Board reported a liability of \$35,000 for its proportionate share of the net VLDP OPEB liability. The net VLDP OPEB liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the net VLDP OPEB liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net VLDP OPEB liability was based on the School Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion of VLDP was 4.61399% as compared to 4.42820% at June 30, 2017.

For the year ended June 30, 2019, the school board recognized VLDP OPEB expense of \$65,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018 a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related VLDP from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Change in assumptions                                     | \$ 2,000                                      | \$ -   |
| Difference between expected and actual experience         | -   | 2,000  |
| Employer contributions subsequent to the measurement date | 90,677  | -  |
|   | <u>\$ 92,677</u>                              | <u>\$ 2,000</u>                              |

\$90,677 reported as deferred outflows of resources related to VLDP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2020.

Nonprofessional – At June 30, 2019, the school board reported a liability of \$7,000 for its proportionate share of the net VLDP OPEB liability. The net VLDP OPEB liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the net VLDP OPEB liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net VLDP OPEB liability was based on the School Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion of VLDP was 0.90105% as compared to 0.84502% at June 30, 2017.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

For the year ended June 30, 2019, the School Board's recognized VLDP OPEB expense of \$16,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to VLDP from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Change in assumptions                                     | \$ -  | \$ 1,000                                     |
| Difference between expected and actual experience         | -   | 1,000  |
| Employer contributions subsequent to the measurement date | 17,881  | -  |
|   | <u>\$ 17,881</u>                              | <u>\$ 2,000</u>                              |

\$17,881 reported as deferred outflows of resources related to VLDP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VLDP will be recognized in VLDP OPEB expense in future reporting periods as follows:

**Year Ending June 30:**

|       |                   |
|-------|-------------------|
| 2020  | <u>\$ (2,000)</u> |
| Total | <u>\$ (2,000)</u> |

**Net VLDP OPEB Liability**

The net VLDP OPEB liabilities represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, net VLDP OPEB liabilities are as follows (amounts expressed in thousands):

|  | <b>Teacher<br/>Employee<br/>VLDP OPEB<br/>Plan</b> | <b>Political<br/>Subdivision<br/>Employee<br/>VLDP OPEB<br/>Plan</b> |
|--|--|--|
| Total Employee VLDP OPEB Liability   | \$ 1,401,000                                       | \$ 1,588,000   |
| Plan Fiduciary Net Pension   | 647,000  | 816,000  |
| Employee Net VLDP OPEB Liability   | <u>\$ 754,000</u>                                  | <u>\$ 772,000</u>  |
| Plan Fiduciary Net Position as a Percentage of the total<br>Employee VLDP OPEB Liability | 46.18%   | 51.39%   |

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

## NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

### *Discount Rate*

The discount rate used to measure the total VLDP OPEB liabilities 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 at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the School Board VLDP 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, VLDP 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 VLDP OPEB liabilities.

### *Sensitivity of the School Board's Proportionate Share of the VLDP OPEB Liability to Changes in the Discount Rate*

The following presents the proportionate share of the net VLDP OPEB liability using the discount rate of 7.00%, as well as the net VLDP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|   | <b>1.00%<br/>Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount Rate<br/>(7.00%)</b> | <b>1.00%<br/>Increase<br/>(8.00%)</b> |
|---|---------------------------------------|--|---------------------------------------|
| School Board's proportionate share of VLDP Net OPEB Liability - Professional    | \$ 43,000                             | \$ 35,000                                    | \$ 28,000                             |
| School Board's proportionate share of VLDP Net OPEB Liability - Nonprofessional | \$ 9,000                              | \$ 7,000                                     | \$ 6,000                              |

**NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Concluded)**

**Combining OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

|   |              | Virginia Retirement System |              |                 |           |                 |               |
|---|--------------|----------------------------|--------------|-----------------|-----------|-----------------|---------------|
|   |              | HIC                        | GLI          |                 |           | VLDP            |               |
|   | Trust        | Profess.                   | Profess.     | Non<br>Profess. | Profess.  | Non<br>Profess. | Combined      |
| Net OPEB liability  | \$ -         | \$ 12,721,000              | \$ 6,507,000 | \$ 621,000      | \$ 35,000 | \$ 7,000        | \$ 19,891,000 |
| Net OPEB asset  | 145,439      | -                          | -            | -               | -         | -               | 145,439       |
| OPEB expense  | 683,073      | 967,000                    | (2,000)      | (4,000)         | 65,000    | 16,000          | 1,725,073     |
| <i>Deferred outflows of resources:</i>  |              |                            |              |                 |           |                 |               |
| Change in assumptions   | 3,161,553    | -                          | -            | -               | 2,000     | -               | 3,163,553     |
| Difference between expected and actual experience                             | -            | -                          | 318,000      | 30,000          | -         | -               | 348,000       |
| Employer contributions subsequent to the measurement date                     | -            | 994,856                    | 434,576      | 40,048          | 90,677    | 17,881          | 1,578,038     |
| Total deferred outflows of resources  | 3,161,553    | 994,856                    | 752,576      | 70,048          | 92,677    | 17,881          | 5,089,591     |
| <i>Deferred inflows of resources:</i>   |              |                            |              |                 |           |                 |               |
| Investment earnings (gains)/losses  | 183,759      | -                          | -            | -               | -         | -               | 183,759       |
| Difference between expected and actual experience                             | 4,488,479    | 62,000                     | 116,000      | 11,000          | 2,000     | 1,000           | 4,680,479     |
| Net difference between projected and actual earnings on OPEB plan investments | -            | 10,000                     | 212,000      | 20,000          | -         | -               | 242,000       |
| Change in assumptions   | 4,604,026    | 111,000                    | 271,000      | 26,000          | -         | 1,000           | 5,013,026     |
| Changes in proportion   | -            | 397,000                    | 214,000      | 40,000          | -         | -               | 651,000       |
| Total deferred inflows of resources   | \$ 9,276,264 | \$ 580,000                 | \$ 813,000   | \$ 97,000       | \$ 2,000  | \$ 2,000        | \$ 10,770,264 |

## NOTE 9. FUND BALANCES

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

|                                       | <u>General</u>      | <u>School<br/>Grants</u> | <u>School Food<br/>Services</u> | <u>School<br/>Textbooks</u> | <u>Total</u>        |
|---------------------------------------|---------------------|--------------------------|---------------------------------|-----------------------------|---------------------|
| Nonspendable                          |                     |                          |                                 |                             |                     |
| Inventory                             | \$ 229,685          | \$ -                     | \$ 30,490                       | \$ -                        | \$ 260,175          |
|                                       | <u>229,685</u>      | <u>-</u>                 | <u>30,490</u>                   | <u>-</u>                    | <u>260,175</u>      |
| Restricted:                           |                     |                          |                                 |                             |                     |
| Federal                               | -                   | 823,153                  | -                               | -                           | 823,153             |
| Elementary schools                    | -                   | -                        | 798,509                         | 1,107,043                   | 1,905,552           |
| Middle schools                        | -                   | -                        | 192,529                         | 267,217                     | 459,746             |
| High schools                          | -                   | -                        | 382,111                         | 534,434                     | 916,545             |
|                                       | <u>-</u>            | <u>823,153</u>           | <u>1,373,149</u>                | <u>1,908,694</u>            | <u>4,104,996</u>    |
| Assigned:                             |                     |                          |                                 |                             |                     |
| Instruction                           | 85,767              | -                        | -                               | -                           | 85,767              |
| Administration,<br>attendance, health | 415                 | -                        | -                               | -                           | 415                 |
| Operations                            | 46,132              | -                        | -                               | -                           | 46,132              |
| Information technology                | 3,345               | -                        | -                               | -                           | 3,345               |
|                                       | <u>135,659</u>      | <u>-</u>                 | <u>-</u>                        | <u>-</u>                    | <u>135,659</u>      |
| Unassigned                            | <u>661,159</u>      | <u>(77,101)</u>          | <u>-</u>                        | <u>-</u>                    | <u>584,058</u>      |
| Total fund balances                   | <u>\$ 1,026,503</u> | <u>\$ 746,052</u>        | <u>\$ 1,403,639</u>             | <u>\$ 1,908,694</u>         | <u>\$ 5,084,888</u> |

## NOTE 10. SUBSEQUENT EVENTS

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Portsmouth Public Schools could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Given these uncertainties, we cannot reasonably estimate the related impact to school division operations or financial results. The School Board is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

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



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

**Exhibit XI**

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

**Year Ended June 30, 2019**

|  | <b>Original<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actual<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>with<br/>Amended<br/>Budget<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|---------------------------|---|---|
| <b>Revenues</b>  |                            |                           |   |   |
| Intergovernmental  |                            |                           |   |   |
| From City of Portsmouth  | \$ 52,796,045              | \$ 52,796,045             | \$ 49,163,551                           | \$ (3,632,494)  |
| From Commonwealth of Virginia  | 89,618,745                 | 90,173,507                | 90,968,819                              | 795,312   |
| From federal government  | 828,000                    | 828,000                   | 956,325                                 | 128,325   |
| Interest   | 74,499                     | 74,499                    | 97,117                                  | 22,618  |
| Miscellaneous  | 2,010,000                  | 2,010,000                 | 1,950,524                               | (59,476)  |
| <b>Total revenues</b>  | <b>145,327,289</b>         | <b>145,882,051</b>        | <b>143,136,336</b>                      | <b>(2,745,715)</b>  |
| <b>Expenditures</b>  |                            |                           |   |   |
| Education  |                            |                           |   |   |
| Instruction  | 105,816,739                | 106,323,242               | 103,898,114                             | 2,425,128   |
| Administration, attendance, and health services                                  | 9,215,968                  | 9,215,968                 | 8,304,138                               | 911,830   |
| Pupil transportation   | 6,700,486                  | 6,725,486                 | 6,067,305                               | 658,181   |
| Operations and maintenance   | 15,351,579                 | 15,351,579                | 14,872,550                              | 479,029   |
| Information technology   | 6,834,412                  | 6,834,412                 | 6,385,883                               | 448,529   |
| Total education  | <b>143,919,184</b>         | <b>144,450,687</b>        | <b>139,527,990</b>                      | <b>4,922,697</b>  |
| <b>Total expenditures</b>  | <b>143,919,184</b>         | <b>144,450,687</b>        | <b>139,527,990</b>                      | <b>4,922,697</b>  |
| <b>Excess of revenues over expenditures</b>                                      | <b>1,408,105</b>           | <b>1,431,364</b>          | <b>3,608,346</b>                        | <b>2,176,982</b>  |
| <b>Other financing uses</b>  |                            |                           |   |   |
| Transfers out  | (1,408,105)                | (1,431,364)               | (2,920,567)                             | (1,489,203)   |
| <b>Total other financing uses</b>  | <b>(1,408,105)</b>         | <b>(1,431,364)</b>        | <b>(2,920,567)</b>                      | <b>(1,489,203)</b>  |
| <b>Excess of revenues over expenditures and<br/>        other financing uses</b> | <b>\$ -</b>                | <b>\$ -</b>               | <b>687,779</b>                          | <b>\$ 687,779</b>   |
| Fund balance - beginning of year   |                            |                           | 789,300                                 |   |
| Increase in encumbrances   |                            |                           | (469,271)                               |   |
| Decrease in inventory  |                            |                           | 18,695                                  |   |
| Fund balance - end of year   |                            |                           | <b>\$ 1,026,503</b>                     |   |

See notes to required supplementary information.

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

**Exhibit XII**

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

**Year Ended June 30, 2019**

|   | <b>Original<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actual<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>with<br/>Amended<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|---------------------------|---|---|
| <b>Revenues</b>   |                            |                           |   |   |
| Intergovernmental   |                            |                           |   |   |
| From Commonwealth of Virginia   | \$ 4,334,622               | \$ 4,451,337              | \$ 4,221,885                            | \$ (229,452)  |
| From federal government   | 11,777,378                 | 11,777,378                | 12,702,965                              | 925,587   |
| Miscellaneous   | 912,369                    | 1,124,101                 | 170,454                                 | (953,647)   |
| <b>Total revenues</b>   | <b>17,024,369</b>          | <b>17,352,816</b>         | <b>17,095,304</b>                       | <b>(257,512)</b>  |
| <b>Expenditures</b>   |                            |                           |   |   |
| Education   |                            |                           |   |   |
| Instruction   | 16,021,675                 | 16,350,122                | 16,664,389                              | (314,267)   |
| Administration, attendance, and health                                      | 675,123                    | 675,123                   | 425,399                                 | 249,724   |
| Pupil transportation  | 346,390                    | 346,390                   | 263,611                                 | 82,779  |
| Technology  | 910,472                    | 910,472                   | 725,426                                 | 185,046   |
| Operation and maintenance   | 135,920                    | 135,920                   | 101,563                                 | 34,357  |
| <b>Total education</b>  | <b>18,089,580</b>          | <b>18,418,027</b>         | <b>18,180,388</b>                       | <b>237,639</b>  |
| <b>Total expenditures</b>   | <b>18,089,580</b>          | <b>18,418,027</b>         | <b>18,180,388</b>                       | <b>237,639</b>  |
| <b>Deficiency of revenues under expenditures</b>                            | <b>(1,065,211)</b>         | <b>(1,065,211)</b>        | <b>(1,085,084)</b>                      | <b>(19,873)</b>   |
| <b>Other financing sources</b>  |                            |                           |   |   |
| Transfers in  | 1,065,211                  | 1,065,211                 | 1,091,912                               | 26,701  |
| <b>Total other financing sources</b>  | <b>1,065,211</b>           | <b>1,065,211</b>          | <b>1,091,912</b>                        | <b>26,701</b>   |
| <b>Excess of revenues over expenditures<br/>and other financing sources</b> | <b>\$ -</b>                | <b>\$ -</b>               | <b>\$ 6,828</b>                         | <b>\$ 6,828</b>   |
| Fund balance - beginning of year  |                            |                           | 739,224                                 |   |
| Fund balance - end of year  |                            |                           | <b>\$ 746,052</b>                       |   |

See notes to required supplementary information.

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

**Exhibit XIII**

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

**Year Ended June 30, 2019**

|   | <b>Original<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actual<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>with<br/>Amended<br/>Budget<br/>Positive<br/>Negative</b> |
|---|----------------------------|---------------------------|---|---|
| <b>Revenues</b>   |                            |                           |   |   |
| Intergovernmental   |                            |                           |   |   |
| From Commonwealth of Virginia   | \$ 123,457                 | \$ 123,457                | \$ 102,432                              | \$ (21,025)   |
| From federal government   | 7,228,270                  | 7,228,270                 | 7,333,808                               | 105,538   |
| Donated commodities from the<br>federal government                          | 450,000                    | 450,000                   | 512,084                                 | 62,084  |
| Charges for services  | 585,000                    | 585,000                   | 548,521                                 | (36,479)  |
| Interest  | -                          | -                         | 23,394                                  | 23,394  |
| Miscellaneous   | 500,000                    | 500,000                   | 316,912                                 | (183,088)   |
| <b>Total revenues</b>   | <b>8,886,727</b>           | <b>8,886,727</b>          | <b>8,837,151</b>                        | <b>(49,576)</b>   |
| <b>Expenditures</b>   |                            |                           |   |   |
| Food services   | 8,901,727                  | 8,901,727                 | 8,539,959                               | 361,768   |
| <b>Total expenditures</b>   | <b>8,901,727</b>           | <b>8,901,727</b>          | <b>8,539,959</b>                        | <b>361,768</b>  |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b>        | <b>(15,000)</b>            | <b>(15,000)</b>           | <b>297,192</b>                          | <b>312,192</b>  |
| <b>Other financing sources</b>  |                            |                           |   |   |
| Transfers in  | 15,000                     | 15,000                    | 38,291                                  | 23,291  |
| <b>Total other financing sources</b>  | <b>15,000</b>              | <b>15,000</b>             | <b>38,291</b>                           | <b>23,291</b>   |
| <b>Excess of revenues over expenditures<br/>and other financing sources</b> | <b>\$ -</b>                | <b>\$ -</b>               | <b>335,483</b>                          | <b>\$ 335,483</b>   |
| Fund balance - beginning of year  |                            |                           | 1,069,545                               |   |
| Increase in inventory   |                            |                           | (1,389)                                 |   |
| Fund balance - end of year  |                            |                           | <b>\$ 1,403,639</b>                     |   |

See notes to required supplementary information.

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

**Exhibit XIV**

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

**Year Ended June 30, 2019**

|  | <b>Original<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actual<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>with<br/>Amended<br/>Budget<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|---------------------------|---|---|
| <b>Revenues</b>  |                            |                           |   |   |
| Intergovernmental  |                            |                           |   |   |
| From Commonwealth of Virginia  | \$ 1,003,927               | \$ 4,665,071              | \$ 1,005,977                            | \$ (3,659,094)  |
| Miscellaneous  | 3,000                      | 3,000                     | 5,326                                   | 2,326   |
| <b>Total revenues</b>  | <u>1,006,927</u>           | <u>4,668,071</u>          | <u>1,011,303</u>                        | <u>(3,656,768)</u>  |
| <b>Expenditures</b>  |                            |                           |   |   |
| Instruction  | 1,334,821                  | 4,995,965                 | 3,072,395                               | 1,923,570   |
| <b>Total expenditures</b>  | <u>1,334,821</u>           | <u>4,995,965</u>          | <u>3,072,395</u>                        | <u>1,923,570</u>  |
| <b>Deficiency of revenues under expenditures</b>                                 | <u>(327,894)</u>           | <u>(327,894)</u>          | <u>(2,061,092)</u>                      | <u>(1,733,198)</u>  |
| <b>Other financing sources</b>   |                            |                           |   |   |
| Transfers in   | 327,894                    | 327,894                   | 328,564                                 | 670   |
| <b>Total other financing sources</b>   | <u>327,894</u>             | <u>327,894</u>            | <u>328,564</u>                          | <u>670</u>  |
| <b>Deficiency of revenues under expenditures<br/>and other financing sources</b> | <u>\$ -</u>                | <u>\$ -</u>               | <u>(1,732,528)</u>                      | <u>\$ (1,732,528)</u>   |
| Fund balance - beginning of year   |                            |                           | 3,641,222                               |   |
| Fund balance - end of year   |                            |                           | <u>\$ 1,908,694</u>                     |   |

See notes to required supplementary information.

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS -  
NONPROFESSIONAL EMPLOYEES (UNAUDITED)**

**Year Ended June 30, 2019**

|   | <b>2019</b>          | <b>2018</b>          | <b>2017</b>          | <b>2016</b>          | <b>2015</b>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>  |                      |                      |                      |                      |                      |
| Service cost  | \$ 694,189           | \$ 763,448           | \$ 695,895           | \$ 729,606           | \$ 743,215           |
| Interest  | 2,671,683            | 2,600,444            | 2,552,232            | 2,501,150            | 2,434,509            |
| Differences between expected and actual experience                                | (1,077,881)          | 110,155              | (293,248)            | (215,707)            | -                    |
| Changes in assumptions  | -                    | (44,324)             | -                    | -                    | -                    |
| Benefit payments, including refunds of employee contributions                     | (2,562,064)          | (2,261,995)          | (2,270,264)          | (2,300,353)          | (2,151,081)          |
| <b>Net change in total pension liability</b>                                      | <b>(274,073)</b>     | <b>1,167,728</b>     | <b>684,615</b>       | <b>714,696</b>       | <b>1,026,643</b>     |
| <b>Total pension liability - beginning</b>  | <b>39,447,925</b>    | <b>38,280,197</b>    | <b>37,595,582</b>    | <b>36,880,886</b>    | <b>35,854,243</b>    |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 39,173,852</b> | <b>\$ 39,447,925</b> | <b>\$ 38,280,197</b> | <b>\$ 37,595,582</b> | <b>\$ 36,880,886</b> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |                      |
| Contributions - employer  | \$ 879,860           | \$ 882,435           | \$ 801,790           | \$ 726,275           | \$ 648,377           |
| Contributions - employee  | 365,276              | 372,038              | 378,872              | 345,765              | 354,802              |
| Net investment income   | 2,269,942            | 3,443,683            | 487,721              | 1,307,987            | 4,075,199            |
| Benefit payments, including refunds of employee contributions                     | (2,562,064)          | (2,261,995)          | (2,270,264)          | (2,300,353)          | (2,151,081)          |
| Administrative expense  | (20,333)             | (20,455)             | (18,573)             | (18,893)             | (22,705)             |
| Other   | (1,991)              | (3,044)              | (211)                | (276)                | 215                  |
| <b>Net change in plan fiduciary net position</b>                                  | <b>930,690</b>       | <b>2,412,662</b>     | <b>(620,665)</b>     | <b>60,505</b>        | <b>2,904,807</b>     |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>31,143,352</b>    | <b>28,730,690</b>    | <b>29,351,355</b>    | <b>29,290,850</b>    | <b>26,386,043</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>\$ 32,074,042</b> | <b>\$ 31,143,352</b> | <b>\$ 28,730,690</b> | <b>\$ 29,351,355</b> | <b>\$ 29,290,850</b> |
| <b>Net pension liability - ending (a) - (b)</b>                                   | <b>\$ 7,099,810</b>  | <b>\$ 8,304,573</b>  | <b>\$ 9,549,507</b>  | <b>\$ 8,244,227</b>  | <b>\$ 7,590,036</b>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>81.88%</b>        | <b>78.95%</b>        | <b>75.05%</b>        | <b>78.07%</b>        | <b>79.42%</b>        |
| <b>Covered payroll</b>  | <b>\$ 7,691,444</b>  | <b>\$ 7,719,383</b>  | <b>\$ 8,465,913</b>  | <b>\$ 8,498,497</b>  | <b>\$ 8,647,732</b>  |
| <b>Net pension liability as a percentage of covered payroll</b>                   | <b>92%</b>           | <b>108%</b>          | <b>113%</b>          | <b>97%</b>           | <b>88%</b>           |

Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, only four additional years of data are available. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See notes to required supplementary information.

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY -  
RETIREMENT PLAN - PROFESSIONAL EMPLOYEES (UNAUDITED)**

**Year Ended June 30, 2019**

|  | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   |
|--|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability   | 1.00%         | 1.00%         | 1.04%         | 1.05%         | 1.08%         |
| Employer's Proportionate Share of the Net Position Liability                                       | \$117,977,000 | \$123,472,000 | \$146,345,000 | \$132,145,000 | \$130,368,000 |
| Employer's Covered Payroll   | 81,002,287    | 79,054,292    | 81,200,579    | 79,779,153    | 81,064,661    |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 146%          | 156%          | 180%          | 166%          | 161%          |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                         | 74.81%        | 72.92%        | 68.28%        | 70.68%        | 70.88%        |

Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, only four additional years of data are available. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - VRS (UNAUDITED)**

**Year Ended June 30, 2019**

| <b>Date</b>            | <b>(a)<br/>Contractually<br/>Required<br/>Contribution</b> | <b>(b)<br/>Contributions in<br/>Relation to<br/>Contractually<br/>Required<br/>Contribution</b> | <b>(c)<br/>Contribution<br/>Deficiency<br/>(Excess)<br/>(a) - (b)</b> | <b>(d)<br/>Employer's<br/>Covered<br/>Employee<br/>Payroll</b> | <b>(e)<br/>Contributions<br/>as a % of<br/>Covered<br/>Employee<br/>Payroll<br/>(b) / (d)</b> |
|------------------------|--|---|---|--|---|
| <b>Professional</b>    |  |   |   |  |   |
| June 30, 2019          | \$ 12,992,275  | \$ 12,992,275   | \$ -  | \$ 82,858,890  | 15.68%  |
| June 30, 2018          | 13,219,573   | 13,219,573  | -   | 81,002,287   | 16.32%  |
| June 30, 2017          | 11,589,359   | 11,589,359  | -   | 79,054,292   | 14.66%  |
| June 30, 2016          | 11,190,544   | 11,190,544  | -   | 81,200,579   | 13.78%  |
| June 30, 2015          | 11,317,000   | 11,317,000  | -   | 79,779,153   | 14.19%  |
| June 30, 2014          | 9,191,479  | 9,191,479   | -   | 81,064,661   | 11.34%  |
| June 30, 2013          | 9,213,695  | 9,213,695   | -   | 81,836,929   | 11.26%  |
| June 30, 2012          | 4,744,734  | 4,744,734   | -   | 78,767,435   | 6.02%   |
| June 30, 2011          | 3,044,252  | 3,044,252   | -   | 81,079,797   | 3.75%   |
| June 30, 2010          | 5,008,497  | 5,008,497   | -   | 83,106,742   | 6.03%   |
| <b>Nonprofessional</b> |  |   |   |  |   |
| June 30, 2019          | \$ 819,943   | \$ 819,943  | \$ -  | \$ 7,627,378   | 10.75%  |
| June 30, 2018          | 899,130  | 899,130   | -   | 7,691,444  | 11.69%  |
| June 30, 2017          | 902,396  | 902,396   | -   | 7,719,383  | 11.69%  |
| June 30, 2016          | 813,358  | 813,358   | -   | 8,465,913  | 9.61%   |
| June 30, 2015          | 731,636  | 731,636   | -   | 8,498,497  | 8.61%   |
| June 30, 2014          | 649,001  | 649,001   | -   | 8,647,732  | 7.50%   |
| June 30, 2013          | 644,890  | 644,890   | -   | 8,657,941  | 7.45%   |
| June 30, 2012          | 603,630  | 603,630   | -   | 8,508,035  | 7.09%   |
| June 30, 2011          | 643,311  | 643,311   | -   | 8,545,234  | 7.53%   |
| June 30, 2010          | 685,941  | 685,941   | -   | 9,078,953  | 7.56%   |

See notes to required supplementary information.



**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)**

**Year Ended June 30, 2019**

|  | <b>2019</b>          | <b>2018</b>          | <b>2017</b>          |
|--|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>  |                      |                      |                      |
| Service cost   | \$ 950,173           | \$ 625,456           | \$ 713,189           |
| Interest   | 791,875              | 997,917              | 958,969              |
| Changes of benefit terms   | -                    | 459,794              | -                    |
| Differences between expected and actual experience                                     | (433,312)            | (4,735,709)          | (747,036)            |
| Change of assumptions  | (4,968,846)          | 3,663,387            | 2,171,672            |
| Benefit payments, including lump sum liability settlement for 114 participants         | (191,650)            | (73,336)             | (80,005)             |
| <b>Net change in total OPEB liability</b>  | <b>(3,851,760)</b>   | <b>937,509</b>       | <b>3,016,789</b>     |
| <b>Total OPEB liability - beginning</b>  | <b>16,980,673</b>    | <b>16,043,164</b>    | <b>13,026,375</b>    |
| <b>Total OPEB liability - ending (a)</b>   | <b>\$ 13,128,913</b> | <b>\$ 16,980,673</b> | <b>\$ 16,043,164</b> |
| <br><b>Plan Fiduciary Net Position</b>   |                      |                      |                      |
| Net investment income  | \$ 924,764           | \$ 532,735           | \$ 743,975           |
| Benefit payments, including refunds of employee contributions                          | (191,650)            | (73,336)             | (80,005)             |
| Administrative expense   | (125)                | -                    | (7,000)              |
| <b>Net Change in Fiduciary Net Position</b>  | <b>732,989</b>       | <b>459,399</b>       | <b>656,970</b>       |
| <b>Plan Fiduciary Net Position - Beginning</b>   | <b>12,541,363</b>    | <b>12,081,964</b>    | <b>11,424,994</b>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>  | <b>\$ 13,274,352</b> | <b>\$ 12,541,363</b> | <b>\$ 12,081,964</b> |
| <br><b>Net OPEB Liability (Asset) - Ending (a) - (b)</b>                               | <b>\$ (145,439)</b>  | <b>\$ 4,439,310</b>  | <b>\$ 3,961,200</b>  |
| <br><b>Plan Fiduciary Net Position as a Percentage of Total OPEB Pension Liability</b> | <b>101.1%</b>        | <b>73.9%</b>         | <b>75.3%</b>         |
| <br><b>Covered Employee Payroll</b>  | <b>\$ 98,200,691</b> | <b>\$ 91,796,317</b> | <b>\$ 96,277,315</b> |
| <br><b>Net OPEB Liability as Percentage of Payroll</b>                                 | <b>-0.15%</b>        | <b>4.84%</b>         | <b>4.11%</b>         |

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only two additional years of information are available. However, additional years will be included as they become available.

**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (UNAUDITED)**

**Year Ended June 30, 2019**

|  | <b>2019*</b>        | <b>2018**</b>     | <b>2017</b>       |
|--|---------------------|-------------------|-------------------|
| <b>Actuarially Determined Employer Contribution</b>        |                     |                   |                   |
| Service cost   | \$ 992,361          | \$ 662,983        | \$ 763,112        |
| Amortization of unfunded liability                         | 372,888             | 350,393           | 171,131           |
| Recommended contribution                                   | 1,365,249           | 1,013,376         | 934,243           |
| Contribution/benefit payments made                         | -                   | (703,482)         | (80,005)          |
| <b>Contribution deficiency (excess)</b>                    | <b>\$ 1,365,249</b> | <b>\$ 309,894</b> | <b>\$ 854,238</b> |
| <br><b>Covered Employee Payroll</b>                        | <br>\$ 98,200,691   | <br>\$ 91,796,317 | <br>\$ 96,277,315 |
| <br><b>Contribution as a Percentage of Covered Payroll</b> | <br>1.39%           | <br>0.34%         | <br>0.89%         |

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only two additional years of information is available. However, additional years will be included as they become available.

**Notes to schedule:**

Methods and Assumptions used to determine contribution rate:

|                               |   |
|-------------------------------|---|
| Measurement Date              | 6/30/2018   |
| Timing                        | Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year. |
| Actuarial Cost Method         | Projected Unit Credit (level dollar)  |
| Amortization method           | Level percent, open   |
| Remaining amortization period | 20 years  |
| Discount rate                 | 4.44% for 2018 liability and 2019 contribution; 9.06% for June 30, 2019 liability and 2019 contribution                                     |
| Payroll growth                | 2.5%  |
| Return on plan assets         | 4.44% for 2019 and 9.06% for 2020   |
| Mortality rate                | RPH-2014, sex-distinct, annuitant and non-annuitant mortality with mortality projection MP-2017   |
| Asset valuation method        | Market value  |

\* Based on 4.44% discount, 14 year level percent of pay, amortization of unfunded liability; alternative funding scenarios could be considered.

\*\* Based on 6% discount, 15 year level percent of pay, amortization of unfunded liability.

See notes to required supplementary information.

**SCHEDULE OF OPEB INVESTMENT RETURNS (UNAUDITED)**

**Year Ended June 30, 2019**

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|   | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 4.44%       | 6.00%       | 6.00%       |

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only two additional years of information is available. However, additional years will be included as they become available.

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY -  
GROUP LIFE INSURANCE PROGRAM (UNAUDITED)**

**Year Ended June 30, 2019**

| <b>Date</b>            | <b>Employer's<br/>Proportion of<br/>Net GLI OPEB<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of<br/>Net GLI OPEB<br/>Liability</b> | <b>Employer's<br/>Covered-Employer<br/>Payroll</b> | <b>Employer's<br/>Proportionate Share<br/>of Net GLI OPEB<br/>Liability as<br/>a Percentage of its<br/>Covered-Employer<br/>Payroll</b> | <b>Plan Fiduciary<br/>Net Position as a<br/>Percentage of the<br/>Total GLI OPEB<br/>Liability</b> |
|------------------------|--|---|--|---|--|
| <b>Professional</b>    |  |   |  |   |  |
| June 30, 2019*         | 0.43%  | \$ 6,507,000  | \$ 81,466,826                                      | 7.99%   | 51.22%   |
| June 30, 2018*         | 0.43%  | 6,485,000   | 79,488,375   | 8.16%   | 48.86%   |
| <b>Nonprofessional</b> |  |   |  |   |  |
| June 30, 2019*         | 0.04%  | \$ 621,000  | \$ 7,777,114                                       | 7.98%   | 51.22%   |
| June 30, 2018*         | 0.04%  | 638,000   | 7,821,559  | 8.16%   | 48.86%   |

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only one additional year of information is available. However, additional years will be included as they become available.

\*The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB -  
GROUP LIFE INSURANCE PROGRAM (UNAUDITED)**

**Year Ended June 30, 2019**

| <b>Date</b>            | <b>(a)<br/>Contractually<br/>Required<br/>Contribution</b> | <b>(b)<br/>Contributions in<br/>Relation to<br/>Contractually<br/>Required<br/>Contribution</b> | <b>(c)<br/>Contribution<br/>Deficiency<br/>(Excess)<br/>(a) - (b)</b> | <b>(d)<br/>Employer's<br/>Covered<br/>Payroll</b> | <b>(e)<br/>Contributions<br/>as a % of<br/>Covered<br/>Employer<br/>Payroll<br/>(b) / (d)</b> |
|------------------------|--|---|---|---|---|
| <b>Professional</b>    |  |   |   |   |   |
| June 30, 2019          | \$ 434,576   | \$ 434,576  | \$ -  | \$ 83,572,402                                     | 0.52%   |
| June 30, 2018          | 423,628  | 423,628   | -   | 81,466,826  | 0.52%   |
| June 30, 2017          | 413,340  | 413,340   | -   | 79,488,375  | 0.52%   |
| June 30, 2016          | 384,497  | 384,497   | -   | 80,103,513  | 0.48%   |
| June 30, 2015          | 377,187  | 377,187   | -   | 78,580,681  | 0.48%   |
| June 30, 2014          | 380,015  | 380,015   | -   | 79,169,887  | 0.48%   |
| June 30, 2013          | 380,479  | 380,479   | -   | 79,266,483  | 0.48%   |
| June 30, 2012          | 210,699  | 210,699   | -   | 75,249,805  | 0.28%   |
| June 30, 2011          | 218,391  | 218,391   | -   | 77,996,828  | 0.28%   |
| June 30, 2010          | 154,509  | 154,509   | -   | 57,225,707  | 0.27%   |
| <b>Nonprofessional</b> |  |   |   |   |   |
| June 30, 2019          | \$ 40,048  | \$ 40,048   | \$ -  | \$ 7,701,528                                      | 0.52%   |
| June 30, 2018          | 40,441   | 40,441  | -   | 7,777,114   | 0.52%   |
| June 30, 2017          | 40,672   | 40,672  | -   | 7,821,559   | 0.52%   |
| June 30, 2016          | 37,875   | 37,875  | -   | 7,890,684   | 0.48%   |
| June 30, 2015          | 34,309   | 34,309  | -   | 7,147,756   | 0.48%   |
| June 30, 2014          | 34,829   | 34,829  | -   | 7,256,059   | 0.48%   |
| June 30, 2013          | 34,487   | 34,487  | -   | 7,184,753   | 0.48%   |
| June 30, 2012          | 18,904   | 18,904  | -   | 6,751,453   | 0.28%   |
| June 30, 2011          | 20,027   | 20,027  | -   | 7,152,368   | 0.28%   |
| June 30, 2010          | 16,405   | 16,405  | -   | 6,076,093   | 0.27%   |

See notes to required supplementary information.

**VRS GROUP LIFE INSURANCE PROGRAM**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2019**

---

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Professional**

|  |
|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) |
| Retirement Rates   |
| Withdrawal Rates   |
| Salary Scale   |

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

**Nonprofessional**

|  |
|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) |
| Retirement Rates   |
| Withdrawal Rates   |
| Salary Scale   |

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

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY -  
HEALTH INSURANCE CREDIT PROGRAM (HIC)  
VRS RETIREMENT PLAN - PROFESSIONAL (UNAUDITED)**

**Year Ended June 30, 2019**

|   | <b>2019*</b>  | <b>2018*</b>  |
|---|---------------|---------------|
| Employer's Proportion of the Net HIC OPEB Liability   | 1.00%         | 1.00%         |
| Employer's Proportionate Share of the Net HIC OPEB Position Liability   | \$ 12,721,000 | \$ 12,719,000 |
| Employer's Covered Payroll  | 81,030,323    | 79,120,346    |
| Employer's Proportionate Share of the Net HIC OPEB Liability<br>as a Percentage of its Covered-Employer Payroll | 15.70%        | 16.08%        |
| Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability                                     | 8.08%         | 7.04%         |

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only one additional year of information is available. However, additional years will be included as they become available.

\*The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB -  
HEALTH INSURANCE CREDIT PROGRAM  
VRS RETIREMENT PLAN - PROFESSIONAL (UNAUDITED)**

**Year Ended June 30, 2019**

|               | (a)           | (b)              | (c)          | (d)           | (e)           |
|---------------|---------------|------------------|--------------|---------------|---------------|
|               |               | Contributions in | Contribution |               | Contributions |
|               | Contractually | Relation to      | Deficiency   | Employer's    | as a % of     |
|               | Required      | Contractually    | (Excess)     | Covered       | Covered       |
|               | Contribution  | Required         | (a) - (b)    | Payroll       | Employer      |
| Date          |               | Contribution     |              |               | Payroll       |
|               |               |                  |              |               | (b) / (d)     |
| June 30, 2019 | \$ 994,856    | \$ 994,856       | \$ -         | \$ 82,904,682 | 1.20%         |
| June 30, 2018 | 996,673       | 996,673          | -            | 81,030,323    | 1.23%         |
| June 30, 2017 | 878,236       | 878,236          | -            | 79,120,346    | 1.11%         |
| June 30, 2016 | 843,986       | 843,986          | -            | 79,621,342    | 1.06%         |
| June 30, 2015 | 827,427       | 827,427          | -            | 78,059,128    | 1.06%         |
| June 30, 2014 | 875,707       | 875,707          | -            | 78,892,500    | 1.11%         |
| June 30, 2013 | 875,736       | 875,736          | -            | 78,895,095    | 1.11%         |
| June 30, 2012 | 449,738       | 449,738          | -            | 74,956,305    | 0.60%         |
| June 30, 2011 | 464,771       | 464,771          | -            | 77,461,890    | 0.60%         |
| June 30, 2010 | 591,241       | 591,241          | -            | 56,850,139    | 1.04%         |

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2019**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Professional**

|  |   |
|--|---|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020                           |
| Retirement Rates   | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates   | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates   | Adjusted rates to better match experience   |
| Salary Scale   | No change   |

See notes to required supplementary information.



**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY -  
 VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)  
 VRS RETIREMENT PLAN - PROFESSIONAL (UNAUDITED)**

**Year Ended June 30, 2019**

|   | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Employer's Proportion of the Net VLDP OPEB Liability  | 4.61%       | 4.43%       |
| Employer's Proportionate Share of the Net VLDP OPEB Liability   | \$ 35,000   | \$ 27,000   |
| Employer's Covered Payroll  | 17,204,128  | 12,496,408  |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Aset)<br>as a Percentage of its Covered-Employer Payroll | 0.20%       | 0.22%       |
| Plan Fiduciary Net Position as a Percentage of the Total<br>VLDP OPEB Liability   | 46.18%      | 31.96%      |

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only one additional year of information is available. However, additional years will be included as they become available.

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY -  
 VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)  
 VRS RETIREMENT PLAN - NONPROFESSIONAL (UNAUDITED)**

**Year Ended June 30, 2019**

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| Employer's Proportion of the Net VLDP OPEB Liability (Asset)   | 0.90%       | 0.85%       |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)  | \$ 7,000    | \$ 5,000    |
| Employer's Covered-Employee Payroll  | 2,187,809   | 1,551,694   |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)<br>as a Percentage of its Covered-Employee Payroll | 0.32%       | 0.32%       |
| Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability   | 51.39%      | 38.40%      |

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only one additional year of information is available. However, additional years will be included as they become available.

\*The amounts presented have a measurement date of the previous fiscal year end.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB -  
VIRGINIA LOCAL DISABILITY PROGRAM (UNAUDITED)**

**Year Ended June 30, 2019**

| <b>Date</b>            | <b>(a)<br/>Contractually<br/>Required<br/>Contribution</b> | <b>(b)<br/>Contributions in<br/>Relation to<br/>Contractually<br/>Required<br/>Contribution</b> | <b>(c)<br/>Contribution<br/>Deficiency<br/>(Excess)<br/>(a) - (b)</b> | <b>(d)<br/>Employer's<br/>Covered<br/>Payroll</b> | <b>(e)<br/>Contributions<br/>as a % of<br/>Employer's<br/>Covered<br/>Payroll<br/>(b) / (d)</b> |
|------------------------|--|---|---|---|---|
| <b>Professional</b>    |  |   |   |   |   |
| June 30, 2019          | \$ 90,677  | \$ 90,677   | \$ -  | \$ 22,116,307                                     | 0.41%   |
| June 30, 2018          | 53,333   | 53,333  | -   | 17,204,128  | 0.31%   |
| June 30, 2017          | 38,612   | 38,612  | -   | 12,496,408  | 0.31%   |
| June 30, 2016          | 22,903   | 22,903  | -   | 7,897,682   | 0.29%   |
| June 30, 2015          | 10,909   | 10,909  | -   | 3,761,886   | 0.29%   |
| June 30, 2014          | 224  | 224   | -   | 77,123  | 0.29%   |
| <b>Nonprofessional</b> |  |   |   |   |   |
| June 30, 2019          | \$ 17,881  | \$ 17,881   | \$ -  | \$ 2,884,002                                      | 0.62%   |
| June 30, 2018          | 13,127   | 13,127  | -   | 2,187,809   | 0.60%   |
| June 30, 2017          | 9,310  | 9,310   | -   | 1,551,694   | 0.60%   |
| June 30, 2016          | 6,913  | 6,913   | -   | 1,152,140   | 0.60%   |
| June 30, 2015          | 3,145  | 3,145   | -   | 524,219   | 0.60%   |
| June 30, 2014          | 373  | 373   | -   | 62,085  | 0.60%   |

Schedule is intended to show information for 10 years. Since VLDP was implemented in January 2014, only six years of data is available. However, additional years will be included as they become available.

**VRS VIRGINIA LOCAL DISABILITY PROGRAM**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2019**

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Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Professional**

|  |
|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) |
| Retirement Rates   |
| Withdrawal Rates   |
| Disability Rates   |
| Salary Scale   |

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

**Nonprofessional**

|  |
|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) |
| Retirement Rates   |
| Withdrawal Rates   |
| Disability Rates   |
| Salary Scale   |
| Line of Duty Disability  |

|   |
|---|
| Updated to a more current mortality table – RP-2014 projected to 2020                                       |
| Lowered rates at older ages and extended final retirement age from 70 to 75                                 |
| Adjusted termination rates to better fit experience at each year age and service through 9 years of service |
| Lowered disability rates  |
| No change   |
| Increased rate from 14 to 15%   |

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2019**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

***OTHER SUPPLEMENTARY INFORMATION***

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

**Year Ended June 30, 2019**

|                                | Balance<br>July 1, 2018 | Additions    | Deductions   | Balance<br>June 30, 2019 |
|--------------------------------|-------------------------|--------------|--------------|--------------------------|
| <b>ASSETS</b>                  |                         |              |              |                          |
| Cash and temporary investments | \$ 781,243              | \$ 1,303,280 | \$ 1,304,829 | \$ 779,694               |
| <b>LIABILITIES</b>             |                         |              |              |                          |
| Due to students                | \$ 781,243              | \$ 1,303,280 | \$ 1,304,829 | \$ 779,694               |



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## **STATISTICAL SECTION**

(Unaudited)

This part of the City of Portsmouth, Virginia School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health as shown on pages 70 through 89.

### ***Financial Trends***

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

### ***Revenue Capacity***

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

### ***Debt Capacity***

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

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

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

### ***Operating Information***

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

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

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

**Table 1**

**NET POSITION BY COMPONENT (unaudited)**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

|                                  | 2019            | 2018            | 2017**          | 2016            | 2015            | 2014*           | 2013          | 2012           | 2011           | 2010          |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|----------------|----------------|---------------|
| <b>Governmental activities</b>   |                 |                 |                 |                 |                 |                 |               |                |                |               |
| Net investment in capital assets | \$ 57,360,590   | \$ 61,253,765   | \$ 64,238,842   | \$ 65,586,657   | \$ 67,458,191   | \$ 68,535,355   | \$ 77,294,681 | \$ 86,269,945  | \$ 70,253,415  | \$ 62,781,638 |
| Restricted:                      |                 |                 |                 |                 |                 |                 |               |                |                |               |
| Grant compliance                 | 1,359,664       | 1,187,813       | 1,729,966       | 1,639,171       | 528,276         | 611,099         | 1,103,582     | 577,712        | -              | -             |
| Capital projects                 | -               | -               | -               | -               | -               | -               | -             | 505,998        | 509,246        | 532,666       |
| OPEB                             | -               | -               | 4,566,686       | -               | -               | -               | -             | -              | -              | -             |
| School food services             | 1,489,191       | 1,132,315       | 840,998         | 653,034         | 893,933         | 1,710,238       | 1,804,974     | 2,036,930      | -              | -             |
| Textbook                         | 1,908,694       | 3,641,222       | 2,560,127       | 1,442,722       | 988,698         | 862,997         | 843,673       | 375,765        | -              | -             |
| Unrestricted (deficit)           | (159,441,159)   | (165,682,925)   | (168,885,841)   | (132,759,892)   | (133,270,921)   | (144,218,024)   | 3,316,274     | 18,945,239     | 31,113,169     | 30,063,956    |
| Total governmental activities    |                 |                 |                 |                 |                 |                 |               |                |                |               |
| net position (deficit)           | \$ (97,323,020) | \$ (98,467,810) | \$ (94,949,222) | \$ (63,438,308) | \$ (63,401,823) | \$ (72,498,335) | \$ 84,363,184 | \$ 108,711,589 | \$ 101,875,830 | \$ 93,378,260 |

Source: Comprehensive Annual Financial Report for the relevant year.

\*Restated for GASB 68

\*\*Restated for GASB 75

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

|   | 2019                   | 2018                   | 2017                   | 2016                   | 2015                   | 2014                   | 2013                   | 2012                   | 2011                   | 2010                   |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Expenses</b>   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Administration, attendance, and health services           | \$ 9,302,235           | \$ 8,814,368           | \$ 9,108,781           | \$ 8,087,764           | \$ 8,509,930           | \$ 7,702,994           | \$ 7,060,682           | \$ 7,482,355           | \$ 8,171,430           | \$ 8,860,166           |
| Instruction   | 123,050,088            | 120,925,967            | 124,548,696            | 114,530,007            | 114,951,195            | 117,950,884            | 123,563,193            | 110,997,918            | 116,243,716            | 116,857,035            |
| Pupil transportation                                      | 6,737,503              | 7,291,521              | 7,314,286              | 7,013,542              | 7,301,645              | 6,567,662              | 5,967,101              | 6,994,723              | 6,396,152              | 6,577,674              |
| Unassigned  | 15,080,625             | 15,645,909             | 15,223,576             | 15,915,270             | 14,279,136             | 15,372,087             | 16,218,996             | 14,288,609             | 15,072,405             | 15,820,741             |
| Information technology                                    | 7,022,583              | 8,813,988              | 5,711,520              | 9,601,034              | 6,978,045              | 4,159,832              | 4,691,124              | 3,917,235              | 3,179,565              | 3,493,477              |
| Food service  | 8,299,478              | 8,066,102              | 8,236,369              | 8,093,226              | 7,817,357              | 8,015,665              | 7,916,123              | 7,173,854              | 7,011,115              | 6,453,576              |
| Self insured health                                       | -                      | -                      | -                      | -                      | 9,073,104              | -                      | -                      | -                      | -                      | -                      |
| Interest on long-term debt                                | -                      | -                      | 30,410                 | 77,612                 | 113,167                | 146,251                | 178,945                | 210,763                | 233,957                | 254,075                |
| Total primary government                                  | <u>\$ 169,492,512</u>  | <u>\$ 169,557,855</u>  | <u>\$ 170,173,638</u>  | <u>\$ 163,318,455</u>  | <u>\$ 169,023,579</u>  | <u>\$ 159,915,375</u>  | <u>\$ 165,596,164</u>  | <u>\$ 151,065,457</u>  | <u>\$ 156,308,340</u>  | <u>\$ 158,316,744</u>  |
| <b>Program Revenues</b>                                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Charges for services                                      |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Food services   | \$ 1,035,887           | \$ 1,268,250           | \$ 1,468,263           | \$ 1,324,237           | \$ 1,625,939           | \$ 1,948,098           | \$ 1,852,675           | \$ 1,793,828           | \$ 1,748,890           | \$ 2,273,341           |
| Pupil transportation                                      | 222,955                | 203,112                | 144,797                | 97,522                 | 89,795                 | 90,012                 | 17,412                 | 101,135                | 235,094                | 214,243                |
| Self insured health                                       | -                      | -                      | -                      | -                      | 14,228,080             | -                      | -                      | -                      | -                      | -                      |
| Other   | 943,710                | 903,613                | 524,007                | 54,141                 | 788,541                | 472,193                | 378,526                | 170,489                | 276,896                | 328,609                |
| Operating grants and contributions                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Instruction   | 28,040,217             | 27,267,039             | 24,142,951             | 23,193,044             | 23,666,175             | 25,061,820             | 24,326,281             | 21,395,573             | 42,216,751             | 49,136,211             |
| Food services   | 7,333,808              | 6,851,143              | 6,527,103              | 6,384,446              | 5,424,966              | 5,467,899              | 5,528,135              | 5,444,996              | 5,178,450              | 4,951,631              |
| Capital grants and contributions                          | -                      | 1,029,558              | 984,456                | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Total governmental activities program revenue             | <u>\$ 37,576,577</u>   | <u>\$ 37,522,715</u>   | <u>\$ 33,791,577</u>   | <u>\$ 31,053,390</u>   | <u>\$ 45,823,496</u>   | <u>\$ 33,040,022</u>   | <u>\$ 32,103,029</u>   | <u>\$ 28,906,021</u>   | <u>\$ 49,656,081</u>   | <u>\$ 56,904,035</u>   |
| <b>Net Expense</b>  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   | <u>\$(131,915,935)</u> | <u>\$(132,035,140)</u> | <u>\$(136,382,061)</u> | <u>\$(132,265,065)</u> | <u>\$(123,200,083)</u> | <u>\$(126,875,353)</u> | <u>\$(133,493,135)</u> | <u>\$(122,159,436)</u> | <u>\$(106,652,259)</u> | <u>\$(101,412,709)</u> |
| <b>General Revenues and Other Changes in Net Position</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Unrestricted grants and contributions                     | \$ 132,151,029         | \$ 127,289,247         | \$ 132,619,967         | \$ 130,673,834         | \$ 131,800,839         | \$ 125,366,580         | \$ 120,974,979         | \$ 137,776,964         | \$ 113,833,393         | \$ 115,161,547         |
| Investment earnings                                       | 120,511                | 75,822                 | 10,387                 | 4,923                  | 463                    | 6,345                  | 30,439                 | 25,317                 | 55,597                 | 270,797                |
| Miscellaneous   | 789,185                | 1,151,486              | 1,245,676              | 442,551                | 239,964                | 596,709                | 888,601                | 1,136,711              | 1,260,839              | 1,507,880              |
| Special item  | -                      | -                      | -                      | -                      | -                      | (4,778,996)            | -                      | -                      | -                      | -                      |
| Total governmental activities                             | <u>\$ 133,060,725</u>  | <u>\$ 128,516,555</u>  | <u>\$ 133,876,030</u>  | <u>\$ 131,121,308</u>  | <u>\$ 132,041,266</u>  | <u>\$ 121,190,638</u>  | <u>\$ 121,894,019</u>  | <u>\$ 138,938,992</u>  | <u>\$ 115,149,829</u>  | <u>\$ 116,940,224</u>  |
| <b>To City of Portsmouth</b>                              | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ 3,750,269</u>    | <u>\$ 9,943,797</u>    | <u>\$ -</u>            | <u>\$ -</u>            |
| <b>Change in Net Position</b>                             |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   | <u>\$ 1,144,790</u>    | <u>\$ (3,518,585)</u>  | <u>\$ (2,506,031)</u>  | <u>\$ (1,143,757)</u>  | <u>\$ 8,841,183</u>    | <u>\$ (5,684,715)</u>  | <u>\$ (15,349,385)</u> | <u>\$ 6,835,759</u>    | <u>\$ 8,497,570</u>    | <u>\$ 15,527,515</u>   |

Source: Comprehensive Annual Financial Report for the relevant year.

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

|                                     | 2019         | 2018         | 2017         | 2016         | 2015          | 2014         | 2013         | 2012          | 2011          | 2010          |
|-------------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|---------------|---------------|
| <b>General Fund</b>                 |              |              |              |              |               |              |              |               |               |               |
| Reserved                            | \$ -         | \$ -         | \$ -         | \$ -         | \$ -          | \$ -         | \$ -         | \$ -          | \$ -          | \$ 7,254,071  |
| Nonspendable                        | 229,685      | 210,990      | 218,658      | 267,125      | 274,185       | 152,853      | 300,259      | 135,575       | 559,924       | -             |
| Assigned                            | 135,659      | 578,310      | 1,827,694    | 453,425      | 12,450,267    | 2,359,913    | 397,077      | 8,582,212     | 6,370,824     | -             |
| Unassigned                          | 661,159      | -            | 632,108      | 5,034,127    | 972,097       | 2,361,295    | -            | -             | -             | -             |
| Total General Fund                  | \$ 1,026,503 | \$ 789,300   | \$ 2,678,460 | \$ 5,754,677 | \$ 13,696,549 | \$ 4,874,061 | \$ 697,336   | \$ 8,717,787  | \$ 6,930,748  | \$ 7,254,071  |
| <b>All Other Governmental Funds</b> |              |              |              |              |               |              |              |               |               |               |
| Reserved                            |              |              |              |              |               |              |              |               |               |               |
| Food Services                       | \$ -         | \$ -         | \$ -         | \$ -         | \$ -          | \$ -         | \$ -         | \$ -          | \$ -          | \$ 733,982    |
| Capital Projects                    | -            | -            | -            | -            | -             | -            | -            | -             | -             | 19,866,538    |
| Textbook                            | -            | -            | -            | -            | -             | -            | -            | -             | -             | 193,393       |
| Unreserved, reported in             |              |              |              |              |               |              |              |               |               |               |
| Grants                              | -            | -            | -            | -            | -             | -            | -            | -             | -             | 438,124       |
| Food Services                       | -            | -            | -            | -            | -             | -            | -            | -             | -             | 1,559,686     |
| Capital Projects                    | -            | -            | -            | -            | -             | -            | -            | -             | -             | (1,618,469)   |
| Textbook                            | -            | -            | -            | -            | -             | -            | -            | -             | -             | 1,448,082     |
| Nonspendable                        |              |              |              |              |               |              |              |               |               |               |
| Food Services                       | 10,903       | 31,879       | 11,719       | 4,926        | 25,787        | 43,656       | 94,404       | 38,325        | 41,708        | -             |
| Textbook                            | -            | -            | -            | -            | -             | -            | 346          | 61,027        | 144,567       | -             |
| Restricted                          |              |              |              |              |               |              |              |               |               |               |
| Grants                              | 823,153      | 978,263      | 911,583      | 246,363      | 332,976       | 526,847      | 296,628      | 527,586       | 449,844       | -             |
| Food Services                       | 1,392,736    | 1,037,666    | 840,995      | 628,066      | 871,591       | 1,690,710    | 1,804,974    | 2,036,930     | 2,146,211     | -             |
| Textbook                            | 1,908,694    | 3,641,222    | 2,560,127    | 1,442,722    | 988,698       | 862,997      | 843,673      | 375,765       | 1,181,316     | -             |
| Capital Projects                    | -            | -            | -            | -            | -             | -            | -            | 505,998       | 509,246       | -             |
| Committed                           |              |              |              |              |               |              |              |               |               |               |
| Textbook                            | -            | -            | -            | -            | -             | -            | -            | 1,038,858     | -             | -             |
| Capital Projects                    | -            | -            | -            | -            | -             | -            | 1,156,185    | 6,778,417     | 11,368,937    | -             |
| Assigned                            |              |              |              |              |               |              |              |               |               |               |
| Grants                              | -            | -            | -            | -            | -             | 665,444      | 124,215      | 244,606       | -             | -             |
| Capital Projects                    | -            | -            | -            | -            | -             | -            | -            | 36,707        | 9,943,797     | -             |
| Unassigned                          |              |              |              |              |               |              |              |               |               |               |
| Grants                              | (77,101)     | (239,039)    | -            | (48,030)     | (48,030)      | -            | -            | -             | (585,465)     | -             |
| Total all other governmental funds  | \$ 4,058,385 | \$ 5,689,030 | \$ 4,324,424 | \$ 2,274,047 | \$ 2,171,022  | \$ 3,789,654 | \$ 4,320,425 | \$ 11,644,219 | \$ 25,200,161 | \$ 22,621,336 |

Source: Comprehensive Annual Financial Report for the relevant year.

**Note:**

The change in the classification of fund balance in 2011 is due to the implementation of GASB 54 in FY11.

See Management's Discussion and Analysis for explanation of the differences in current year fund balance from the prior year.

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

|  | 2019                  | 2018                  | 2017                  | 2016                   | 2015                | 2014                | 2013                   | 2012                   | 2011                | 2010                |
|--|-----------------------|-----------------------|-----------------------|------------------------|---------------------|---------------------|------------------------|------------------------|---------------------|---------------------|
| <b>Revenues</b>  |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| Intergovernmental  |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| Federal grants   | \$ 20,993,098         | \$ 19,771,958         | \$ 18,770,251         | \$ 16,526,977          | \$ 16,582,767       | \$ 17,886,311       | \$ 17,765,296          | \$ 27,939,844          | \$ 27,996,547       | \$ 31,427,769       |
| Federal donated commodities  | 512,084               | 482,332               | 441,514               | 414,936                | 322,654             | 435,202             | 431,169                | 355,290                | -                   | 420,343             |
| State grants and other   | 96,299,113            | 95,873,709            | 92,329,074            | 90,909,892             | 91,451,610          | 87,987,549          | 87,867,810             | 86,894,924             | 85,452,502          | 91,264,467          |
| Unassigned   | 49,163,551            | 50,746,364            | 52,400,000            | 51,200,000             | 52,400,000          | 50,257,282          | 44,008,292             | 49,571,413             | 48,171,651          | 48,171,651          |
| Local  |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| Charges for services   | 548,521               | 465,889               | 479,228               | 454,957                | 14,780,846          | 799,064             | 913,852                | 1,137,316              | 1,149,376           | 1,243,708           |
| Interest   | 120,511               | 75,822                | 10,387                | 4,923                  | 463                 | 6,345               | 30,439                 | 25,317                 | 48,237              | 244,345             |
| Miscellaneous  | 2,443,216             | 3,060,572             | 2,903,515             | 1,463,494              | 2,191,473           | 2,307,948           | 2,223,363              | 2,064,847              | 2,370,760           | 3,079,234           |
| <b>Total Revenues</b>  | <b>170,080,094</b>    | <b>170,476,646</b>    | <b>167,333,969</b>    | <b>160,975,179</b>     | <b>177,729,813</b>  | <b>159,679,701</b>  | <b>153,240,221</b>     | <b>167,988,951</b>     | <b>165,189,073</b>  | <b>175,851,517</b>  |
| <b>Expenditures</b>  |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| Education  |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| Instruction  | 124,140,690           | 122,429,724           | 122,077,227           | 114,341,413            | 113,796,681         | 113,842,163         | 115,226,720            | 119,373,035            | 110,480,833         | 115,612,999         |
| Administration, attendance, and health services                      | 9,613,317             | 9,147,561             | 9,135,725             | 8,233,301              | 8,603,177           | 7,662,399           | 6,986,774              | 7,676,234              | 8,085,983           | 8,923,826           |
| Pupil transportation   | 6,436,246             | 6,958,562             | 6,773,135             | 6,629,540              | 6,874,947           | 6,256,064           | 5,619,907              | 6,853,967              | 5,888,145           | 6,255,707           |
| Operation and maintenance  | 15,362,909            | 15,389,992            | 15,596,604            | 16,171,373             | 15,400,181          | 15,303,513          | 15,901,140             | 14,647,181             | 14,903,276          | 15,903,972          |
| Information technology   | 7,139,987             | 8,999,880             | 5,593,353             | 9,657,311              | 6,937,348           | 4,076,650           | 4,623,016              | 4,023,227              | 3,145,672           | 3,515,259           |
| Food services  | 8,541,348             | 8,314,520             | 8,200,378             | 8,193,183              | 7,857,325           | 7,907,351           | 7,775,261              | 7,302,658              | 6,897,865           | 6,459,186           |
| Debt service   |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| Principal  | -                     | -                     | 1,021,027             | -                      | 1,870,027           | 839,356             | 723,518                | 670,048                | 619,364             | 571,338             |
| Interest   | -                     | -                     | 10,390                | 77,612                 | 113,167             | 146,251             | 205,511                | 231,923                | 256,335             | 278,856             |
| Self insured health  | -                     | -                     | -                     | 9,073,104              | 9,073,104           | -                   | -                      | -                      | -                   | -                   |
| Capital outlay   | -                     | -                     | -                     | -                      | -                   | -                   | 7,772,350              | 11,135,784             | 12,656,098          | 12,952,449          |
| <b>Total Expenditures</b>  | <b>171,234,497</b>    | <b>171,240,239</b>    | <b>168,407,839</b>    | <b>172,376,837</b>     | <b>170,525,957</b>  | <b>156,033,747</b>  | <b>164,834,197</b>     | <b>171,914,057</b>     | <b>162,933,571</b>  | <b>170,473,592</b>  |
| <b>Excess (deficiency) of revenues over (under) expenditures</b>     | <b>(1,154,403)</b>    | <b>(763,593)</b>      | <b>(1,073,870)</b>    | <b>(11,401,658)</b>    | <b>7,203,856</b>    | <b>3,645,954</b>    | <b>(11,593,976)</b>    | <b>(3,925,106)</b>     | <b>2,255,502</b>    | <b>5,377,925</b>    |
| <b>Other financing sources (uses)</b>                                |                       |                       |                       |                        |                     |                     |                        |                        |                     |                     |
| To City of Portsmouth  | -                     | (636,000)             | -                     | -                      | -                   | -                   | (3,750,269)            | (9,943,797)            | -                   | -                   |
| From City of Portsmouth  | -                     | -                     | -                     | -                      | -                   | -                   | -                      | 2,100,000              | -                   | -                   |
| Transfers in   | 1,458,767             | 2,191,833             | 1,826,129             | 1,959,906              | 2,157,946           | 1,700,474           | 3,371,474              | 4,938,382              | 12,341,708          | 8,240,115           |
| Transfers out  | (1,458,767)           | (1,555,833)           | (1,826,129)           | (1,658,473)            | (2,157,946)         | (1,700,474)         | (3,371,474)            | (4,938,382)            | (12,341,708)        | (8,240,115)         |
| <b>Total Other Financing Sources (Uses), net</b>                     | <b>-</b>              | <b>-</b>              | <b>-</b>              | <b>301,433</b>         | <b>-</b>            | <b>-</b>            | <b>(3,750,269)</b>     | <b>(7,843,797)</b>     | <b>-</b>            | <b>-</b>            |
| <b>Total Net Change in Fund Balances</b>                             | <b>\$ (1,154,403)</b> | <b>\$ (1,073,870)</b> | <b>\$ (1,073,870)</b> | <b>\$ (11,100,225)</b> | <b>\$ 7,203,856</b> | <b>\$ 3,645,954</b> | <b>\$ (15,344,245)</b> | <b>\$ (11,768,903)</b> | <b>\$ 2,255,502</b> | <b>\$ 5,377,925</b> |
| <b>Ratio of debt service expenditures to noncapital expenditures</b> | 0.00%                 | 0.00%                 | 0.62%                 | 0.05%                  | 1.24%               | 0.64%               | 0.60%                  | 0.56%                  | 0.59%               | 0.54%               |

Source: Comprehensive Annual Financial Report for relevant year.

**OPERATING INDICATORS (unaudited)**  
**OWN SOURCE REVENUE**  
**LAST TEN FISCAL YEARS**

|                   | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Enrollment        |              |              |              |              |              |              |              |              |              |              |
| Level             |              |              |              |              |              |              |              |              |              |              |
| Elementary        | 7,724        | 7,823        | 7,906        | 8,106        | 8,293        | 8,284        | 8,329        | 8,397        | 8,322        | 8,444        |
| Middle            | 1,881        | 1,887        | 1,966        | 2,078        | 2,107        | 2,082        | 2,112        | 2,133        | 1,985        | 1,908        |
| High              | 3,506        | 3,678        | 3,677        | 3,721        | 3,690        | 3,710        | 3,689        | 3,716        | 3,740        | 3,916        |
| Unassigned        | 574          | 632          | 663          | 727          | 719          | 733          | 833          | 883          | 862          | 783          |
| School Lunches    |              |              |              |              |              |              |              |              |              |              |
| Full              | \$ 68,429    | \$ 66,279    | \$ 68,537    | \$ 66,398    | \$ 83,872    | \$ 96,420    | \$ 95,870    | \$ 101,059   | \$ 103,859   | \$ 116,604   |
| Reduced           | 128,872      | 132,140      | 137,933      | 150,210      | 106,442      | 228,263      | 261,196      | 244,129      | 293,913      | 295,092      |
| Free              | 4,252,986    | 4,269,059    | 3,910,738    | 3,919,816    | 1,597,406    | 3,195,004    | 3,278,722    | 3,194,494    | 3,038,131    | 2,868,045    |
| Total             | \$ 4,450,287 | \$ 4,467,478 | \$ 4,117,208 | \$ 4,136,424 | \$ 1,787,720 | \$ 3,519,687 | \$ 3,635,788 | \$ 3,539,682 | \$ 3,435,903 | \$ 3,279,741 |
| School Breakfasts |              |              |              |              |              |              |              |              |              |              |
| Full              | \$ 65,360    | \$ 53,235    | \$ 61,744    | \$ 56,977    | \$ 86,640    | \$ 88,996    | \$ 96,489    | \$ 106,502   | \$ 111,361   | \$ 106,848   |
| Reduced           | 83,876       | 73,735       | 89,730       | 79,352       | 221,597      | 110,241      | 118,272      | 146,186      | 166,965      | 159,261      |
| Free              | 2,362,883    | 2,065,140    | 2,073,085    | 1,983,937    | 3,180,389    | 1,552,544    | 1,560,571    | 1,551,953    | 1,394,510    | 1,343,457    |
| Total             | \$ 2,512,119 | \$ 2,192,110 | \$ 2,224,559 | \$ 2,120,266 | \$ 3,488,626 | \$ 1,751,781 | \$ 1,775,332 | \$ 1,804,641 | \$ 1,672,836 | \$ 1,609,566 |
| Meal Prices       |              |              |              |              |              |              |              |              |              |              |
| Breakfast         |              |              |              |              |              |              |              |              |              |              |
| Elementary        | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         |
| Middle            | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         |
| High              | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         | Free         |
| Adult Ed          | A la carte   | A la carte   | A la carte   | A la carte   | A la carte   | A la carte   | \$ 1.00      | \$ 1.00      | \$ 1.00      | \$ 1.00      |
| Lunches           |              |              |              |              |              |              |              |              |              |              |
| Elementary        | \$ 1.65      | \$ 1.65      | \$ 1.60      | \$ 1.50      | \$ 1.45      | \$ 1.45      | \$ 1.35      | \$ 1.35      | \$ 1.35      | \$ 1.25      |
| Middle            | 1.65         | 1.65         | 1.60         | 1.50         | 1.45         | 1.45         | 1.35         | 1.35         | 1.35         | 1.25         |
| High              | 1.65         | 1.65         | 1.60         | 1.50         | 1.45         | 1.45         | 1.35         | 1.35         | 1.35         | 1.25         |
| Reduced           | 0.40         | 0.40         | 0.40         | 0.40         | 0.40         | 0.40         | 0.40         | 0.40         | 0.40         | 0.30         |
| Adult Ed          | 3.25         | 3.00         | 3.00         | 2.90         | 2.85         | 2.85         | 2.75         | 2.75         | 2.75         | 2.75         |

Source: Portsmouth Public Schools - Food Services Division.



**CAPITAL LEASES (unaudited)**

|      | 1                   |                     | 2                   |                             | 1÷2                                       | Total                            | Percent            | Per      |
|------|---------------------|---------------------|---------------------|-----------------------------|---|----------------------------------|--------------------|----------|
| Year | Principal           | Interest            | Total Payment       | Guaranteed Savings per Year | Percentage of Guaranteed Savings per Year | Percentage of Guaranteed Savings | of Personal Income | Capita   |
| 2010 | \$ 571,338          | \$ 278,856          | \$ 850,194          | \$ 853,899                  | 99.57%                                    | 9.80%                            |                    |          |
| 2011 | 619,364             | 256,335             | 875,699             | 879,516                     | 99.57%                                    | 10.09%                           |                    |          |
| 2012 | 1,393,566           | 437,433             | 1,830,999           | 1,838,979                   | 99.57%                                    | 21.11%                           |                    |          |
| 2013 | 779,908             | 176,992             | 956,900             | 961,071                     | 99.57%                                    | 11.03%                           |                    |          |
| 2014 | 839,356             | 146,251             | 985,607             | 989,903                     | 99.57%                                    | 11.36%                           |                    |          |
| 2015 | 1,870,027           | 190,779             | 2,060,806           | 2,069,788                   | 99.57%                                    | 23.76%                           |                    |          |
| 2016 | -                   | -                   | -                   | -                           | 0.00%                                     | 0.00%                            |                    |          |
| 2017 | 1,021,027           | 10,390              | 1,031,417           | 1,081,694                   | 95.35%                                    | 11.89%                           |                    |          |
| 2018 | -                   | -                   | -                   | -                           | 0.00%                                     | 0.00%                            |                    |          |
| 2019 | -                   | -                   | -                   | -                           | 0.00%                                     | 0.00%                            |                    |          |
|      | <u>\$ 7,094,586</u> | <u>\$ 1,497,036</u> | <u>\$ 8,591,622</u> | <u>\$ 8,674,850</u>         |   |                                  | 0.22%              | \$ 90.79 |

Source: Personal income figure for total debt as % of per personal income is the latest available figure as of 2017 from the Bureau of Economic Analysis.

Source: Population figure for total debt per capita is the latest 2017 estimate from the U.S. Census Bureau.

Source: CitiMortgage Master Lease Rental Payment Schedule.

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

| <b>Year</b> | <b>Population<br/>(1)</b> | <b>Personal<br/>Income<br/>(thousands)<br/>(3)</b> | <b>Per Capita<br/>Personal<br/>Income<br/>(3)</b> | <b>Median<br/>Age<br/>(1)</b> | <b>School<br/>Enrollment<br/>(2)</b> | <b>Unemployment<br/>Rate<br/>(4)</b> |
|-------------|---------------------------|--|---|-------------------------------|--------------------------------------|--------------------------------------|
| 2019        | *                         | *  | *   | *                             | 13,685                               | 3.90%                                |
| 2018        | 94,632                    | \$ 3,895,933                                       | \$ 41,169   | 35.2                          | 14,020                               | 4.30%                                |
| 2017        | 94,572                    | 3,785,301  | 40,026  | 35.5                          | 14,212                               | 6.00%                                |
| 2016        | 95,252                    | 3,731,013  | 39,170  | 35.2                          | 14,632                               | 6.00%                                |
| 2015        | 96,201                    | 3,780,804  | 39,301  | 34.9                          | 14,809                               | 6.70%                                |
| 2014        | 96,004                    | 3,728,416  | 38,836  | 34.9                          | 14,809                               | 6.90%                                |
| 2013        | 96,205                    | 3,756,474  | 39,047  | 34.9                          | 14,215                               | 7.80%                                |
| 2012        | 96,470                    | 3,701,589  | 38,333  | 34.9                          | 14,256                               | 8.60%                                |
| 2011        | 95,684                    | 3,596,088  | 37,583  | 35.2                          | 14,103                               | 8.70%                                |
| 2010        | 95,535                    | 3,515,478  | 36,762  | 34.5                          | 14,224                               | 9.30%                                |

\* Information not available at this time

(1) Source: Bureau of Economic Analysis and United States Census Bureau.

(2) Source: Portsmouth Public Schools Database Manger.

(3) Source: Bureau of Economic Analysis.

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

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

**Table 8**

**PRINCIPAL EMPLOYERS (unaudited)**  
**CURRENT YEAR AND NINE YEARS AGO**

| Employer                               | 2019                |      |                                     | 2010                |      |                                     |
|--|---------------------|------|-------------------------------------|---------------------|------|-------------------------------------|
|  | Number of Employees | Rank | Percentage of Total City Employment | Number of Employees | Rank | Percentage of Total City Employment |
| Norfolk Naval Shipyard                 | 10,937              | 1    | 21.42%                              | 9,000               | 1    | 18.89%                              |
| Naval Medical Center, Portsmouth       | 6,300               | 2    | 12.34%                              | 5,400               | 2    | 11.33%                              |
| Portsmouth Public Schools              | 2,279               | 4    | 4.46%                               | 2,500               | 4    | 5.25%                               |
| City of Portsmouth                     | 1,838               | 5    | 3.60%                               | 2,585               | 3    | 5.04%                               |
| US Coast Guard Command- Portsmouth     | 1,300               | 3    | 2.55%                               | 1,500               | 6    | 5.43%                               |
| Bon Secours Maryview Medical Center    | 1,300               | 6    | 2.55%                               | 2,400               | 5    | 3.15%                               |
| Earl Industries                        | 900                 | 7    | 1.76%                               | 800                 | 8    | 1.68%                               |
| Virginia International Gateway         | 700                 | 8    | 1.37%                               | -                   |      | -                                   |
| Tidewater Community College            | 375                 | 9    | 0.73%                               | -                   |      | -                                   |
| The Pines Residential Treatment Center | 375                 | 10   | 0.73%                               | -                   |      | -                                   |
| Smithfield of Portsmouth               | -                   |      | -                                   | 450                 | 9    | 0.94%                               |
| Walmar                                 | -                   |      | -                                   | 380                 | 7    | 0.80%                               |
| CDI Marine                             | -                   |      | -                                   | 330                 | 10   | 0.69%                               |
|  | <u>26,304</u>       |      | <u>51.51%</u>                       | <u>25,345</u>       |      | <u>53.20%</u>                       |

Source: City of Portsmouth Comprehensive Annual Financial Report.

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

|                                  | Employee Count |              |              |              |              |              |              |              |              |              |
|----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                  | 2019           | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         |
| School board members             | 11             | 9            | 9            | 9            | 9            | 9            | 9            | 9            | 9            | 9            |
| Superintendent                   | 1              | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            |
| Assistant superintendents        | 4              | 3            | 2            | 1            | 2            | 2            | 1            | 1            | 2            | 2            |
| Public Information Officer       | -              | -            | 1            | 1            | -            | -            | -            | -            | -            | -            |
| Unassigned                       | 8              | 7            | 6            | 6            | 11           | 8            | 12           | 13           | 12           | 12           |
| Coordinators                     | 17             | 16           | 15           | 12           | 5            | 6            | 7            | 7            | 8            | 8            |
| Education specialists            | 31             | 30           | 20           | 20           | 18           | 18           | 17           | 17           | 15           | 14           |
| Supervisors                      | 27             | 28           | 26           | 26           | 27           | 27           | 29           | 30           | 32           | 32           |
| Principals                       | 22             | 24           | 24           | 22           | 25           | 25           | 25           | 25           | 25           | 25           |
| Assistant principals             | 34             | 33           | 28           | 25           | 28           | 29           | 29           | 29           | 31           | 31           |
| Deans                            | -              | -            | 3            | 4            | -            | -            | -            | -            | -            | -            |
| Teachers                         | 1,130          | 1,070        | 918          | 974          | 1,002        | 982          | 1,016        | 1,014        | 1,015        | 1,019        |
| Guidance and other counselors    | 35             | 36           | 31           | 33           | 36           | 36           | 35           | 36           | 38           | 42           |
| Librarians                       | 26             | 22           | 20           | 19           | 19           | 20           | 21           | 22           | 24           | 22           |
| Speech therapists                | 17             | 19           | 18           | 18           | 19           | 19           | 18           | 18           | 19           | 19           |
| School social workers            | 8              | 9            | 8            | 8            | 8            | 8            | 8            | 8            | 9            | 9            |
| Home school liaisons             | 14             | 15           | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |
| Medical staff                    | 31             | 32           | 24           | 29           | 27           | 29           | 30           | 30           | 30           | 31           |
| Psychologists                    | 10             | 10           | 10           | 10           | 10           | 10           | 10           | 10           | 10           | 11           |
| Secretaries                      | 135            | 139          | 126          | 127          | 132          | 128          | 137          | 142          | 139          | 145          |
| Instructional assistants         | 270            | 256          | 194          | 206          | 207          | 202          | 210          | 211          | 205          | 241          |
| Bus drivers and monitors         | 152            | 162          | 146          | 146          | 147          | 157          | 167          | 154          | 153          | 153          |
| Operations and maintenance staff | 144            | 144          | 130          | 131          | 119          | 130          | 132          | 127          | 127          | 144          |
| School crossing guards           | 23             | 22           | 23           | 25           | 27           | 27           | 28           | 29           | 32           | 28           |
| In school suspension             | 10             | 9            | 7            | 7            | 6            | 7            | 7            | 6            | 7            | 7            |
| Security officers                | 32             | 24           | 16           | 16           | 16           | 16           | 16           | 16           | 16           | 16           |
| Attendance officers              | 5              | 4            | 4            | 3            | 3            | 3            | 3            | 3            | 3            | 3            |
| Print shop personnel             | -              | -            | -            | -            | 1            | 3            | 4            | 4            | 4            | 4            |
| Cafeteria staff                  | 100            | 105          | 95           | 109          | 118          | 117          | 117          | 119          | 114          | 122          |
| Purchasing personnel             | 3              | 4            | 3            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |
| Technology personnel             | 23             | 25           | 21           | 21           | 20           | 19           | 20           | 20           | 21           | 22           |
| Other                            | 16             | 13           | 12           | 13           | 14           | 16           | 17           | 17           | 16           | 14           |
|                                  | <b>2,339</b>   | <b>2,271</b> | <b>1,943</b> | <b>2,061</b> | <b>2,061</b> | <b>2,058</b> | <b>2,130</b> | <b>2,122</b> | <b>2,121</b> | <b>2,190</b> |

Sources: Portsmouth Public Schools - Finance Department.  
 Filled positions only.

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

|             | Number of Teachers | Average Teacher Age | Average Teacher Salary | Education Level |     |     |     |
|-------------|--------------------|---------------------|------------------------|-----------------|-----|-----|-----|
|             |                    |                     |                        | BA              | MA  | CAS | PHD |
| <b>2019</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 583                | 46.0                | \$ 52,832              | 256             | 273 | 48  | 6   |
| Middle      | 157                | 47.0                | 53,977                 | 32              | 107 | 11  | 1   |
| High        | 271                | 46.0                | 53,159                 | 126             | 121 | 22  | 2   |
| Unassigned  | 36                 | 48.0                | 53,006                 | 5               | 20  | 10  | 1   |
| <b>2018</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 542                | 45.0                | \$ 53,197              | 247             | 247 | 43  | 5   |
| Middle      | 154                | 44.0                | 52,099                 | 90              | 55  | 7   | 2   |
| High        | 277                | 46.0                | 54,677                 | 142             | 116 | 17  | 2   |
| Unassigned  | 43                 | 48.0                | 55,105                 | 20              | 20  | 3   | 0   |
| <b>2017</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 588                | 45.0                | \$ 51,738              | 244             | 300 | 41  | 3   |
| Middle      | 161                | 44.0                | 51,283                 | 84              | 70  | 6   | 1   |
| High        | 283                | 45.0                | 52,454                 | 145             | 115 | 20  | 3   |
| Unassigned  | 50                 | 49.0                | 56,418                 | 12              | 27  | 10  | 1   |
| <b>2016</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 545                | 45                  | \$ 51,128              | 239             | 264 | 39  | 3   |
| Middle      | 146                | 42                  | 49,315                 | 80              | 57  | 7   | 2   |
| High        | 251                | 45                  | 51,602                 | 136             | 98  | 15  | 2   |
| Unassigned  | 28                 | 51                  | 49,096                 | 11              | 16  | 1   | 0   |
| <b>2015</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 510                | 44.8                | \$ 50,007              | 211             | 261 | 35  | 3   |
| Middle      | 151                | 42.4                | 48,336                 | 80              | 63  | 6   | 2   |
| High        | 262                | 46.4                | 51,681                 | 141             | 103 | 16  | 2   |
| Unassigned  | 84                 | 48.8                | 50,090                 | 40              | 38  | 5   | 1   |
| <b>2014</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 517                | 43.5                | \$ 51,552              | 217             | 265 | 33  | 2   |
| Middle      | 141                | 42.7                | 49,479                 | 56              | 62  | 4   | 3   |
| High        | 259                | 45                  | 52,700                 | 135             | 106 | 15  | 3   |
| Other       | 90                 | 49.5                | 53,369                 | 44              | 37  | 6   | 3   |
| <b>2013</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 510                | 43.3                | \$ 51,618              | 181             | 294 | 33  | 2   |
| Middle      | 144                | 41.8                | 50,269                 | 65              | 69  | 9   | 1   |
| High        | 265                | 46.8                | 53,259                 | 125             | 118 | 19  | 3   |
| Other       | 87                 | 48                  | 53,894                 | 20              | 47  | 15  | 5   |
| <b>2012</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 509                | 43.9                | \$ 51,198              | 184             | 297 | 27  | 1   |
| Middle      | 140                | 43.3                | 49,802                 | 66              | 66  | 7   | 1   |
| High        | 255                | 46.1                | 52,669                 | 113             | 122 | 18  | 2   |
| Other       | 89                 | 47.6                | 53,304                 | 23              | 49  | 14  | 3   |
| <b>2011</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 518                | 43.6                | \$ 46,304              | 215             | 278 | 25  | 0   |
| Middle      | 139                | 44.3                | 45,426                 | 72              | 60  | 7   | 0   |
| High        | 266                | 46.2                | 48,384                 | 140             | 110 | 14  | 2   |
| Other       | 90                 | 47.9                | 49,439                 | 40              | 44  | 5   | 1   |
| <b>2010</b> |                    |                     |                        |                 |     |     |     |
| Elementary  | 558                | 43.7                | \$ 48,381              | 299             | 234 | 24  | 1   |
| Middle      | 145                | 44.0                | 47,453                 | 95              | 43  | 7   | 0   |
| High        | 266                | 46.6                | 50,732                 | 156             | 97  | 11  | 2   |
| Other       | 93                 | 46.8                | 49,111                 | 44              | 44  | 4   | 1   |

Source: Portsmouth Public Schools - Human Resource Department.

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

|                   | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Building          |             |             |             |             |             |             |             |             |             |             |
| Elementary        | 13          | 13          | 13          | 13          | 13          | 13          | 13          | 13          | 14          | 14          |
| Middle            | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Unassigned        | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Other             | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Fleet             |             |             |             |             |             |             |             |             |             |             |
| School Buses      | 137         | 171         | 159         | 147         | 143         | 138         | 147         | 147         | 149         | 149         |
| Other             | 86          | 86          | 93          | 68          | 82          | 69          | 71          | 71          | 67          | 62          |
| Athletics         |             |             |             |             |             |             |             |             |             |             |
| Football Fields   | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Running Tracks    | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Baseball/Softball | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           |
| Playgrounds       | 17          | 17          | 17          | 17          | 17          | 17          | 16          | 16          | 17          | 17          |

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

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

**Table 12**

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

|                            | 2019   | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011    | 2010    |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| <b>Elementary Schools:</b> |        |        |        |        |        |        |        |        |         |         |
| Brighton                   |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 56,566 | 56,566 | 56,566 | 56,566 | 56,566 | 56,566 | 56,566 | 56,566 | 56,566  | 56,566  |
| Capacity (Students)        | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650     | 650     |
| Enrollment                 | 422    | 471    | 486    | 492    | 504    | 553    | 501    | 487    | 542     | 612     |
| Churchland Academy         |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 83,000 | 83,000 | 83,000 | 83,000 | 83,000 | 83,000 | 83,000 | 83,000 | 83,000  | 96,000  |
| Capacity (Students)        | 732    | 732    | 732    | 732    | 732    | 732    | 732    | 732    | 732     | 914     |
| Enrollment                 | 712    | 685    | 646    | 673    | 724    | 712    | 695    | 681    | 692     | 913     |
| Churchland Elementary      |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 76,734 | 76,734 | 76,734 | 76,734 | 76,734 | 76,734 | 76,734 | 76,734 | 66,586  | 66,586  |
| Capacity (Students)        | 715    | 715    | 715    | 715    | 715    | 715    | 715    | 715    | 715     | 715     |
| Enrollment                 | 815    | 844    | 815    | 792    | 829    | 845    | 830    | 823    | 808     | 784     |
| Churchland Primary         |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 74,050 | 74,050 | 74,050 | 74,050 | 74,050 | 74,050 | 74,050 | 74,050 | 74,050  | 63,800  |
| Capacity (Students)        | 600    | 600    | 600    | 600    | 600    | 600    | 600    | 600    | 600     | 600     |
| Enrollment                 | 522    | 525    | 601    | 606    | 576    | 562    | 606    | 620    | 637     | 542     |
| Douglass Park              |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 73,755 | 73,755 | 73,755 | 73,755 | 73,755 | 73,755 | 73,755 | 73,755 | 73,755  | 73,755  |
| Capacity (Students)        | 800    | 800    | 800    | 800    | 800    | 800    | 800    | 800    | 800     | 800     |
| Enrollment                 | 631    | 690    | 735    | 724    | 784    | 771    | 707    | 680    | 584     | 613     |
| Hodges Manor               |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 50,133 | 50,133 | 50,133 | 50,133 | 50,133 | 50,133 | 50,133 | 50,133 | 50,133  | 50,133  |
| Capacity (Students)        | 600    | 600    | 600    | 600    | 600    | 600    | 600    | 600    | 600     | 600     |
| Enrollment                 | 568    | 585    | 599    | 583    | 561    | 548    | 558    | 584    | 612     | 572     |
| James Hurst                |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 75,105 | 75,105 | 75,105 | 75,105 | 75,105 | 75,105 | 75,105 | 75,105 | 75,105  | 63,525  |
| Capacity (Students)        | 775    | 775    | 775    | 775    | 775    | 775    | 775    | 775    | 775     | 775     |
| Enrollment                 | 601    | 569    | 643    | 681    | 715    | 707    | 706    | 736    | 666     | 615     |
| John Tyler                 |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 61,040 | 61,040 | 61,040 | 61,040 | 61,040 | 61,040 | 61,040 | 61,040 | 106,749 | 106,749 |
| Capacity (Students)        | 700    | 700    | 700    | 700    | 700    | 700    | 700    | 700    | 700     | 700     |
| Enrollment                 | 624    | 634    | 605    | 645    | 664    | 692    | 679    | 711    | 741     | 702     |
| Lakeview                   |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 60,009 | 60,009 | 60,009 | 60,009 | 60,009 | 60,009 | 60,009 | 60,009 | 60,009  | 60,009  |
| Capacity (Students)        | 660    | 660    | 660    | 660    | 660    | 660    | 660    | 660    | 660     | 660     |
| Enrollment                 | 459    | 453    | 456    | 470    | 514    | 526    | 541    | 546    | 544     | 590     |
| Olive Branch               |        |        |        |        |        |        |        |        |         |         |
| Square feet                | -      | -      | -      | -      | -      | -      | -      | -      | 32,700  | 32,700  |
| Capacity (Students)        | -      | -      | -      | -      | -      | -      | -      | -      | 455     | 455     |
| Enrollment                 | -      | -      | -      | -      | -      | -      | -      | -      | 367     | 367     |
| Park View                  |        |        |        |        |        |        |        |        |         |         |
| Square feet                | 79,998 | 79,998 | 79,998 | 79,998 | 79,998 | 79,998 | 79,998 | 79,998 | 79,998  | 79,998  |
| Capacity (Students)        | 762    | 762    | 762    | 762    | 762    | 762    | 762    | 762    | 762     | 762     |
| Enrollment                 | 579    | 534    | 536    | 590    | 589    | 606    | 649    | 614    | 613     | 636     |

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

|  | 2019    | 2018    | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Elementary Schools (continued):</b> |         |         |         |         |         |         |         |         |         |         |
| Simonsdale                             |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 81,165  | 81,165  | 81,165  | 81,165  | 81,165  | 81,165  | 81,165  | 81,165  | 33,300  | 33,300  |
| Capacity (Students)                    | 700     | 700     | 700     | 700     | 700     | 700     | 700     | 700     | 325     | 325     |
| Enrollment                             | 664     | 694     | 659     | 705     | 726     | 721     | 751     | 757     | 292     | 307     |
| Victory Elementary                     |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 78,142  | 78,142  | 78,142  | 78,142  | 78,142  | 78,142  | 78,142  | 78,142  | 78,142  | 78,142  |
| Capacity (Students)                    | 540     | 540     | 540     | 540     | 540     | 540     | 540     | 540     | 540     | 540     |
| Enrollment                             | 599     | 582     | 555     | 570     | 538     | 495     | 561     | 571     | 622     | 640     |
| Westhaven                              |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 65,077  | 65,077  | 65,077  | 65,077  | 65,077  | 65,077  | 65,077  | 61,040  | 61,040  | 65,077  |
| Capacity (Students)                    | 670     | 670     | 670     | 670     | 670     | 670     | 670     | 670     | 670     | 670     |
| Enrollment                             | 528     | 557     | 570     | 575     | 569     | 546     | 545     | 587     | 602     | 551     |
| Port Norfolk                           |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | -       | -       | -       | -       | -       | -       | -       | -       | -       | 28,700  |
| Capacity (Students)                    | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Enrollment                             | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Clarke Academy                         |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 |
| Capacity (Students)                    | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Enrollment                             | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| <b>Middle Schools:</b>                 |         |         |         |         |         |         |         |         |         |         |
| Churchland                             |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 |
| Capacity (Students)                    | 1,141   | 1,141   | 1,141   | 1,141   | 1,141   | 1,141   | 1,141   | 1,141   | 1,141   | 1,141   |
| Enrollment                             | 849     | 859     | 871     | 901     | 908     | 893     | 912     | 921     | 841     | 861     |
| Cradock                                |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 106,220 | 106,220 | 106,220 | 106,220 | 106,220 | 106,220 | 106,220 | 106,220 | 106,220 | 106,220 |
| Capacity (Students)                    | 885     | 885     | 885     | 885     | 885     | 885     | 885     | 885     | 885     | 885     |
| Enrollment                             | 466     | 491     | 530     | 579     | 589     | 607     | 612     | 616     | 599     | 525     |
| William E. Waters                      |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 |
| Capacity (Students)                    | 872     | 872     | 872     | 872     | 872     | 872     | 872     | 872     | 872     | 872     |
| Enrollment                             | 566     | 537     | 565     | 598     | 610     | 582     | 588     | 596     | 545     | 522     |
| Hunt/Mapp                              |         |         |         |         |         |         |         |         |         |         |
| Square feet                            | -       | -       | -       | -       | -       | -       | -       | -       | -       | 235,946 |
| Capacity (Students)                    | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Enrollment                             | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |



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

|                              | 2019    | 2018    | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>High Schools:</b>         |         |         |         |         |         |         |         |         |         |         |
| Churchland                   |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 262,000 | 262,000 | 262,000 | 262,000 | 262,000 | 262,000 | 262,000 | 262,000 | 262,000 | 262,000 |
| Capacity (Students)          | 1,871   | 1,871   | 1,871   | 1,871   | 1,871   | 1,871   | 1,871   | 1,871   | 1,871   | 1,871   |
| Enrollment                   | 1,317   | 1,322   | 1,357   | 1,344   | 1,304   | 1,300   | 1,318   | 1,308   | 1,375   | 1,477   |
| I. C. Norcom                 |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 280,812 | 280,812 | 280,812 | 280,812 | 280,812 | 280,812 | 280,812 | 280,812 | 280,812 | 280,812 |
| Capacity (Students)          | 2,006   | 2,006   | 2,006   | 2,006   | 2,006   | 2,006   | 2,006   | 2,006   | 2,006   | 2,006   |
| Enrollment                   | 990     | 1,051   | 1,032   | 1,058   | 1,117   | 1,112   | 1,086   | 1,187   | 1,238   | 1,269   |
| Woodrow Wilson               |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 261,665 | 261,665 | 261,665 | 261,665 | 261,665 | 261,665 | 261,665 | 261,665 | 261,665 | 261,665 |
| Capacity (Students)          | 1,869   | 1,869   | 1,869   | 1,869   | 1,869   | 1,869   | 1,869   | 1,869   | 1,869   | 1,869   |
| Enrollment                   | 1,199   | 1,305   | 1,288   | 1,319   | 1,269   | 1,298   | 1,285   | 1,221   | 1,127   | 1,170   |
| Enrollment -<br>Excel Campus | 194     | 138     | 198     | 246     | 164     | 179     | 186     | 162     | 143     | 143     |
| <b>Centers:</b>              |         |         |         |         |         |         |         |         |         |         |
| Churchland Preschool         |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | -       |
| Capacity (Students)          | 182     | 182     | 182     | 182     | 182     | 182     | 182     | 182     | 182     | -       |
| Enrollment                   | 134     | 148     | 160     | 169     | 181     | 184     | 174     | 175     | 172     | -       |
| DAC Preschool                |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 31,500  | 31,500  | 31,500  | 31,500  | 31,500  | 31,500  | 31,500  | 31,500  | 31,500  | 31,500  |
| Capacity (Students)          | 96      | 96      | 96      | 96      | 96      | 96      | 96      | 96      | 96      | 96      |
| Enrollment                   | -       | -       | -       | -       | -       | -       | -       | -       | 67      | 95      |
| Emily Spong                  |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 30,206  | 30,206  | 30,206  | 30,206  | 30,206  | 30,206  | 30,206  | 30,206  | 30,206  | 30,206  |
| Capacity (Students)          | 288     | 288     | 288     | 288     | 288     | 288     | 288     | 288     | 288     | 288     |
| Enrollment                   | 0       | 0       | 174     | 182     | 154     | 125     | 245     | 250     | 263     | 265     |
| Mt. Hermon                   |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 36,317  | 36,317  | 36,317  | 36,317  | 36,317  | 36,317  | 36,317  | 47,349  | 47,349  | 47,349  |
| Capacity (Students)          | 0       | 0       | 451     | 451     | 451     | 451     | 451     | 451     | 451     | 451     |
| Enrollment                   | 242     | 263     | 159     | 182     | 180     | 226     | 213     | 278     | 258     | 287     |
| Olive Branch Preschool       |         |         |         |         |         |         |         |         |         |         |
| Square feet                  | 32,700  | 32,700  | 32,700  | 32,700  | 32,700  | 32,700  | 32,700  | 32,700  | -       | -       |
| Capacity (Students)          | 455     | 455     | 455     | 455     | 455     | 455     | 455     | 455     | -       | -       |
| Enrollment                   | 198     | 221     | 170     | 194     | 204     | 198     | 201     | 180     | -       | -       |

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

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

| <b>Year</b> | <b>Expenditures</b> | <b>Enrollment</b> | <b>Cost<br/>per<br/>Pupil</b> | <b>Percentage<br/>Change</b> | <b>Teaching<br/>Staff</b> | <b>Pupil/<br/>Teacher<br/>Ratio</b> |
|-------------|---------------------|-------------------|-------------------------------|------------------------------|---------------------------|-------------------------------------|
| 2019        | \$ 171,234,497      | 13,685            | \$ 12,513                     | 2.44%                        | 1,070                     | 12.79                               |
| 2018        | 171,240,239         | 14,020            | 12,214                        | 3.07%                        | 1,070                     | 13.10                               |
| 2017        | 168,407,839         | 14,212            | 11,850                        | 6.17%                        | 918                       | 15.48                               |
| 2016        | 163,303,733         | 14,632            | 11,161                        | -3.08%                       | 974                       | 15.02                               |
| 2015        | 170,525,957         | 14,809            | 11,515                        | 10.07%                       | 1,002                     | 14.78                               |
| 2014        | 154,924,247         | 14,809            | 10,461                        | -6.46%                       | 982                       | 15.08                               |
| 2013        | 158,984,466         | 14,215            | 11,184                        | -2.38%                       | 1,016                     | 13.99                               |
| 2012        | 163,335,746         | 14,256            | 11,457                        | 4.77%                        | 1,014                     | 14.06                               |
| 2011        | 154,222,462         | 14,103            | 10,935                        | -3.90%                       | 1,015                     | 13.89                               |
| 2010        | 161,856,233         | 14,224            | 11,379                        | -3.81%                       | 1,019                     | 13.96                               |

Note: Expenditures only include General and Special Revenue Funds.

Source: Portsmouth Public Schools - Human Resource and Finance Departments.

Filled positions only.

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***COMPLIANCE SECTION***

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**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***

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

We have audited, 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 Audit 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 City of Portsmouth, Virginia School Board ("School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2019, 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 April 14, 2020.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Board'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.

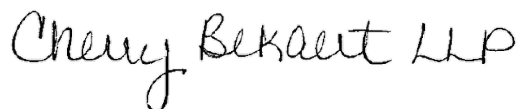
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Counties, Cities, and Towns*.

**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 purposes.

A handwritten signature in black ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia  
April 14, 2020